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Miss Stevers

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Tim Flesher Esq
10 Downing Street
LONDON
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24 February 1984

Dear Tim

TREASURY MINUTE REPLYING TO REPORTS OF THE PUBLIC ACCOUNTS COMMITTEE

The Treasury is now ready to reply to the 1st to 8th Reports of the Public Accounts Committee, which the Committee has published in the 1983-84 Session. All of the Reports were published during December, although with one exception (the 8th) they relate to evidence taken by this Committee's predecessor in the last Parliament.

2. The Financial Secretary has approved the reply to the PAC - in the usual form of a Treasury Minute - being presented in his name. The Stationery Office will publish it as a Command Paper. We propose publication at 3.30 pm on Wednesday 7 March. Pre-publication CFRs would be presented to Parliament at 3.30 pm on Tuesday 6 March. Copies would also be released at that time to the relevant departments which have contributed to the Treasury Minute, to PAC Members and the National Audit Office; and by way of the Treasury's Information Division, to the Lobby.

3. I enclose a list of the PAC Reports to which the Treasury Minute is replying (Annexe A), together with a summary of the main conclusions and recommendations of the PAC's Reports (Annexe B).

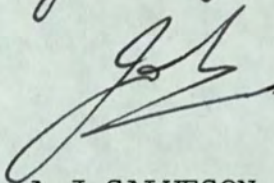
4. These Treasury Minutes normally attract scant attention from the House except from Members of the PAC themselves. The media, too, tend to pay little attention to them as a rule. It is hard to imagine this Treasury Minute being of much news value but it is conceivable that a number of the subjects might stimulate some interest if it is otherwise a fairly dull day for news generally.

5. For example, parts of the Treasury Minute refer to strike action by civil servants (Customs and Excise in this instant) in 1981; to detection and prevention of social security benefit fraud; effectiveness of special employment measures; the rather "over generous" (to some eyes) standards of accommodation for some diplomats overseas; and to "Whitehall" control of certain nationalised industries.

6. May we have approval to proceed to publication of the Treasury Minute on 7 March? An early reply would be appreciated so that we may adhere to the printing timetable HMSO is arranging.

7. I am sending copies of this letter and enclosures to Bernard Ingham in your Press Office and to Murdo Maclean at 12 Downing Street.

Yours age



A J SALVESON
Parliamentary Clerk

PAC REPORTS

1st Report	Customs and Excise	Financial effects of strike action by civil servants
2nd Report	Department of Health and Social Security	Prevention and detection of evasion of national insurance contributions and of fraud and abuse relating to social security benefits
3rd Report	Department of Trade & Industry	Supervision and monitoring of British Leyland
4th Report	Department of Employment Manpower Services Commission	Special Employment measures
5th Report	Ministry of Defence Foreign & Commonwealth Office Property Services Agency	Economy measures in the civil, defence and overseas estates
6th Report	Department of Trade & Industry Industry Department for Scotland Welsh Office English Industrial Estates Corporation Highlands and Islands Development Board Scottish Development Agency Welsh Development Agency	Construction and management of factories
7th Report	Department of Energy Department of Trade & Industry Department of Transport	Monitoring and control of activities of sponsor departments of nationalised industries
8th Report	Treasury	1984-85 Estimates of the Exchequer and Audit Department/National Audit Office

FIRST REPORT

- (i) Customs and Excise should now review carefully how to recover more quickly from any comparable situation in future. It should also review trader compliance and VAT enforcement together with appropriate remedial measures.
- (ii) The department should study carefully why it had repeatedly failed to achieve targets for standard control visits to traders so that realistic targets could be set for the future; should better select traders for standard control visits with a view to encouraging more realistic planning and a better balance in their visiting programme.
- (iii) The department should also give priority to developing a comprehensive management information system so that it is fully and accurately informed about the actual time spent on control visits, why programmes are not being met and which types of visit are providing the best yields against costs. Meanwhile, as an interim measure, other steps should be considered to provide improved information.
- (iv) The department should allow room for highly productive investigation within whatever limit is placed on total staff numbers. It should aim to employ more staff on the more cost-effective areas for visiting traders, and to monitor the results of controlled variations in the level of different types of visiting, in order to identify as accurately as possible where marginal returns could be greatest.

SECOND REPORT

- (i) DHSS should give priority to completing its study to determine the extent of national insurance contribution loss arising from fluctuating earnings, so that any necessary counter-measures can be devised, with retrospective action where appropriate.

- (ii) DHSS, Inland Revenue and Customs and Excise should continue to study all possibilities of joint exercises and exchanges of information relating to possible fraud, in order to combat fraud and abuse, and to reduce possible duplication of effort, on visits to employers' premises to examine national insurance, PAYE and VAT records.
- (iii) DHSS should ensure that they keep to the operational date of 1986 for their new computerised system.
- (iv) DHSS should seek to establish whether additional visits could be undertaken without increasing the net cost of benefit payments.
- (v) DHSS should complete the re-assessment of the reliability of their management information which indicates the results of different approaches to the detection of benefit fraud, and take account of their findings in their deployment of anti-fraud staff.
- (vi) DHSS should maintain prosecution of those concerned in all levels of deliberate fraud, as a deterrent and should undertake new studies to find practical ways to secure the data needed to provide a reasonably sound estimate of the extent of undetected benefit fraud.

THIRD REPORT

- (i) The department should report the outcome of its discussions with British Leyland (BL) on the inclusion of performance indicators in the company's accounts. The setting of a challenging financial target now assumes greater importance.
- (ii) BL and the department can be commended for the business information supplied and the appraisal of that information but should maintain a close scrutiny of the bulk of such sales.

- (iii) The lack of definition of matters on which BL should consult the department has now resulted in a further important case where the company had failed to draw attention to a commercial decision which had significant national interest implications.

FOURTH REPORT

- (i) Before a new special employment measure (SEM) is introduced there should be a systematic review of its prospects against defined criteria; when a measure has been adopted, its actual register effect, net cost and performance against other quantifiable objectives should be compared regularly with original estimates.
- (ii) Alternative uses of those funds which might achieve the same or very similar objectives should be fully examined and evaluated. There should be renewed efforts both to devise ways of comparing alternative forms of public expenditure, and to assess - even if only on a broad basis - the second round economic effects of SEMs.
- (iii) MSC should secure better achievements on placements and substitution and to exercise proper oversight of the standards of vocational training.
- (iv) MSC should achieve at least between 80 and 90 per cent of community planning participants from the priority groups, which should be clearly defined.
- (v) Job release scheme expenditure was not effectively controlled and DE unduly delayed action to repair the omission.
- (vi) Young workers' scheme monitoring should cover the scheme's effectiveness in achieving a downward influence on young peoples' wages which is the aim of the scheme.

- (vii) The uncertainty about the usefulness of some - possibly a substantial part - of £800 million spent on temporary short time working compensation schemes illustrates the importance of establishing reliable means of assessing the effectiveness of individual SEMs as quickly as possible after they are introduced.
- (viii) In determining the staffing needs for administering SEMs systematic manpower assessment procedures, which allow for learning curve problems, are needed.
- (ix) Assurances which MSC gave PAC in 1980 regarding improved monitoring of the operation of schemes did not materialise in practice; MSC have still some way to go in achieving satisfactory monitoring and audit arrangements and should give this matter much more serious and continuing attention.
- (x) Management information should wherever possible be based on factual information from DE and MSC records, sponsors and employers rather than from sample surveys.
- (xi) The operation of youth training schemes requires strong and effective manpower boards whose work should be kept under review by MSC.

FIFTH REPORT

- (i) Timetables for energy conservation schemes should be further accelerated. PSA and MOD should make adequate special allocations of funds for schemes providing a high rate of financial return.
- (ii) PSA should continue their commendable search for economies in the civil estate through town reviews and rationalisation, and action to achieve them should not be delayed by shortage of funds for "spend to save" schemes.
- (iii) PSA and MOD should press ahead vigorously with implementation of defence maintenance economy review (MER) recommendations.

- (iv) PSA and MOD should maintain a high-level oversight of all defence MERs overseas.
- (v) MOD should seek to release surplus land and buildings promptly and to provide "spend to save" funds in cases where sales require initial investment.
- (vi) FCO should, without delay, take more vigorous action to implement the revised accommodation standards in the Overseas estate and to impress the need for economy on their overseas line managers.
- (vii) The results of town surveys in the Overseas estate suggest that much needs to be done, and amply demonstrate the value of independent, professional appraisals of property holdings.
- (viii) FCO should adopt a radical change in attitude to personal accommodation overseas, giving a new and positive emphasis to considerations of cost-effectiveness rather than to considerations of prestige or tradition.

SIXTH REPORT

- (i) Departments should attempt to measure the cost-effectiveness of the factory building programme and for this purpose should take a greater interest in the relationship of employment statistics to the programme.
- (ii) Operational research studies of output measures for assessing cost-effectiveness should include a qualitative assessment of the businesses using the factories.
- (iii) Departments should ensure that in their efforts to meet financial targets the bodies do not depart from their statutory objectives; departments should also consider whether subsidiary measures of efficiency should be established in support of the targets.

- (iv) The bodies' forward factory building plans agreed with departments should be governed by maximum vacancy levels related to the factory units in current demand.
- (v) The departments should undertake joint comparative studies of the bodies' factory building costs, which should include comparisons with other public and private sector bodies building factories.
- (vi) The bodies should maintain their efforts to maximise private sector investment in and sales of factories, though they should ensure that the arrangements secure a fair return for the Exchequer.

SEVENTH REPORT

- (i) Sponsor departments should seek to ensure that all nationalised industries prepare corporate plans annually and provide in them the essential information specified in the 1978 White Paper. They should ensure that they get all they need from the industries, and promptly.
- (ii) Some form of published efficiency target remains appropriate for British Telecommunications whilst it retains its present status.
- (iii) Industries should establish confidence in the effectiveness of their investment appraisal systems by providing sponsor departments with information about the returns actually secured on new investment compared with the returns forecast.
- (iv) The Department of Transport should not leave it to British Railways Board to decide how much to invest in the "social" railway.
- (v) The setting of attainable but demanding performance targets is an essential feature of a sponsor department's control function; actual practice by departments falls considerably short of what is needed.

- (vi) Sponsor departments have not been able to ensure that external financing limits (EFLs) operate effectively to provide a firm discipline on management of the industries on an annual basis. Where circumstances change and other features are given precedence in a particular year, Parliament should be informed.
- (vii) It is unsatisfactory that the Government have to make choices about the competing demands of the industries for public finance without a complete framework of corporate plans and investment appraisal.
- (viii) If the present deficiencies in the application of the 1978 White Paper system were remedied, the present level of sponsor department intervention in matters which are properly the responsibility of the industries should be reduced.

EIGHTH REPORT

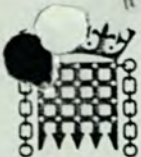
- (i) The C&AG should be in a position to provide to Parliament the results of independent value for money examinations over a reasonable cycle for all major activities of departments and other bodies subject to his audit or inspection.
- (ii) The staff of the National Audit Office needs to expand further at 5 per cent per annum until 1987 in order to achieve a 50:50 split between certification and value for money audit. This needs to be accompanied by an improved management structure.
- (iii) Provision should be made for increasing use of seconded staff or sub-contracting particularly whilst the National Audit Office remains significantly short of trained staff.
- (iv) In determining the pay and conditions of service of the staff of the National Audit Office the C&AG should bear in mind the importance of securing adequate numbers

of high quality staff to perform the National Audit Office vital role on behalf of Parliament.

- (v) Authority to proceed with the acquisition of a single new headquarters building should be granted at the earliest possible date.

24 JAN 1984





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COMMITTEE OF PUBLIC ACCOUNTS.
COMMITTEE OFFICE
HOUSE OF COMMONS

INFORMATION FOR THE PRESS
Committee of Public Accounts
1984 PROGRAMME

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The Committee has decided on the following programme of public* meetings from February 20 to the end of May -

- Feb 20: Pharmaceutical price regulation scheme; chemists' remuneration, disposal of surplus land (DHSS Welsh Office & SHDD).
- Feb 22: Procurement of NHS supplies (DHSS, Welsh Office, SHDD)
- Feb 27: Wardale enquiry into PSA frauds; systems controls in district works offices (Sir G Wardale, Mr A Herron & PSA)
- Feb 29: systems controls in district works offices - continued (PSA)
- Mar 21: control of dockyard operations and manpower (MoD)
- Mar 26: UK Trident programme (MoD)
- Mar 28: administrative computing in Govt Departments (Treasury & DHSS)
- April 2: nuclear power development (Energy & AEA)
- April 4: regional assistance to industry (Industry)
- April 9: Northern Ireland subjects
- April 25: economy of stores support (MoD)
- April 30: continued
- May 2: quality control over district office procedures (Inland Revenue)
- May 9: Keith Report on enforcement powers of revenue departments (Inland Revenue and Customs & Excise)
- May 14: control of grants to voluntary colleges (Education, control of manpower in fringe bodies (Education, MPO, Agricultural Research Council, National Environmental Research Council)
- May 16: building maintenance expenditure (PSA)
- May 21: continued

Meetings usually take place on Mondays at 4.45 pm and on Wednesdays at 4.15 pm, with brief private sessions at the beginning.

Limited numbers of memoranda relevant to particular meetings will be made available at the beginning of the public sessions to which they relate, if they have not been previously published by the C&AG.

* Please note that the Committee always reserves the right both to change its programme and to meet in private if necessary. The programme for late February and early March has changed in some respects from that set out in the last Press Notice.

Publication of Ninth Report

The Ninth Report from the Committee, on Hamilton College of Education: Disposal of Land and Buildings (HC 122 1983-84), will be published at noon on Wednesday 22 February. A Press Conference will be held at 12 noon in Committee Room 21, Upper Committee Corridor.

Confidential Final Revise copies of the Report will be available at 2.30 pm on 20 February both in the Press Gallery, House of Commons and from Room 309, St Stephen's House, Victoria Embankment. Copies for witnesses should be collected from Room 309, St Stephen's House at or after 2.30 pm and will be posted if not collected by 3.30 pm.

If you require any further information please telephone 219-3274.

Thursday 9 February

JOHN ROSE