

CONFIDENTIAL

Reference would be the best choice. I should be possible. A good letter could do it. I should be possible. I should be possible. I should be possible.

PRIME MINISTER

INTERNAL AUDIT AND FINANCIAL CONTROL

When you saw Sir Douglas Wass's recent progress report on the establishment of a case study on departmental systems of internal audit and financial control, you expressed reservations about the choice of MAFF for the first exercise because you felt that it was a comparatively small department with relatively low expenditure. You went on to say that we should do a pilot study in a department with high expenditure as well. I passed on your comments to Sir Douglas Wass.

He has now replied in the attached letter. He accepts that MAFF may not be a typical department but doubts whether there is such a thing as a truly representative department as far as internal audit and financial control are concerned. And he goes on to suggest that the second case study should be conducted not in one of the very big spending departments such as the DHSS or the MOD but in the Department of Industry. Sir Douglas Wass does not say so in his letter, but I imagine that one of the objections to doing a case study in one of the very big departments is that if the study was to be accomplished in a reasonable period of time and at not too great a cost (the MAFF study is costing £200,000), it would not be possible to review the totality of the department's systems but only a part of them. On the other hand, if a middle sized department is picked, the whole of its internal audit and financial control system can be looked at as a piece.

One particular attraction of doing a case study in the DOI is that you have often expressed concern that officials there do not do more when considering financial proposals from the nationalised industries than "check the arithmetic" and fail to ask basic questions about why the expenditure is needed at all, whether it is going to give value for money and what the alternative options are. A case study of the kind proposed

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ought to expose this kind of weakness in the DOI's system.

I have discussed Sir Douglas Wass's letter with David Wolfson and he sees advantage in doing a study in the DOI. Are you content for it to go ahead ?

David Wolfson and I have also looked at the specification for the MAFF study attached to Sir Douglas Wass's letter, and we think that this is generally on the right lines. You will see that the exercise is broken down into three stages (paragraph 7 of the specification), and it is proposed that there should be a meeting between the consultants and Sir Brian Hayes and, possibly, Mr Walker at the end of the first and second stages. David and I think that it would be a good thing if the Treasury, Sir Derek Rayner and he took part in these intermediate reviews. Do you agree ?

DR would have written

When you saw the Lord President's latest report on the 1980 scrutiny of departmental running costs, you said that you would like to see the Ministers and Permanent Secretaries from a couple of departments to discuss the results of their 1981 scrutiny and that you would like to have the help of management consultants for this purpose. We suggested to the Treasury that this was something which might be linked with the case studies of internal audit and financial control since the studies would be bound to cover, amongst other things, departmental systems for controlling running costs. Sir Douglas Wass agrees that this is a feasible way of proceeding and suggests that we here should let the Ministers concerned know that you wish to proceed in this way. May we do this with Mr Walker and, if you agree that the second case study should be done in the DOI, with Sir Keith Joseph ?

12 June 1981

*I just haven't time
before the recess. But it would
seem sensible to choose different
departments for a whole wider
audit study. not*

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H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 3620

Sir Douglas Wass GCB
Permanent Secretary

Clive Whitmore Esq
10 Downing Street
LONDON
SW1

11 June 1981

Dear Clive,

INTERNAL AUDIT AND FINANCIAL CONTROL

Thank you for your letter of 1 June about the case study of departmental control of expenditure.

It may well be that MAFF is not representative of all departments or even of departments generally. I doubt whether there is a truly "representative" department, since each Ministry is distinctive so far as its outgoings are concerned. I suggested MAFF because it seemed to me to be reasonably typical of the generality of those departments which disburse money to achieve particular objectives of Government policy. I rejected departments like Overseas Development Administration, Foreign Office etc, because they are fundamentally different from the ordinary run of spending departments; I decided against departments like the Scottish and Welsh Offices because of their heterogeneity. I thought that the Department of Health and Social Security, the Ministry of Defence and similar giant departments were too big for a pilot study. MAFF fell into a middle, moderately typical, group which included the Department of Industry, the Department of Transport and the Home Office, to name three.

Now that we are reasonably far along the road of launching the MAFF study we can turn our attention to the selection of a second case study. I propose - and I think that David Wolfson agrees with me - that the Department of Industry would be a good department to take and I have been discussing this with Peter Carey. Peter is content to take this assignment on and would handle it in the same way that Brian Hayes is handling his. The terms of reference would be much the same and the consultants would be invited to review the whole apparatus of the department's financial control. Special emphasis would be placed on expenditure under Sections 7 and 8 of the Industry Act (including Section 7 operations in Scotland and Wales) and on regional development grants. As for the firm of consultants, Peter Carey proposes to approach Touche Ross; we agree

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that they would be well suited to this task.

As you will see from the preliminary specifications of the MAFF study, a copy of which I enclose, the costs of that study will be not far short of £200,000. But it promises to be a thorough study, and one which will closely examine the role and effectiveness of internal audit and the efficiency with which departmental programmes are administered. Peter Carey will want these points covered in his case also.

So much for the case studies themselves. In his letter of 3 June to Jonathan Taylor, William Rickett has drawn my attention to the Prime Minister's idea of following up the results of the 1981 scrutiny of departmental running costs by calling in the Ministers and Permanent Secretaries of a couple of departments, possibly plus some management consultants, to examine the outcome of the scrutinies. He asks whether the case studies exercise could be linked with this.

It could certainly be done, and this aspect of costs will be examined, as a relatively minor part of the full studies. You should note that a substantial proportion of Department of Industry running costs stems from the Common Services which are shared with the Department of Trade. So if the Prime Minister wished to examine the Department of Industry, the involvement of the Department of Trade would need to be borne in mind also. If she were disposed to follow this course it ought to be possible to ask the consultants who do the two case studies to take part in the Prime Minister's examination of each.

It will of course be for the Ministers concerned to agree to this procedure and the Prime Minister will no doubt wish to approach them or their Permanent Secretaries direct. But it certainly seems to me that there is no reason of principle or practice why the two exercises could not be linked.

I am sending copies of this letter to Ian Bancroft, Derek Rayner and John Wiggins.

Yours ever,
Douglas

DOUGLAS WASS

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10 DOWNING STREET

File AH

ccs csd

co

Isy

David Wolfson

Govt Mach
Review of Exch
May 79
BF

From the Principal Private Secretary

22 June 1981

Dear Douglas,

INTERNAL AUDIT AND FINANCIAL CONTROL

I am sorry that I have not replied sooner to your letter of 11 June 1981 about the case studies of departmental internal audit and financial control systems, but as I told you on the telephone last week, when the Prime Minister saw your letter, she wondered whether it would be better to conduct the second case study in the Ministry of Defence rather than in the Department of Industry.

You drew my attention to the fact that, quite independently of the present exercise, the Ministry of Defence already had in hand two studies of their financial systems and procedures in which management consultants (Arthur Anderson and Company) were taking part, and you kindly let me have some material about them.

I have now been able to consult the Prime Minister again and, in the light of the information about the Ministry of Defence's studies, she agrees that there would be no point in mounting a further exercise in that Department and that instead the second case study should be carried out in the Department of Industry, as you proposed.

You also dealt in your letter of 11 June with the Prime Minister's earlier misgivings about the suitability of the Ministry of Agriculture for the first study. She is now content for this study to go ahead as planned but she hopes that the Treasury and Sir Derek Rayner's unit will be associated with the reviews which the management consultants have suggested Sir Brian Hayes should carry out with them at the end of the first and second stages of the study. She would also like David Wolfson from here to take part in these discussions.

Finally, the Prime Minister has been reflecting further on the idea that there might be a link between the case studies and her wish to follow up the results of the 1981 scrutiny of departmental running costs by calling in the Ministers and Permanent Secretaries of a couple of departments, together with

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AH

CONFIDENTIAL

- 2 -

BF. management consultants, to examine the outcome of the scrutinies for their departments. She has decided that, on balance, there would be advantage in keeping these two exercises separate and she would be grateful if you, in conjunction with Ian Bancroft, could advise her on which two departments she might choose for the departmental running costs exercise and how best to set it up.

I am sending copies of this letter to Ian Bancroft, Derek Rayner and John Wiggins.

Yours etc,

Alvin Whittam.

Sir Douglas Wass GCB

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PRIME MINISTER

Internal Audit and Financial Control

You suggested that the second departmental case study on internal audit and financial control systems should be carried out in the MOD rather than in the DOI, as Sir Douglas Wass had proposed. (Please see your comments on my minute at Flag A).

I have discussed your proposal with him, and he has confirmed that the reasons why he thought it sensible to avoid very large departments for the second study were to save time and money. At a guess he thought that to mount an exercise in the MOD might cost £1m (since the cost of the MAFF study is £200,000) and that it might last a year. And he had ruled out the MOD in any case because, quite independently of the present exercise, they already had in hand two studies covering much the same essential area as the MAFF study. I attach the details of these two studies. Arthur Anderson and Company are represented in both the study teams.

The first study was in fact completed by the end of March of this year, and its report contained a number of recommendations for changing and improving the MOD's financial systems. These are now being considered by the MOD.

The second study, which deals with financial accountability in the MOD, is due to be completed by 30 September.

Since the financial systems ~~of~~ the MOD are, as it happens, already under review, are you content to let the second of the new case studies be done in the DOI?

In commenting on my minute at Flag A you also said that with regard to your wish to discuss the 1981 scrutiny of departmental running costs with the Ministers and Permanent Secretaries of a

/ couple of

Yes
ms

couple of departments, it would seem sensible to choose different departments from those covered by the audit study. The reason why it was suggested that we might use for this purpose the same two departments as were involved in the audit study was to save money, given that the studies of internal audit and financial control systems will embrace departmental systems for controlling running costs. But if you would like to use two different departments for the departmental running costs exercise, do you have any preference as to which are chosen? Or shall we seek the advice of the Treasury on which departments it might be sensible to alight on? *Yes*

ms

JAW

19 June 1981

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SIR DOUGLAS WASS

CONTROL OF DEFENCE EXPENDITURE

I promised to let you have brief details of the two financial studies which MOD have mounted with the help of management consultants.

2. The first was set in hand late in December 1980 with the terms of reference at Annex A.
3. The Study Team, which was led by Mr W Reeves, an Assistant Secretary in MOD, included two representatives of Arthur Anderson & Co (Mr Vincent Watts and Mr Dolby). The Study was completed by the end of March 1981, and its Report contains a number of recommendations for improvement and change, with which we are in general agreement, and which are now being considered within MOD. The Report, or a summary of it, together with the Departmental response, is likely to be published later this year.
4. The second study, of financial accountability in MOD, has also started. Its terms of reference are at Annex B.
5. Again, the team is led by Mr Reeves, and Arthur Anderson are providing the same two representatives (Mr Watts and Mr Dolby) to assist him. Mr Reeves also has a Treasury representative on the team (Mr Griffiths of AFA) and he has already had one meeting with Mr Littler and his Steering Group on financial control and management in Departments which was set up as a consequence of the proposals in Cmnd 8170 (The Future of the CSD). The Study Team are coming to see me and others in the Treasury on Monday afternoon.
6. I hope this will give you the information you require.


(J E HANSFORD)

19 June 1981

42-19-6

- "1. The object of the study will be:
 - (a) to review the present arrangements for monitoring expenditure, for forecasting the outturn, and for providing explanations of variations, both in volume and cash, from estimates and cash limits during the course of the financial year;
 - (b) to review the present arrangements for controlling expenditure against cash limits and the efficacy of available control measures;
 - (c) to propose improvements.

2. At 1b the study should take full account of the advantages of the block cash limit concept from which are derived the present arrangements for central monitoring and control of cash flow and which allows maximum flexibility for adjustments to be made on a defence basis during the financial year. But the case for applying the cash limit discipline to particular vote or management areas should also be considered.

3. Particular attention should be given to expenditure on goods and services supplied by industry, and to the problems of forecasting and control in changing economic circumstances, which may affect industry's performance of defence work. The present policy and practice of block adjustment should be reviewed, and account taken of the examination being given within the Department to the introduction of cash limits for firms as a means of controlling industrial capacity paid for by the defence budget and any scheme that may emerge.

4. The study should seek to establish to what extent the objective of value for money and the control of cash flow against an annual limit may necessarily be in conflict in the procurement area. It should consider whether there are trade-offs between these objectives and whether there is scope and need for change to align ordering and contracts policy and the system of annual control of cash flow more closely. Account should be taken of the present arrangements for project management in the Procurement Executive, of the way in which the Department's procurement and contract procedures contribute to the objective of securing maximum value for money and of the effect of drastic programme cuts and/or continuing uncertainty about the future programme.

5. Continuation of the PES, supply and cash limits systems and of the present rules for government accounting should be assumed but

changes in these areas may be recommended. In particular account should be taken of the consideration which has already been given, within the Department and elsewhere, to flexibility between financial years and of the extent to which innovations in this area might permit improved effective control over expenditure.

6. Account should be taken of the work so far done to analyse and quantify the reasons for the forecast overspend against the defence cash limit in 1980/81.

7. The study is to be completed by 31 March 1981."

ANNEX B

1. The main purpose of the study will be:
 - (a) to analyse the present financial procedures of the department;
 - (b) to consider clarification of responsibilities, including responsibilities for implementing PUS's directive of April 1977 (vide PUS/77/329 dated 6 April 1977 and enclosures);
 - (c) to establish the scope for simplification;
 - (d) to propose improvements.

2. At 1b, it will be necessary to take into account the full range of financial responsibilities: for approval of new requirements, for keeping under review requirements already approved, for achieving the most cost effective means of satisfying approved requirements, for the economic management of activities and the efficient use of existing resources, and for the oversight of the financial machinery of the department. The study should take account of requirements for all kinds of real resources (ie goods and services - including the services of military and civilian personnel), whether or not these requirements can be directly related to specific commitments to spend money from the defence budget and defence votes. Activities should be interpreted broadly to include, for example, training, supply systems, logistics, movements, education, hospitals. The study should in particular seek to identify those fields where the existing framework of financial control is not fully effective and those tasks which are at present neglected. Account should be taken of the development of management accounting and the ABC system and of the results of Rayner Studies. Wherever possible recommendations under this head should be in the form of the allocation of specific authorities and responsibilities to specific people.

3. At 1a, appraisals should be made:
 - (a) of the different organisation of financial responsibilities in each of the Service departments and the Procurement Executive, and of the arguments for and against similar organisations and procedures across the board;
 - (b) of the existence of parallel hierarchies and the need for them;
 - (c) of the relationships between vote management and target heading management, between line managers and specialist finance staffs (including senior finance officers), and between all these and PUS's representatives on Central Committees (Defence Equipment

Policy Committee, Operational Requirements Committee, Principal Personnel Officers' Committee, Principal Administrative Officers' Committee, etc);

(d) of the constitution and effectiveness of the Financial Planning and Management Group.

4. The study should assume continuation of the Public Expenditure Survey and Supply Systems (including cash limits) and of the present rules for Government accounting, but changes in these areas may be recommended. It should also be assumed that the present arrangements for the allocation of responsibilities of accounting officers in the MOD will remain unchanged.
5. So far as possible, account should be taken in the study of the corresponding financial procedures of our allies, particularly the USA and France.
6. The general aim of the study will be to clarify, simplify, and improve the present procedures of the department with specific reference to authority and accountability. The introduction of new procedures in particular areas is not precluded. But the study is not intended to lead to the establishment of an entirely new system of financial management throughout the department.
7. The study is to be completed by 30 September 1981. It is recognised that within that timescale detailed recommendations for change in all areas cannot be expected, but the general principle which should guide follow-on work should be firmly established.

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Mr RICKETT

16/6



INTERNAL AUDIT AND FINANCIAL CONTROL

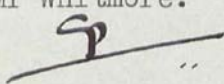
TPM
(CAW)

1. Sir Douglas Wass copied his letter of 11 June to Mr Whitmore to this office. I then obtained from the duty clerk copies of Mr Whitmore's and your letters of 1 and 3 June to Sir D Wass and his private secretary respectively. As Sir D Rayner was involved in the PM's meeting on internal audit last month which gave rise to the case studies and this office was involved in subsequent consultations, I should be grateful if any further correspondence could be copied here.

2. If the Prime Minister went ahead with the proposal to call in the Ministers and Permanent Secretaries of two departments to look into the results of their scrutinies of departmental running costs, we should be glad to contribute to the briefing in the light of our reading of the "running cost" and other evidence.

3. With regard to the DOI/Trade common services to which Sir D Wass refers in his letter of 11 June, you may like to know that a review is at present in train of at least part of those common services, namely arrangements for personnel management, including the relationships between Establishment Divisions and line management on the one hand and between the four Divisions responsible for Establishments and central finance on the other. This, for staff side reasons, is not formally part of the scrutiny programme but is in effect being treated as such. Sir D Rayner and this office have an involvement in it.

4. Finally, you should know - for your private knowledge only - that I had a long talk with one of the directors of Coopers and Lybrand, accompanied by three of his senior people, including Messrs Burnham and Plowden who will respectively be leading and assisting with the MAFF study. This was useful and I am glad to see it reflected in the letter sent to Sir Brian Hayes by Coopers and Lybrand on 5 June and now copied by Sir D Wass to Mr Whitmore.


C PRIESTLEY
15 June 1981

Sir Brian Hayes KCB
Permanent Secretary
Ministry of Agriculture, Fisheries and Food
Whitehall Place
London SW1A 2HH

our reference SH 703

5th June 1981

Dear Sir Brian

APPRAISAL OF FINANCIAL PLANNING AND CONTROL SYSTEMS

At our meeting on 21st May 1981, you invited us to put forward proposals for carrying out a study into the adequacy of the financial planning and control systems within the Ministry of Agriculture, Fisheries and Food, and the ways in which they are managed.

Terms of Reference

2 The terms of reference you suggested were:-

- (a) to examine the effectiveness and appropriateness of financial planning, control and monitoring systems in the Ministry of Agriculture, Fisheries and Food;
- (b) to identify any significant shortcomings by comparison with the highest commercial standards; and to note whether there are any features of Government operations which call for different standards;
- (c) to recommend any changes which appear to be desirable;
- (d) to report by the end of September 1981.

3 As agreed with you, we have now carried out a brief initial survey in the Ministry in order to identify the major issues to be addressed, to establish an appropriate method of working including staffing, and to prepare a preliminary estimate of our likely fee.

Issues to be Addressed

4 From the brief investigation we carried out during our initial survey, a number of major issues emerged which we suggest the main study should address, in order to meet the terms of reference. In summary, these issues are:-



- (a) the effectiveness of PES and Estimates as means of long- and short-term planning of Departmental programmes and resources;
- (b) the recording, processing, analysis, presentation and distribution of information for financial planning and control of expenditure and other resources;
- (c) the relationship between finance staff and programme/line management, including clarification of the responsibility of non-finance management for financial planning and control;
- (d) the inter-relationship between the various financial planning and control systems and other relevant initiatives (for example, scrutiny of Departmental costs and manpower targets);
- (e) the impact on the Department's financial systems of requirements by central Government and other bodies;
- (f) the adequacy of present systems for assessing the effectiveness of Departmental programmes and the efficiency with which those programmes are administered/delivered, and resources are utilised;
- (g) the effectiveness and value of internal control procedures;
- (h) the role and methods of internal audit and relationships with Departmental financial management and E & A D;
- (i) the levels of financial training and experience.

You will appreciate that our suggestions on the issues to be addressed can only be tentative at this stage. There may well be other aspects of the Ministry's operations which require consideration, which will only become apparent when the detailed work has begun. For this reason, among others, we have suggested a phased approach to the study. The first stage will provide an opportunity both to gain an understanding of the Department and also to confirm or revise our initial thoughts as to where the emphasis of the study should be placed in the subsequent stages.

Method of Working and Reporting

5 We propose that the study should be carried out in three consecutive stages, the objectives, principal work elements and target completion dates of which are described in the following paragraphs.

6 We believe that it is most important that you are apprised of progress on the study, and that we have an opportunity to discuss our findings and ideas with you during the course of the exercise. To that end, we suggested to you at our meeting that a Steering Group might be established to provide both guidance and a forum for discussion during the course of the study. We understand that you do not think a Steering Group would be appropriate but, instead, wish us to maintain close liaison with Mr Wilson and to see you at appropriate times throughout the study. This we will be pleased to do and suggest that, in particular, we should meet at the end of the first and second stages to ensure that the study is proceeding on the lines required. We also suggest that it would be appropriate to meet the Minister.

7 The suggested stages are as follows:-

Stage 1

Objective

To gain understanding of the Department, its activities and methods of operation, and to confirm the issues and areas for in-depth review in Stage 2.

Principal Elements

- (a) Programme of visits/discussions with senior and other officials and field staff, including those in other relevant departments.
- (b) Review of present planning and control systems and documentation.
- (c) Review relevant background information and reports.
- (d) Review internal audit strategy, reporting arrangements, relationship with E & A D, staffing and work plans.
- (e) Initial review of computer operations and controls.
- (f) Develop detailed programme for Stage 2.

Target Completion Date

Early July.

Stage 2

Objective

To examine the financial planning and control systems in detail, with particular reference to specific areas of the Department's activities, to identify the effectiveness in practice of the present systems and their strengths and weaknesses, and to draw conclusions.

Principal Elements

- (a) Critical in-depth review of the operation of the planning and control systems, with particular reference to the following sample areas (subject to confirmation at end of Stage 1):-

Programmes

Development and Grant Schemes
 Drainage and Flood Protection
 Research (ARC, ADAS and other)
 Other ADAS (part)

Management Unit

Region (one representative example)

Resources

Salaries
 Other Administration Costs (part)

- (b) Review internal audit procedures and documentation and samples of work and reports, including computer auditing.
- (c) Review of internal controls in selected areas, including computer operations and sample systems including planned developments.

Target Completion Date

Early September.

Stage 3Objective

To present our conclusions and recommendations on the main issues addressed during the course of the study in answer to the terms of reference.

Principal Elements

- (a) Finalisation and discussion of findings and conclusions.
- (b) Preparation and discussion of recommendations.
- (NB Precise form of consultations and reporting to be agreed.)

Target Completion Date

End September.

Staffing

8 In order to achieve the objectives of a study of this importance, we are putting forward a team drawn from our most senior staff. The study will be carried out under the overall direction of Mr Peter Burnham, the director in charge of our financial planning and systems division. Mr Burnham will be supported by Mr Francis Plowden, a senior managing consultant who assists in running that division, and Mr John Stuttard, an audit and investigation partner.

9 Mr Plowden's work will be concerned with the review of the planning, estimating and financial control systems. The detailed work on this area of the study will be carried out by Mr David Sanderson, a senior consultant, and Miss June Mulroy, a consultant, both experienced in financial planning and systems work.

10 Mr Stuttard will be primarily concerned with the internal control and internal audit aspects of the assignment, the detailed work on which will be carried out by Mr Ian Steere, a senior audit manager, assisted by an audit manager. In addition, both Mr Stuttard and Mr Steere will provide inputs to the overall review of planning and control systems with particular reference to the role that internal audit can play.

11 A specialist input to the study will be provided by staff from our computer audit group, headed by Mr Rod Perry, the partner in charge of the group. This work will be concerned with assessing the role and requirements of computer auditing and the problems of internal controls in a computer context.

12 In addition, in view of the importance of the study, we propose to make use of a consultative panel to provide overall guidance and advice to the consulting team. This will be led by our senior partner, Mr David Hobson, and comprise the senior partners from our management consulting, investigation and public sector auditing divisions.

13 We welcome the availability promised of Mr Brian Dickinson's time and the attachment to the team of Mr Paul Elliott. The provision of accommodation and secretarial duties, as discussed with Mr Wilson, are also of considerable importance.

Fee Estimate

14 At this stage we estimate that the assignment will take a total of just under 100 man weeks, split as follows:-

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
A Planning, estimating and monitoring systems	11	25	12	48
B Internal control, internal audit procedures and strategy	6	16	4	26
C Computer controls and audit	3	5	1	9
D Direction and advisory	<u>3</u>	<u>5</u>	<u>4</u>	<u>12</u>
	<u>23</u>	<u>51</u>	<u>21</u>	<u>95</u>
	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>

The detailed breakdown of those figures is shown in Appendix A to this letter.

15 You will appreciate that this time estimate is based on a short survey of a complex and specialist area. It is, therefore, subject to a number of uncertainties as to the depth required of certain areas of investigation and the emphasis to be placed on different aspects of the Ministry's operations. The detailed work programme to be prepared at the end of the first stage, and which would be discussed and agreed with you, is designed to clarify these areas of uncertainty and to confirm or modify the staff inputs suggested. Progress would then be monitored against that programme, which would be updated in the light of actual achievements and our findings as the study proceeds. Any further changes in inputs or major re-allocation of resources would also be agreed.

16 Our fees will be charged on the actual time spent on the assignment at the following rates:

	<u>£ per week</u>
Partner/Director	2,135
Managing consultant	1,625
Senior consultant	1,225
Consultant	1,025

These rates are our standard rates, which are revised every six months and notified to the Civil Service Department. A copy of our last letter to the CSD on that subject is attached. The next fee revision is due at 1st July 1981 and will be notified to the CSD. We have made an allowance in our fee estimate for the likely change in rate.

17 On this basis, our fee for the assignment will be of the order of £150,000, exclusive of VAT and out-of-pocket expenses such as any travelling and accommodation expenses, which are charged in addition. A copy of our standard terms and conditions is attached at Appendix B.

18 We are very pleased to have been asked to carry out such an important assignment and shall be pleased to provide any further information that you may require.

Yours truly

COOPERS & LYBRAND ASSOCIATES LIMITED

Ministry of Agriculture, Fisheries and FoodOutline Staffing Plan

	<u>Man weeks</u>			<u>Total</u>	<u>Fee</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>		<u>Estimate</u>
					<u>£</u>
<u>A Planning, estimating & monitoring systems</u>					
F Plowden	4	4	2	10	
D Sanderson	-	7	4	11	
J Mulroy	5	9	3	17	
J Stuttard	1	1	1	3	
I Steere	1	4	2	7	
	<u>11</u>	<u>25</u>	<u>12</u>	<u>48</u>	63,000
<u>B Internal control, internal audit procedures & strategy</u>					
J Stuttard	2	3	1	6	
I Steere	4	1	1	6	
Audit manager(s)	-	12	2	14	
	<u>6</u>	<u>16</u>	<u>4</u>	<u>26</u>	34,500
<u>C Computer controls & audit</u>					
R Perry	1	1	1	3	
Senior manager	2	4	-	6	
	<u>3</u>	<u>5</u>	<u>1</u>	<u>9</u>	14,000
<u>D Direction and Advisory</u>					
PM Burnham	2	3	2	7	
Other	1	2	2	5	
	<u>3</u>	<u>5</u>	<u>4</u>	<u>12</u>	25,500
	<u>23</u>	<u>51</u>	<u>21</u>	<u>95</u>	137,000

Allowance for fee rate increase at 1/7/81 11,000

£148,000

COOPERS & LYBRAND ASSOCIATES
LIMITED
MANAGEMENT CONSULTANTS

MANAGEMENT CONSULTING SERVICES

Standard Terms

1. Unless otherwise agreed with the client, fees are charged for the actual time spent by the individuals working on the assignment at agreed hourly, daily and weekly rates.
2. Weekly fee rates for consulting staff are based on a working week of five seven-hour days. No charge is made for time worked in excess of normal hours, unless previous agreed with the client, or for absence due to sickness or holidays.
3. The fee rates quoted are subject to periodic review. Unless specified to the contrary, the fees quoted do not cover the cost of travelling, accommodation and other out-of-pocket expenses incurred in connection with the client's business, or the costs of preparing reports or specifications, including drawing office and printing costs. The actual costs incurred are therefore charged in addition to our fees.
4. Unless otherwise agreed, fees and expenses are invoiced monthly and are payable within seven days of the presentation of our invoice.
5. Experience has shown that it is in the client's own interest to ensure that our consultants are provided with the accommodation, facilities (including secure storage facilities for confidential data) and secretarial assistance normally available to the client's own senior executives.
6. Assignments are undertaken on the mutual understanding that clients will not offer employment to our staff and that we, on our part, will not induce the client's staff to seek employment with us.
7. C&L undertakes to treat confidentially any information it may obtain regarding the present or future business activities of the client. This obligation devolves upon all members of C&L individually and is a condition of their contract of service.