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Treasury Chambers, Parliament Street, SW1P 3AG

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The Rt Hon Kenneth Clarke QC MP
Secretary of State for Health
Department of Health
Richmond House
79 Whitehall
London
SW1A 2NS

5 December 1988

Dear Secretary of State.

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NHS AUDIT: THE ROLE OF THE NAO

We agreed that we should approach the NAO to explain our decision to hand over the statutory external audit of the NHS to the Audit Commission.

My officials accordingly wrote to the NAO, and subsequently had a meeting with the Comptroller and Auditor General, together with representatives of your department and the DOE and Welsh Office.

The C&AG's first reaction had been to suggest that the NAO should themselves take over this second tier of NHS audit. However, when it was pointed out to him that for this purpose the Audit Commission would be reporting to the Secretary of State (ie yourself or Peter Walker), the C&AG readily understood that he could not take on that role. He is of course an officer of Parliament; and the proposition that he should take over the second tier audit was rejected when the Bill which led to the National Audit Act of 1983 was first under discussion.

I understand that, as a result of the discussion among officials, Mr Bourn said he could explain our decision to the PAC on the basis that the Secretary of State (you or Peter) was improving the systems available to him for ensuring that the funds provided by Parliament for the health service were being properly spent. The Audit Commission must in that role report to him.

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Mr Bourn added, I understand, that he would explain to the PAC that the expectation would be that the Audit Commission's reports would be published under the authority of the Secretary of State, though he would make it clear that that need not mean control of publication by the Department in all cases. That is of course important, because we want the Audit Commission reports to influence health authorities and public opinion, and the reputation which the Audit Commission have built up for independence will be a significant contribution to that sort of influence.

I understand that Mr Bourn raised some legitimate points about the boundary between the work of the NAO and the work which the Audit Commission will be doing. We shall have to think about those: the working group of officials will be considering the matter and making recommendations. But the important point we shall be able to emphasise to the PAC is that the NAO's role is unaffected, and that the Audit Commission will be an instrument of the Secretary of State, though with a much more independent character than the present statutory audit.

I am copying this letter to the Prime Minister, John Wakeham, Peter Walker, Nicholas Ridley and Malcolm Rifkind.

Yours sincerely

Caing's Evan

JOHN MAJOR

(Approved by the Chief Secretary
and signed in his absence)

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