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PRIME MINISTER

ACCOUNTING OFFICERS MEMORANDUM

With your approval, the Treasury have just issued to all Accounting Officers, and sent to the Public Accounts Committee, a revised version of the memorandum which sets out the responsibilities of an Accounting Officer.

You asked that copies should also be circulated to Ministers. The purpose of this minute, which I am copying to all Cabinet colleagues and to Sir Robert Armstrong, is to do that.

... A copy of the new text of the memorandum is attached.

By way of explanation to our colleagues, I record that this is the memorandum sent by the Treasury to those appointed as Accounting Officers for Appropriation and certain other Accounts. The version hitherto in use had been redrafted from time to time, but dated mainly from the early 1950s. The new version has been extensively rewritten. It is designed to be more precise and more accurate than the old on many points, and to deal more specifically with various special cases, such as the additional Accounting Officers appointed in certain major departments, and with certain non-departmental bodies. It sets the responsibilities of an Accounting Officer more specifically within the general framework of Ministerial responsibility and accountability, and avoids confusing implications of dual and possibly conflicting responsibility



to Parliament as well as to the Minister. An Accounting Officer does have responsibilities towards Parliament, but they are different from, and consistent with, his responsibilities towards his Minister. The supremacy of Ministerial authority is now stated unequivocally. This does not change the function of the Accounting Officer in relation to the Public Accounts Committee.

The new version omits the previously traditional reference to an Accounting Officer being personally liable to refund expenditure deemed by the PAC as improper. This had become an anachronism. The legal advice is that there is no basis for it in law or in House of Commons procedure. And in modern conditions the sums of money which in practice engage the attention of the PAC are too large to make it realistic.

In transmitting the new memorandum to Accounting Officers the Treasury have reminded them, as you asked, that they are expected to observe the spirit as well as the letter of the memorandum, and that the change in no way diminishes the personal significance of the responsibilities carried by an Accounting Officer for the proper stewardship of the public money and resources placed in his charge.

(G.H.)

31 March 1981

THE RESPONSIBILITIES OF AN ACCOUNTING OFFICER

A Permanent Secretary (or permanent head of a minor department who may be of lower rank) is appointed by his departmental Minister with the approval of the Prime Minister. Among his other responsibilities, he is responsible to his Minister for the propriety and regularity of his department's expenditure, and for prudent and economical administration. All his functions are governed by the two fundamental principles, that it is the Minister in charge of a department who is responsible to Parliament for all aspects of its policies, organisation and management, and that officials derive their authority from the Minister in charge of their department and are accountable to him for their actions.*

2. In most cases the Permanent Secretary is the Accounting Officer for Votes and accounts administered by his department. In certain departments Accounting Officer responsibility for certain Votes or other accounts is sometimes assigned to very senior officials other than the head of the department, usually of the rank of Second Permanent Secretary. The position of these other departmental Accounting Officers, in so far as it differs from that of permanent heads, is described in paragraphs 19-20 below. The duties of Accounting Officers for non-departmental bodies are described in paragraphs 21-25.

3. Appointment as Accounting Officer is made by the Treasury in compliance with Section 22 of the Exchequer and Audit Departments Act 1866. It lays on the appointee the personal duty of signing the accounts specified in his letter of appointment and, by virtue of that duty, the further duty of being the principal witness on behalf of the department before the Committee of Public Accounts (PAC), to deal with questions arising from those accounts. From these duties flow certain responsibilities which are in any event part of the responsibilities of a Permanent Secretary, but which are traditionally associated with, and emphasised by, his role as Accounting Officer. It is these responsibilities which are the subject of this memorandum.

* This paragraph describes the common case of a Government department with a departmental Minister and a permanent head. In some cases the machinery of appointment is different, and specific powers may be vested in, for example, the Commissioners of Inland Revenue, and Customs and Excise, or in certain named office-holders, so that to this extent they may have authority not derived from Ministers. Nevertheless Ministers remain answerable for them to Parliament. The principles set out in the rest of this paper are therefore relevant to the Accounting Officers for these departments too.

4. The standard practice of appointing the permanent head of a department as the Accounting Officer for that department's Votes and accounts reflects the view that finance is an inseparable element in most policy questions, and financial responsibility an inseparable part of efficient organisation and management. The permanent head is the only official in a position to discharge responsibility as a whole for the money entrusted to the department, for its resources of manpower, and for the control of assets in its keeping such as land, buildings or other property.

5. The responsibilities of an Accounting Officer can be summarised as follows:

- (a) He must sign the Appropriation and other Accounts assigned to him. Although the underlying accounting work will have to be carried out by members of the department on his behalf, the Accounting Officer's signature implies personal responsibility for the correctness of the account and, in the case of a trading account, that in his opinion it is properly drawn up so as to exhibit a true and fair view of the transactions and state of affairs of the services to which it relates. In the case of other accounts, known as "White Paper" accounts, prescribed by specified legislation, for example in regard to advances to nationalised industries, the legislative context generally determines the nature and extent of the Accounting Officer's responsibilities.
- (b) He must ensure that correct financial procedures are followed, including specifically those mentioned in paragraphs 7 and 8 below; and more broadly that the accounts for which he is responsible are maintained in a form suited to the requirements of management as well as in the form prescribed for Vote accounting purposes.
- (c) He must ensure that the public funds for which he is responsible as Accounting Officer are properly safeguarded, with independent and effective checks, made without reference to personal considerations, of cash balances in the hands of any official. Similar care, including checks as appropriate, must be taken of stores or any public property.

- (d) He must ensure that, in the consideration of policy proposals relating to the expenditure or income for which he is Accounting Officer, all relevant financial considerations are taken into account, and where necessary brought to the attention of Ministers with appropriate emphasis and in an appropriate form. These considerations include the need for economy and the avoidance of extravagance or waste.
- (e) Similarly he must ensure that in the implementation of expenditure programmes as authorised by Ministers proper regard is given to economy and the avoidance of waste.

6. Proper management of expenditure includes the preparation of the material on which decisions are taken; the efficiency with which administrative operations are carried out; the cost-consciousness of staff at all levels; the provision of special skills and services (scientific, statistical, accountancy, O & M etc) for handling particular problems, and the selection and training of staff. Good management requires effective delegation. A person appointed to be an Accounting Officer cannot perform himself, or even closely supervise, all the various procedures needed to carry out his responsibilities. He must make sure that his department is organised and staffed on sound lines, particularly in the finance and establishment branches so as to provide for proper delegation of duties. He should pay particular attention to the adequacy and effectiveness of arrangements for internal audit. The officer in charge of this function should normally be responsible to the Principal Finance Officer, with direct access to the Accounting Officer where necessary.

Regularity and Propriety of Expenditure

7. An Accounting Officer has a particular responsibility for ensuring compliance with Parliamentary requirements in the control and management of expenditure. A fundamental requirement is that the funds for which he is responsible should be applied only to the extent and for the purposes authorised by Parliament. In the case of voted expenditure he must ensure that any payments made are within the ambit and amount of the Vote, and that Parliamentary approval has been sought and given. In cases not covered by the original estimate, eg in connection with a service not contemplated when the original estimate was presented, or where a temporary advance from the Contingencies Fund has been sanctioned by the Treasury, he must

ensure that Parliamentary approval is sought and given at the earliest opportunity by way of a Supplementary Estimate, or if necessary Excess Vote. In cases involving losses or special payments, he must ensure that Parliament's attention is drawn to the matter by suitable notation of the Appropriation Account.

8. The Accounting Officer is responsible for ensuring that specific Treasury or Civil Service Department sanction for the expenditure has been obtained in all cases where it is required. It is required for any expenditure not covered by any standing authorities delegated by the Treasury or the Civil Service Department to the Department. It is required before expenditure is incurred on any subhead of a Vote in excess of the amount specified for that subhead in the Estimates, even though savings may be available elsewhere and the expenditure itself falls within the delegated authority of the department. Expenditure may never be incurred in excess of the total net sum authorised by Parliament to be spent on any one Vote, save where a temporary advance from the Contingencies Fund has been sanctioned by the Treasury, in which case as mentioned in paragraph 7 Parliamentary approval for its repayment must be sought at the earliest opportunity. The Accounting Officer is also responsible for ensuring that adequate machinery exists for the collection and bringing to account in due form of all receipts of any kind connected with the Votes and accounts for which he is responsible.

Relations with the Minister

9. The Accounting Officer has particular responsibility to see that appropriate advice is tendered to Ministers on all matters of financial propriety and regularity and more broadly as to all considerations of prudent and economical administration. He will need to determine how and in what terms such advice should be tendered, and whether in a particular case to make specific reference to his own duty as Accounting Officer to justify to the PAC his department's expenditure.

10. If the Minister in charge of the department is contemplating a course of action involving a payment which the Accounting Officer considers would infringe the requirements of propriety or regularity, the Accounting Officer should set out in writing his objection to the proposed expenditure and the reasons for his objection. If the Minister decides nonetheless to proceed, the Accounting Officer should seek a written instruction to make the payment. Having received such an instruction, the Accounting Officer must comply with it, but should then inform the Treasury (who will in turn inform the Civil Service Department where appropriate) of what has occurred, and should also communicate the papers to the Comptroller and Auditor General. Provided that this procedure has been followed, the PAC can be expected to recognise that the Accounting Officer bears no personal responsibility for the expenditure.

11. If a course of action is in contemplation which raises an issue not of formal propriety or regularity but more widely of prudent and economical administration, it is the duty of the Accounting Officer to draw the relevant factors to the attention of his Minister and to advise him in whatever way he deems appropriate. He may think it right to refer to the possibility of criticism by the PAC. If his advice is overruled, he should ensure that both his advice and the overruling of it are apparent clearly from the papers.

Appearance before the PAC

12. An Accounting Officer appears before the PAC to answer their questions concerning the expenditure from the Votes and other accounts for which he is Accounting Officer and related activities. He may be supported by other officials, who may, and commonly do, join in giving the evidence.

13. The Financial Secretary to the Treasury is formally a member of the Committee but rarely attends. Treasury officials regularly attend Committee hearings and are usually asked to comment on the evidence. They then speak as representatives of the Executive and subject to collective Ministerial authority, but are expected to comment from the standpoint of the department which has the formal responsibility for presenting Estimates to Parliament and for prescribing the form of accounts. This goes with the Treasury's central responsibility for the operation of public expenditure control. Parliament has traditionally regarded the Treasury as an ally in controlling expenditure.

14. The Accounting Officer will be expected to furnish the PAC with explanations of any indications of irregularity, waste or extravagance or inefficient administration, or weakness in financial procedure, to which their attention has been drawn by the Comptroller and Auditor General or about which they may wish to question the Accounting Officer.

15. In practice, the Accounting Officer will have delegated authority widely, but he cannot on that account disclaim his responsibility. Nor, by convention, does the incumbent Accounting Officer decline to answer questions where the events took place before he assumed his appointment; the Committee may be expected not to press his personal responsibility in such circumstances.

16. The Committee have emphasised the importance they attach to accuracy of evidence, and the responsibility of witnesses to ensure this. The Accounting Officer should ensure that he is adequately and accurately briefed on matters on which he gives evidence. He may ask the Committee for leave to supply information not within his immediate knowledge by means of a later note. Should it be discovered subsequently that the evidence provided to the Committee has contained errors, these should be made known to the Committee at the earliest possible moment.

17. In general, the rules and conventions governing appearances of officials before Parliamentary Committees apply to the PAC, including the general convention that civil servants do not disclose the advice given to Ministers. Nevertheless, in a case where the procedure described in paragraph 10 was used concerning a matter of propriety or regularity of expenditure, the Accounting Officer's advice and its overruling by the Minister, would be disclosed

to the PAC. In a case where advice of an Accounting Officer has been overruled in a matter not of propriety or regularity but of prudent and economical administration it will be appropriate for an Accounting Officer, questioned about the matter at the PAC, to lay stress on the fact that it was a decision by his Minister. He should seek to avoid disclosing advice given to his Minister, but should be ready to explain the reasons for the Minister's decision and may be called on to satisfy the Committee that all relevant financial considerations were brought to the Minister's attention before the decision was taken. It will then be for the PAC to pursue the matter further with the Minister if they so wish.

Absence of Accounting Officer

18. The PAC may be expected to postpone a hearing if the relevant Accounting Officer is temporarily indisposed. Where the Accounting Officer is unable by reason of incapacity or absence to sign the Appropriation Account in time to render it to the Comptroller and Auditor General, the department may render unsigned copies pending his return. If the Accounting Officer is unable to sign the Account in time for printing the department should ask the Treasury to appoint an interim Accounting Officer.

Additional Accounting Officers

19. Where one or more senior officials, other than the permanent head of the department, are appointed as Accounting Officers for certain Votes or accounts, there should be a clear understanding of their relationship not only with their Minister but also with the permanent head. The permanent head remains in general charge of the department, and in particular, of its organisation, management and staffing and department-wide procedures in financial and other matters. He must ensure that these promote the efficient and economical conduct of all its affairs, and safeguard financial propriety and regularity throughout the department. It is within that framework that any additional Accounting Officers are responsible for the Votes and accounts assigned to them. In matters affecting their responsibilities as Accounting Officer, their judgement

should only be overridden by or with the specific agreement of their Minister. In such cases the Minister may also seek the views of the permanent head.

20. The position of an additional Accounting Officer when he appears before the PAC is thus different from that of a permanent head who carries full responsibility under his Minister for the organisation and management of his department as a whole. An additional Accounting Officer is however able, on the basis of his discharge of his own responsibilities, to answer most questions which may be raised by the PAC concerning expenditure and activities in his field. If PAC questioning is directed to matters determined by the permanent head and the additional Accounting Officer finds himself in difficulty in responding, the Committee could be expected to accede to a suggestion that they seek evidence from the permanent head as well as from the Accounting Officer for the expenditure under discussion.

Accounting Officer Appointments in Non-Departmental Bodies

21. The Treasury also appoints Accounting Officers for some non departmental public bodies (eg the Manpower Services Commission, most museums and galleries, the Scottish and Welsh Development Agencies and the Research Councils). Appointments of this kind are made by analogy with appointments of Accounting Officers in departments. The normal practice is to appoint the senior full-time officer of the body. Those so appointed have broadly the same duties as Departmental Accounting Officers as described above and exercise them on behalf of the office holder or holders in charge of the body. With the exception of bodies (such as museums and galleries) with their own Vote, the responsibilities of these Accounting Officers are confined to the grant in aid account of the body which is financed from the Vote of its sponsoring department.

22. Whether or not a grant-aided body has its own Accounting Officer, the responsibility of the Accounting Officer in the sponsor department is to ensure that the conditions attached to the grant-in-aid conform with the terms of the Vote; to monitor compliance with these conditions by the body; and to satisfy himself that the financial and other controls applied by the department are appropriate and sufficient to safeguard public funds. Among other things he will need to satisfy himself about the quality of its management. The Accounting Officer of the body in receipt of the grant-in-aid has a special responsibility to see that the rules and conditions laid down by the Department issuing the grant-in-aid are observed.

23. An Accounting Officer in a grant-aided body will normally appear before the PAC alongside the Departmental Accounting Officer responsible for the payment of the grant-in-aid.

24. The absence of an Accounting Officer appointment in a non-departmental body does not lessen the nature and scope of its accountability to Ministers and through them to Parliament, or the right of the PAC to take evidence direct from the body if it wishes. The approved signatory of the accounts, normally the Chairman or Chief Executive, will, as in the case of a Departmental Accounting Officer, automatically assume a primary responsibility to answer for that body in any examination by the PAC and may be summoned to appear before the Committee for that purpose.