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14 March 1985

Dear Jim,

TREASURY MINUTE REPLYING TO THE 5TH REPORT OF THE PUBLIC ACCOUNTS COMMITTEE, 1984-85.

The Treasury wishes to publish as a Command Paper a Treasury Minute in response to the Public Accounts Committee's 5th Report, 1984-85.

2. The text replying to this PAC report has been agreed by the Treasury and Ministry of Defence to whom the PAC's remarks were addressed. The Financial Secretary has approved the Government's reply being presented in his name as is customary.

3. The PAC report neatly falls into two distinct parts. First, it makes some conventional urgings for assessing, evaluating and financing international collaborative defence projects: to which MOD has been able to make a fairly helpful, if straightforward, response. Second, it questioned the useful practice adopted by MOD last year, with Treasury concurrence, for end-year cash control. We believe the Committee has misunderstood these arrangements because they do not mean any departure from the established principles of government accounting which the PAC's recommendations imply had occurred. Accordingly, the Government reply rejects the Committee's views.

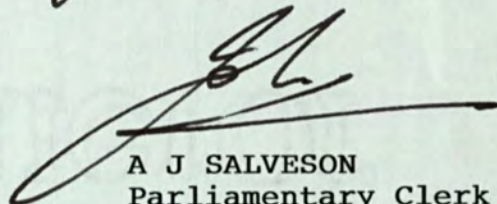
4. We expect MOD will want to use the end-year cash procedures again this year. It is clearly preferable to do this openly, having dealt with the PAC's doubts. Therefore, we ought to reply as soon as we can before 31 March. Although PAC only published its report on 13 February, we have been able to produce a fairly quick reply. However, the earliest possible publication we can manage is 3.30pm on Wednesday 20 March. As usual, we expect to provide pre-publication (ie. CFR) copies prior to publication, including

laying the Command Paper before both Houses of Parliament on the previous day (ie. 3.30pm on Tuesday 19 March). Treasury Information Division would supply copies to the Lobby on the usual arrangements. We shall also release copies to the Ministry of Defence, to PAC members, and to the National Audit Office on 19 March.

5. I should be grateful for your agreement to these arrangements. We appreciate we are seeking an urgent decision at a difficult time but in the circumstances we have little choice. The reply to the PAC is not controversial in terms of the press etc. The argument about end-year procedures is relatively technical and should not attract much, if any, attention.

6. I am sending copies of this letter to Murdo Maclean and David Morris.

Yours aye


A J SALVESON
Parliamentary Clerk