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PRIME MINISTER

1.



Mr Biffen seeks permission to publish this Green Paper on the role of the C & AG.

Agree now: or would you prefer to have this back at the week-end for a closer look?

MAD 26/2.

PRIME MINISTER

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GREEN PAPER ON THE ROLE OF THE COMPTROLLER AND AUDITOR GENERAL (C & AG)

This minute seeks your approval to publish as a Green Paper the attached study of the Role of the C & AG.

Background

2. In response to various recommendations from the Public Accounts Committee and the Expenditure and Procedure Committee, the previous Administration initiated a review of the E & AD Acts. In June 1979 we announced our intention to press forward with the review. The Green Paper is the result of the first phase. It has been prepared by a Steering Group of officials under the chairmanship of Sir Anthony Rawlinson, comprising representatives of the Treasury and CSD, selected Permanent Secretaries of the main spending departments, the Treasury Solicitor, the head of the Government Accountancy Service, and Sir Douglas Henley, the present C & AG.

Timing

3. I should like to arrange for early publication. There are signs of renewed Parliamentary and other interest in the subject, and Parliamentary answers have indicated that the Government are considering publication shortly. The next stage is discussion with the PAC and the Treasury and CSD Committee, and a public invitation to comment. The PAC have provisionally booked 17 March for a hearing on the subject; it could be allowed to slip but I should like to meet their date if possible. That would mean publication early in March.

Content and likely impact

4. The Green Paper discusses three main questions:-

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- a. What kinds of audit should the C & AG undertake?
- b. How far should his responsibilities extend?
- c. What should be his status in relation to Parliament and the Executive?

Some preliminary conclusions are listed at paragraph 64. But they are preliminary. The paper is deliberately green. Its main purpose is to focus wider discussion. Early publication will help to push that forward, and need not preclude further thoughts of our own later, for example which may be prompted by the further work of Sir Derek Rayner.

5. The Green Paper adopts a cautious and thoughtful approach to reform of the public audit system. I believe that is right, and that serious commentators will agree. There will doubtless be criticisms, eg from certain former members of the Expenditure and Procedure Committee such as Michael English and John Garrett, that the Green Paper does not advocate more radical changes. It is not clear however that their views on the subject have any wide support in the House. By publishing the Green Paper the Government will not be committed either way but can claim credit for enabling the debate to proceed.

Points of interest

6. The Green Paper deals in rather more detail with some accountability issues touched on in Sir Leo Pliatzky's Report on Non-Departmental public bodies (Cmnd 7797). The two documents are basically consistent. The Pliatzky Report talks in terms of the C & AG's audit role. The rather fuller analysis in the Green Paper distinguishes between audit and inspection. There is no inconsistency in substance.

7. The section on local authorities has been drafted so as to allow for a subsequent initiative on audit should this be decided upon. This would cover both Michael Heseltine's proposal for an Accounts Commission and your own intention that Sir Derek Rayner should consider local authority efficiency.

8. The section on the National Enterprise Board comes to no firm conclusion on the question of providing for C & AG access to the Board's books. The previous PAC pressed for this and we understand

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that the present Committee takes a similar line. In Opposition we supported the PAC. In due course we may settle the matter in their favour. However, in my judgment and, I understand, in that of Keith Joseph, now is not the time, nor is a Green Paper the right context, in which to take and announce this decision. There are some signs that the new Board may like their predecessors be hostile to the C & AG having access. The chances of an amicable solution are likely to be no worse, and possibly better, if we do not try to resolve the question now.

Procedure

9. It may be necessary to make one or two minor changes in this text, eg to meet any last minute comments by the C & AG. Subject to that, I should be glad to have your agreement to early publication, with the aim of enabling the PAC to hold their first hearing as they wish on 17 March.

10. I am copying this minute and the draft Green Paper to other members of the Cabinet and to the Minister of Transport; and to Sir Robert Armstrong.

W. J. B.

JOHN BIFFEN

21 February 1980

DRAFT GREEN PAPER (Version of 20.2.80)

THE ROLE OF THE COMPTROLLER AND AUDITOR GENERAL

I INTRODUCTION

1. This Green Paper represents the first stage of the Government's review of the Exchequer and Audit Departments Acts. The Government announced on 25 June 1979¹ that they would press forward with this review which had been begun by the previous Administration.

2. The Exchequer and Audit Departments Acts 1866 to 1957 (E & AD Acts), together with provisions in other Acts about the audit of various bodies, provide the statutory basis for the work of the Comptroller and Auditor General (C & AG) and his Department, the Exchequer and Audit Department (E & AD). The main provisions of these Acts relevant to audit remain generally valid, but it is difficult nowadays to relate them and their underlying assumptions directly to the way in which Government manages and accounts for public spending or to the work of a modern national audit office. If it were decided that no fundamental changes were necessary, the need for new legislation would not be pressing, but some of the provisions are outdated and there would be merit in revising the Acts to express their operative provisions in language better related to modern conditions.

3. The E & AD Acts also deal with other aspects of the management of the Government's finances apart from audit. If the audit provisions in the Acts are being revised, it would be convenient to take the opportunity to revise such other provisions as are now out of date and to consolidate other related legislation.

4. The main reason for the current review however is the belief that the time is ripe to look systematically at our public audit arrangements, which have evolved largely piecemeal over the years. The need for such a review was one of the themes of observations and recommendations put forward in the previous Parliament by the Select Committees on Expenditure, Procedure and Public Accounts concerning the C & AG's role and functions².

¹ O.R. Vol 969 Col 37

² Eleventh Report from the Expenditure Committee, Session 1976-77 (HC 535), paras 153-158 and 160; First Report from the Select Committee on Procedure, Session 1977-78 (HC 588), paras 8.7-8.21 and 6.44; Second Special Report from the Committee of Public Accounts, Session 1978-79 (HC 330)

5. The main questions discussed in this Green Paper are:

- (a) What kinds of audit should the C & AG undertake?
- (b) How far should his responsibilities extend?
- (c) What should be his status in relation to Parliament and the Executive?

6. The Government intend to discuss the Green Paper with the relevant Parliamentary Committees. They would also be glad to receive comments from interested institutions, organisations and individuals. Any such comments should be addressed to the Second Permanent Secretary (Public Services), HM Treasury, Parliament Street, London SW1P 3AG, not later than.....

7. The Government wish to acknowledge the assistance provided by the present C & AG, Sir Douglas Henley KCB, and his Department, in the production of this Green Paper. He will no doubt take part in the planned discussions with the Parliamentary Committees and others.

II THE NATURE OF THE C & AG'S AUDIT

8. As the Government's external auditor the C & AG is a key figure in our system of public audit. His role needs to be viewed in the context of the general framework of Parliamentary accountability, which is based on the principle that Parliament grants supply to the Crown and holds the Ministers of Her Majesty's Administration accountable for the use made of it.

9. The ultimate accountability of Ministers to Parliament on the floor of the House is supplemented by the work of the Public Accounts Committee (PAC). From the earliest days the PAC has based its examination of Government spending and of Departmental administration on the reports of the C & AG. Under the terms of the E & AD Act 1921 the C & AG carries out his audit on behalf of the House of Commons as a whole, and not for the PAC, but in practice he works in close association with that Committee. The Government consider that this effective working relationship between the C & AG and the PAC should be preserved.

10. As currently pursued the C & AG's work covers a spectrum of activities of which the main elements can be summarised as follows:-

Financial and Regularity Audit

- a. a financial audit to ensure that systems of accounting and financial control are efficient and operating properly and that financial transactions have been correctly authorised and accounted for.
- b. a regularity audit which verifies that expenditure has been incurred on approved services and in accordance with statutory and other regulations and authorities governing them.

Value for Money Audit

- c. an examination of economy and efficiency, to bring to light examples of wasteful, extravagant or unrewarding expenditure, failure to maximise receipts or financial arrangements detrimental to the Exchequer, and weaknesses leading to them.

Effectiveness Audit

- d. an examination to assess whether programmes or projects undertaken to meet established policy goals or objectives have met those aims.

In his work the C & AG takes into account the arrangements for internal audit made by Government Departments and other bodies with whose affairs he is concerned.

11. It was with the support and encouragement of the PAC that, before the end of the last century, the C & AG began to extend his examination of the financial activities of Government beyond financial and regularity audit into the economy and efficiency of the management of public funds, ie into questions of value for money (VFM). More recent is the further extension of VFM audit in appropriate cases into effectiveness audit.

12. The distinction between financial and regularity audit on the one hand and VFM and effectiveness audit on the other is not precise. It does however mark the divide between statutory and non-statutory aspects of the C & AG's audit. Financial and regularity audit are covered, in the case of Appropriation Accounts of Government Departments, by the requirement in the E & AD Acts that the C & AG should certify and report on such accounts. Neither the 1866 nor the 1921 E & AD Acts specifically provide for him to examine broader questions of efficiency and economy or of effectiveness, but since they do not provide any detailed guidance on the scope of the audit, it has been possible for changes to take place without the need for amending legislation.

Financial and Regularity Audit

13. The Government believe that an efficient and thorough financial and regularity audit of Government Departments must remain the foundation of the C & AG's work as a whole. That the accounts of Government Departments should be audited externally is an essential public safeguard. This is the primary function of the C & AG. The Government see merit in the PAC investigating, on the basis of audit reports by the C & AG, deficiencies in accounting systems or financial controls. This is a valuable discipline bringing benefits wider and deeper than the immediate results of individual investigations.

14. In modern conditions the most cost-effective means of carrying out the audit task is likely to be a systems-based approach, ie an approach based on evaluation of key internal control systems, supported by substantive tests of selected items of information in the accounts and records. Such techniques are widely used in modern auditing and the recent E & AD management review (the report of the Steering Committee was printed as a appendix to the PAC's Second Special Report, Session 1978-79) referred to the benefits to be derived from greater use by the C & AG of systems-based methods. A financial and regularity audit of Departments which emphasises examination of systems may be expected to contribute to improving Departmental management by helping to identify weaknesses in financial control which can then be corrected.

15. There should still be a formal statutory requirement on the C & AG to provide an annual report or certificate covering the audit of all accounts for which he is responsible. In the course of the present review however the C & AG has represented that there may be a case in relation to Departmental Appropriation Accounts for reconsidering the definition of his formal audit responsibilities, and the nature of the corresponding certificate or report in the light of modern conditions and Parliamentary requirements. A note by the C & AG on this aspect of his work is at Annex A. The Government would be glad to have comments from the relevant Parliamentary Committees and from the accountancy profession on the issues raised.

Value for Money Audit

16. Under the broad designation of value for money audit, economy and efficiency examinations have for many years been a feature of the C & AG's work, as they have more recently of the work of public auditors in many other countries. This emphasis is reflected in his annual reports to Parliament, which have covered the efficiency of the management of all major Government services - eg defence, health, education, social security, agricultural and industrial support, etc - as well as that of many smaller ones. The work of the PAC has also largely concentrated on such questions in recent years.

17. Examinations of this type need not in practice be closely related to the financial audit of annual accounts. They are not concerned solely with aspects of financial management but also with a scrutiny of project management, contract procedures, the use of manpower, and so on. In the private sector it is the exception rather than the rule for statutory audit examinations to deal with questions of efficiency. The purpose of public audit, on the other hand, is to monitor the efficiency as well as the integrity of government in the management and spending of public money.

18. The Government believe that any new statutory framework for the C & AG's operations should provide for his continuing examination of value for money in the expenditure of public funds and for him to report to Parliament as appropriate on the results of his examinations in this field.

Effectiveness Audit

19. Such a provision could also in principle cover the development of the C & AG's effectiveness audit where this is a natural and sensible development of his other work. For example, it may be useful for the C & AG to explore how far a particular policy instrument is achieving the results which were intended and whether these results can be justified in relation to the manpower or other costs involved.

20. It is an open question how far the statutory provisions should define the scope of this type of activity by the C & AG. It might be possible to express any statutory provisions in broad terms, so as to leave the C & AG with some degree of discretion as to the development of his work in this area. In the exercise of that discretion or by virtue of the statute, the C & AG's work in this field might concentrate primarily on whether Departments have themselves established satisfactory procedures for measuring and reporting the effectiveness of their policies and for taking remedial action where necessary. In any event, the development of the C & AG's work should take into account how far in particular cases the C & AG's examination is likely to lead to worthwhile results.

21. The C & AG should not get involved in debate about the merits of particular policy objectives, as distinct from the efficiency or cost-effectiveness of measures designed to pursue them. Such an extension of his activities would take the C & AG a long way from his traditional role of conducting an audit-based examination of ways in which money has been spent, and could take him into fields primarily the concern of Select Committees other than the PAC. It would put at risk the traditionally non-partisan character of examination by the PAC of matters raised in the C & AG's reports. Such a move could compromise the independence of the C & AG and pose a threat to the smooth working of the arrangements for his access to Departmental files.

III THE RANGE OF THE C & AG's AUDIT

22. The C & AG is at present responsible as designated auditor for the annual examination and certification of some 450 accounts involving net annual expenditure in excess of £50,000 million. In addition to the Appropriation Accounts, store accounts and trading funds and accounts of all Government Departments, these include the accounts of a wide range of statutory boards and authorities as well as of certain international bodies and UN agencies (whose audit is conducted on a fee basis). The C & AG examines and reports to Parliament on Inland Revenue, Customs and Excise and other revenue accounts. Without being designated auditor he has been granted access to inspect the books of more than 500 bodies of widely varying types which depend to a greater or lesser extent on finance from public funds. This enables him to report to Parliament in such cases where it might not be appropriate or necessary for him to be appointed auditor³. The C & AG's responsibilities do not however extend, within the public sector, to local authorities and nationalised industries, or, within the private sector, to numerous companies and other businesses and organisations in receipt of voted moneys.

23. Questions have been raised, particularly by Select Committee reports over the past two years, about the appropriate extent of the C & AG's remit. Both the Expenditure Committee and the Procedure Committee of the last Parliament recommended that the C & AG should be empowered to examine the accounts of all bodies in receipt of public funds or, more specifically, voted moneys. The Procedure Committee added the proviso that the C & AG should be empowered to authorise "alternative audit procedures in respect of individual bodies to whose accounts he has rights of access".

24. The Government share the Select Committee's concern that the provision of public funds should always be accompanied by careful consideration of the arrangements for audit and accountability. This was a theme in the recent Report to the Prime Minister on Non-Departmental Public Bodies⁴. The Government do not believe that it should be for the C & AG himself to determine what accounts he should audit in detail, as the Procedure Committee proposed. It should be laid down by statute wherever practicable, as for example where the body is itself established by statute.

³Details of bodies of which the C & AG is the appointed auditor or over whose books and records he has rights of inspection are given at Annex B.

⁴Cmnd 7797.

25. The broad principle underlying existing practice is that where a major source of an organisation's income is voted money the C & AG should be appointed its formal auditor or be granted a right of access to inspect its books and records. In the Government's view this general principle provides a useful starting-point for the decisions which Parliament and the Government are from time to time required to take about the audit and accountability of non-departmental bodies. The Government also accept the suggestion made in Cmnd 7797 that no distinction should be made in this connection between bodies directly financed from public funds and bodies which while not of a commercial character or subject to the pressures of competition are able to use their Government-backed status to raise money, eg by levy or loan.

26. Another sound principle in this context is that if the C & AG is to be required to examine the affairs of a body this ought to reflect a degree of Ministerial responsibility to Parliament for that body extending beyond a responsibility simply for the payment of money from voted funds. Otherwise Parliament would have no reliable means of securing any action to implement any conclusions or recommendations formulated by the PAC.

27. This principle has two other implications. First, it implies that in relation to bodies for which Ministers are not directly responsible an important objective of the C & AG's examination must be to review the effectiveness of the arrangements under which Ministers monitor and control the payment of public funds to them and not to restrict itself to the financial transactions of the bodies in isolation. Even where bodies remain outside the C & AG's audit or inspection remit, the way in which Departments exercise controls over them can still be a worthwhile field for his examination and report. The C & AG's audit of Departments already covers such matters.

28. Secondly, by emphasising the responsibility of Ministers it suggests that where it is decided that the C & AG should examine the affairs of bodies of this sort it will often be possible to satisfy the requirements of Parliamentary accountability in future by giving the C & AG the right and duty of inspection rather than formal audit responsibility. Where the C & AG is at present the auditor, consideration could be given to making other arrangements for the exercise of the formal audit responsibility, so long as he retains inspection rights. If other arrangements for audit can be made which are satisfactory and economical, there is a case for doing so in order to avoid overloading the resources of the E & AD.

29. It has been proved by experience to be of valuable assistance to the PAC if without being appointed the auditor the C & AG is given rights of inspection. To use this technique more widely need not imply any relaxation in the customary rigour of the Committee's or the

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C & AG's scrutiny. Representatives of bodies under examination could still be summoned to attend meetings of the PAC. Their evidence would however not be limited to the way in which the body had itself conducted its financial activities but would also shed light on the sponsoring Department's own scrutiny of the body's expenditure and systems of financial control. It might also on occasion help to show whether any change is needed in the exercise of Ministerial responsibility for the relevant functions.

30. In most cases the principle of Ministerial responsibility will point to the same conclusion as the approach described in paragraph 25 above. It is implicit to a large extent in cases where the C & AG is already the designated auditor or has inspection rights. For example, the C & AG is the designated auditor of the Research Councils, each of which is responsible in its field for promoting activity on behalf of - if at arms' length from - its sponsoring Department. On the other hand, it would be no more appropriate than cost-effective to require the C & AG to examine the accounts of companies qualifying under general schemes of Government support, eg under the Industry Acts. In such cases Ministers' responsibility for public funds does not extend beyond making the payment as provided for by Parliament. Similarly, the C & AG cannot generally exercise, or effectively be given by the Government, rights of access to the books of countries in receipt of UK aid or of international organisations to which the UK contributes. (The C & AG is the appointed auditor of certain UN Special Agencies, but that has come about as a result of an invitation from the bodies themselves. In these audits the C & AG's responsibility is to the Governing Bodies concerned, to whom he reports.)

31. While it is possible to point to some criteria of general relevance to the range of the C & AG's responsibilities, a definition of these should permit sensible flexibility, to take account of the wide variety of financial transactions involving payment and receipt of public money. They include, for example, social security benefits, payments - sometimes contractual - for purchases of goods and services, professional fees, award schemes, general or particular schemes of industrial support, overseas aid. There are also differences, as was noted in Part II, in the sorts of audit examination undertaken by the C & AG and corresponding differences in the reports which he makes to Parliament. There is a great variety in the status, organisation and functions of bodies which receive public funds. The taxpayer has a stronger and more direct interest in the activities of an agency which is engaged in administering Government policy and is fully Government funded than in, say, a voluntary body receiving some financial support from the Government among other sources. Decisions whether to provide for C & AG audit or inspection of publicly funded bodies will always need to have regard to the circumstances of each case, bringing in such considerations as the need to preserve commercial freedom of action, local democratic accountability, and the circumstances and objectives of each institution.

32. There may be cases where decisions have been taken in the past to involve or exclude the C & AG without reference to the general considerations discussed in the preceding paragraphs. These could if necessary be looked at again, although the Government doubt whether any major changes are required. In some cases alternative and workable arrangements already exist to ensure that Parliament can scrutinise the bodies in question, and these arrangements have recently been reinforced by the setting up of the new Departmental Committees. Some further justification, going beyond a desire for uniformity, would be needed to warrant the involvement of the C & AG. Conversely, where, eg for the universities, arrangements already exist, and are justified on practical grounds, for the C & AG to audit or inspect the accounts of bodies for whose activities Ministers are not responsible, they should not be terminated on this account.

33. In the light of the preceding analysis, the remaining paragraphs of this section consider the audit arrangements for the National Health Service, local authorities, the nationalised industries, the British National Oil Corporation (BNOC) and the National Enterprise Board (NEB). These are all important examples of publicly financed bodies within the public sector, and some of them have been the focus of Select Committee recommendations about possible changes in the C & AG's remit.

National Health Service

34. One important area of public expenditure under the control of non-departmental bodies in which the C & AG is rightly involved is the National Health Service. Under present arrangements the Health Departments allocate funds to their top tier Health Authorities individually, who in turn sub-allocate down the line. Each authority is responsible for its internal audit and for applying its funds in the light of Departmental guidance in the way it considers most suitable to its local needs. Its accounts are independently audited by specialist Departmental staff who are appointed by the Secretaries of State as the "statutory auditors" under the NHS Acts.

35. The NHS Acts also require - reflecting the overall responsibility of the Secretaries of State for the Service - that the C & AG should examine, certify and report on the annual summarised accounts of this expenditure and permit him to examine the accounts and records of the health authorities and the reports of the auditors on them. In addition, the C & AG examines and certifies the Departmental appropriation accounts to which all current and capital expenditure is finally charged. He has complete freedom to pursue his enquiries at all NHS locations; but having regard to the work of the statutory auditors and of the internal audit of the health authorities, he mainly examines the effectiveness of procedures for financial control and for efficiency in the use of resources.

36. These arrangements involve some possibility of overlap of audit activity between the statutory audit and the E & AD. But the audit organisation reporting directly to them is an essential support to the Permanent Heads of the Health Departments in fulfilling their responsibilities as accounting officers for all expenditure borne on NHS Votes for a highly decentralised service. In carrying out his functions the C & AG has responsibilities similar to those of a primary auditor of group accounts; he is entitled to take account of the work and the reports of the statutory auditors in deciding what further work he needs to undertake in order to satisfy himself that, with the inclusion of figures which he himself has not audited, he can give his opinion that the accounts are correct. Provided that the provisions of the NHS Acts in regard to accounts and audit continue to be interpreted in this way, there will be no need to change the arrangements.

Local Authorities

37. Local authorities are autonomous bodies answerable to their own electors and not to Parliament or to Ministers. Central government grants overall now provide more than 50% of local authority funds. The bulk of this is rate support grant which is provided primarily to supplement local sources of income and there is no Ministerial responsibility for how it is spent.

38. In England and Wales present legislation gives local authorities the choice between commercial and District audit and most have opted for the latter. District Auditors, in their professional capacity, are independent of the Government and their duties are imposed on them by Parliament but discharged by reporting to local authorities. Different arrangements apply in Scotland where the audit of local authorities is supervised by the Commission for Local Authority Accounts in Scotland, which is responsible for appointing auditors either from its own staff or, in most cases, from private practice.

39. One disadvantage with the arrangements in England and Wales is that it is difficult to focus on issues of efficiency affecting the whole range of local authorities. The Layfield Committee⁵ recognised that the primary responsibility for ensuring value for money rested within local government but drew attention to the need for comparative studies of this type, and the previous Administration in March 1979 set up the Advisory Committee on Local Government Audit with a specific responsibility for considering general audit and value for money enquiries.

⁵Report of the Committee of Enquiry under Frank Layfield QC on Local Government Finance Cmnd 6453.

40. Independently of those developments the C & AG suggested, in his observations on the Eleventh Report of the former Expenditure Committee, Session 1976-77, that an amalgamation of the District Audit with the Exchequer and Audit Department under the C & AG would have certain advantages. This proposal was welcomed by the 1977-78 Procedure Committee, and the previous PAC saw some merit in it but thought some further evidence from those concerned would be desirable before they could reach a firm conclusion. Among its operational advantages a combined public audit service should promote the pooling and development of techniques and training, enhance the authority of the service as a whole and provide more varied career prospects. Pooling experience and combining in the development of value for money auditing would be particularly valuable. At the same time it would enable Parliament more easily to pursue its interest in the economy of services administered by local authorities.

41. The difficulty with this sort of proposal, with the implication of a closer relationship between local authorities and Parliament, is how to reconcile it with the existing constitutional arrangements and to avoid confusing the division of responsibilities. The Government accept the importance of maintaining and further developing an effective local authority audit and of promoting efficiency across the whole range of local authorities. In the light of experience of the Advisory Committee's first twelve months of operations they plan to consider what scope, if any, there is for strengthening existing arrangements in order to increase the impact of the work of District Audit among local authorities. They would also be ready to consider with the relevant Parliamentary Committees any suggestions which, while respecting the autonomy of individual local authorities, might enable Parliament, eg through its new Departmental Committees, to pursue matters of legitimate interest to itself relating to services administered by local government.

Nationalised Industries

42. The nationalised industries constitute a major sector of the national economy, and some of them are monopolies. The efficiency with which they conduct their operations is of great importance, as is their ability to demonstrate - not least to the consumer - the value of the services they provide.

43. The nationalised industries' statutes provide for their accounts to be audited by commercial auditors appointed by the Secretary of State. The scope of their audit, like the audit of a private company, is designed to ensure that the accounts provide "a true and fair view" and is not concerned with questions of efficiency.

44. To fill this gap the Government have recently proposed in the Competition Bill currently before Parliament that the Monopolies and Mergers Commission (MMC) be given a role in

examining and reporting on the efficiency of bodies such as the nationalised industries. The Commission's reports will help Ministers and Parliament to identify aspects of the industries' operations where improvements are needed and to press for specific action to achieve these improvements.

45. In the context of this Review the question arises whether this arrangement should be supplemented by a provision for the C & AG to have access to the books and records of the industries in order to make reports of his own on these and other matters. Such a development would be in accordance with practice in some other countries where, as was noted in evidence submitted to the Procedure Committee⁶, the national audit machinery has been developed to incorporate audit functions in relation to their nationalised industries. The French Cour des Comptes, for example, in addition to its responsibility for the financial audit has a wider responsibility covering the performance of public enterprises.

46. In the United Kingdom the statutory duties for which nationalised industries are accountable to Ministers and through them to Parliament are of a limited and general nature. Successive Governments have affirmed that within a broad framework laid down by government, which includes the establishment of medium term financial targets, the industries should act commercially and their day-to-day running should be a matter for their management, not for government.

47. Parliament's interest in the nationalised industries' accounts has been exercised not through the PAC but through the Select Committee on Nationalised Industries (SCNI), which held periodic hearings with Chairmen on a range of matters concerning the industries. This has now been superseded by the new system of committees set up to scrutinise the activities of the major Departments and their associated public bodies; the relevant committees may establish a joint sub-committee specifically to consider the affairs of the nationalised industries.

48. Ministers have a responsibility to keep under scrutiny the general performance of the industries, and in particular developments which require or could in future generate a claim on voted moneys. In the course of his normal examination of Departments the C & AG may be expected to look at the arrangements made for this purpose.

49. It would however be a major new departure for the C & AG to engage directly in an examination of the industries' efficiency. Unlike the MMC, which will mount its studies as and when the Secretary of State for Trade requests it to do so, the C & AG would have permanent access to the books and accounts of the industries. Although the C & AG has acquired

⁶by Dr E L Normanton (First Report of the Procedure Committee, Session 1977-78 Volume III p 137).

considerable experience over the years of efficiency audit in the public services, he has not hitherto been involved in a major sector of the market economy. An extension of his role to cover the nationalised industries would be seen by them as a serious threat to their own commercial freedom of action, and would probably necessitate greater involvement by Government Departments in their day to day affairs.

50. In the Government's view the proper division of responsibilities between Ministers and the industries, which is vital to their efficient operation, is appropriately underpinned by existing arrangements for the industries' audit and accountability, to which the work of the MMC will contribute. The Government are not persuaded that it would contribute to the efficiency of the industries for the C & AG to be involved as well.

British National Oil Corporation and National Enterprise Board

51. The PAC recommended in the previous Parliament that the C & AG be granted rights of access to the books and records of BNOC. The Government are at present considering the future structure of the Corporation's activities. A final view about the appropriateness of providing for C & AG access should be reserved until conclusions are reached, but the Government at present incline to the view that the C & AG should not be granted access. Relevant to this view is the decision announced by the Secretary of State for Energy on 26 July 1979 that BNOC should no longer have privileged access to (interest free) Government funds from the National Oil Account, and the intention, announced by the Secretary of State on 14 September 1979, to consider schemes for the introduction of private capital into BNOC's North Sea operations.

52. The PAC also recommended that the C & AG should be given access to the books of the NEB. There are arguments both for and against this. In some respects the NEB resembles the generality of nationalised industries. The changes recently announced in the NEB's role will result in the reduction of its activities, but in essence these will remain the same. In carrying out its investment programme on behalf of the Government it will still be important that the NEB should employ its commercial judgement and not feel itself subject to any process of second-guessing of its decisions.

53. On the other hand, the NEB is not an 'industry': it is not a supplier of goods or services to the public, and in practice operates mainly through a range of companies which are in a commercial and competitive environment and subject to the Companies Acts rather than to specific nationalisation statutes. Because of these differences and the extent of the NEB's dependence on financing from public funds, the Board was outside the terms of reference of

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the former Select Committee on Nationalised Industries; Parliamentary oversight of its operations was undertaken by the PAC.

54. The PAC suggested that access by the C & AG is essential to enable the Committee to carry out this responsibility effectively, and pointed to the fact that the Scottish and Welsh Development Agencies, which have investment functions similar to those of the NEB, are subject to examination by the C & AG by virtue of his appointment as their auditor. This appointment was made largely in consequence of the Agencies' assumption of industrial estate and environmental improvement activities which were certain to make substantial and continuing demands on public funds and for which audit by the C & AG was appropriate. His audit however covers all the Agencies' activities.

55. The Government will consider the question in the light of comments on this Green Paper.

IV STATUS OF THE C & AG AND HIS STAFF

56. The C & AG is an office holder under the Crown, subject to removal only on an address from the two Houses of Parliament. Like members of the judiciary, he is not subject to control either by Parliament or by the Executive in the exercise of his functions. His main duties under the E & AD Acts are undertaken "on behalf of the House of Commons". He is not however a servant of the House, although he has frequently been referred to in those terms.

57. The suggestion was made in 1977 by the Expenditure Committee, and subsequently by the Procedure Committee, that certain powers of direction available to the Treasury under the E & AD Acts are inconsistent with the claim that the C & AG is fully independent of the Executive. The suggestion related principally to the power under Section 3 of the 1921 Act to direct the C & AG to undertake the audit of particular accounts. This power is hardly ever exercised nowadays, and then only in relation to relatively unimportant accounts. It is never exercised in a way which has any material effect on the C & AG's independence. Like some other powers in the Acts it is a relic of an obsolete conception of the Treasury's role in the control of public spending. Such provisions are now inappropriate and should be recast or removed in any new legislation.

58. The Expenditure Committee and the Procedure Committee also drew attention to the provisions of the E & AD Acts which give the Civil Service Department control over E & AD staff numbers and gradings. The Committees considered this an unacceptable degree of Executive influence over the C & AG's work. They recommended that the staff of E & AD should become or be regarded as servants of the House, with the Department's costs borne on

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the Vote of the House, and that the House of Commons Commission should assume responsibility for their numbers and grading.

59. The Government have no wish to maintain CSD control for its own sake, but they believe that there should be some external oversight of the C & AG's budget and the staffing costs of the E & AD. Present arrangements take advantage of the wide relevant expertise of the CSD, and if the responsibility were exercised unreasonably, the C & AG, being independent, could report the matter to Parliament. The Government would be ready to consider some form of control by the House of Commons Commission as an alternative. Any changes would need to be discussed with the Staff Side of E & AD, particularly if they would result in the staff ceasing to be members of the Home Civil Service and could reduce opportunities for exchanges with other Departments.

60. As for the C & AG himself, the Government consider that independence in the exercise of his responsibilities, and in deciding on the disposition of his staff resources and on audit priorities, is of fundamental importance to a national auditor. The nature and balance of his work under the statutes should not be subject to direction from any quarter. The PAC of Session 1978-79 also considered that the C & AG's independence was essential to the function of his office as the Government auditor, and that there should be no external constraint on his right to determine the direction and application of his audit resources.

61. The Government believe that the C & AG's independence will best be safeguarded if he remains an office holder under the Crown and is not and does not become regarded as a servant of the House. However, as was proposed by the previous Administration,⁷ there should be consultations with the Chairman of the PAC when the post of C & AG is to be filled in the future.

62. The Expenditure and Procedure Committees suggested that the C & AG should undertake enquiries if requested to do so by the House of Commons or any of its Select Committees. Any such power to direct the C & AG would entail an undesirable limitation of his independence, even if the request did not prescribe the manner in which the enquiry should be conducted. It would also imply an extension of his functions beyond that of the audit-based enquiries which are appropriately considered by the PAC.

⁷ Cmnd 7117 paras 100-102.

63. Special occasions may arise, as they have in the past, when one or two staff have been loaned from E & AD to assist other Select Committees. The C & AG has already made it clear that while serving in that capacity the loaned staff do not act as auditors, are not responsible to him and do not have rights of access to Departmental books and papers. In general, however, the Government agree with the PAC that the importance of the tasks facing the C & AG, and inevitable staff constraints, would not permit E & AD to become the main provider of staff support for Parliamentary Committees in their examination of Government business.

V CONCLUSIONS

64. The Government would welcome any views that the Parliamentary Committees and other interested bodies and individuals may wish to express on the issues discussed in this paper. The Government's provisional views can be summarised as follows:-

- a. The role of the C & AG should be
 - i. to provide a basic financial and regularity audit of Departmental accounts (paras 13-15);
 - ii. to undertake an examination of the economy and efficiency with which public funds are spent (paras 16-18), and
 - iii. in appropriate cases, to investigate the effectiveness of programmes and projects in meeting established policy goals (paras 19-21).
- b. The effective working relationship between the C & AG and the PAC should be preserved (para 9).
- c. In the case of non-departmental bodies an important objective of the C & AG's examination should be to review the effectiveness of the arrangements under which Ministers monitor and control the payment of public funds to such bodies (para 27).
- d. Decisions whether to provide for C & AG audit or inspection of such bodies need to be taken case by case (para 31). The C & AG should not cover the nationalised industries (paras 42-50).
- e. Certain powers of direction available to the Treasury in the E & AD Acts are obsolete and could be removed in any new legislation (para 57).

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- f. The Government are prepared to consider alternative arrangements for controlling the budget of the C & AG but the implications for the staff of E & AD would need to be considered (para 59).
- g. The independence of the C & AG of both the Executive and Parliament should be reaffirmed and there should be no change in his status as an office holder under the Crown (para 61).

65. In the light of comments received on these and other issues the Government will consider whether and in what form to bring forward proposals for new legislation. There is a case for a new Act to replace the existing legislation in order to provide an up-to-date and concise statement of the arrangements for public audit in this country. At the same time, as already indicated, the existing Acts remain for the most part technically valid and pose no insuperable problems of interpretation that require their early replacement. The Government believe that it would be right to replace the existing legislation only when there is a consensus on which a new and durable statutory statement of the role of the C & AG might be constructed.

THE C & AG'S CERTIFICATION AUDIT OF APPROPRIATION ACCOUNTS

Note by Sir Douglas Henley KCB, Comptroller and Auditor General

This note discusses the objectives of the C & AG's formal certification responsibility in respect of Departmental appropriation accounts and suggests how this part of E & AD's work should be discharged in modern conditions.

2. Under the E & AD Act 1866 all Government Departments are required to prepare annual "appropriation accounts" and the C & AG is required to examine, certify and report on them. The amending E & AD Act passed in 1921 requires him to satisfy himself that the money expended has been applied to the purpose or purposes for which the grants made by Parliament were intended to provide and that the expenditure conforms to the authority which governs it. The C & AG audits on behalf of the House of Commons but the 1921 Act, which repealed the requirements of the 1866 Act for him to carry out a detailed examination of all vouchers, left the nature and extent of his examination largely to his professional judgement, subject to the House being informed of any important changes therein. The 1921 Act also provided for the preparation and audit of trading, manufacturing, etc accounts.

3. Appropriation accounts are receipts and payments accounts which set out the sums which Parliament has appropriated for specified services in a financial year and what has been actually paid and received under those specified headings. They do not embody, as do commercial accounts, the concept of profit or loss and net worth, nor do they involve accounting on an accrual basis or the valuation of assets and liabilities. The C & AG's audit of appropriation accounts cannot therefore address itself to "a true and fair view" of profits or losses earned or of a Department's financial position; while central to the success of commercial operations these concepts are irrelevant to most Departmental activities. Their formal audit serves quite different objectives.

4. That part of the C & AG's audit which supports his certificate to appropriation accounts consists of a financial audit covering the general reliability of the accounts and a regularity audit to meet the specific requirements of the 1921 Act. These are designed to provide assurance that:

- (a) The figures in the appropriation accounts are accurate and that any Parliamentary or Treasury rules governing their form and content, including notes of losses, special payments, etc, have been followed.
- (b) Moneys voted by Parliament have been expended only for

the purposes set out in the Departmental Estimates and authorised by Parliament through Appropriation Acts; and that more has not been spent than the funds voted.

- (c) Departments have adhered to the statutory or other rules governing the administration of the services for which they are responsible, including such major programmes as social security benefits, and agricultural and industrial assistance schemes.

Broadly, (a) represents the financial audit and (b) and (c) constitute regularity audit.

5. In carrying out this work E & AD use some audit techniques which in principle are applicable both to commercial and to appropriation accounts: notably the systems based approach which focuses on the financial and accounting controls designed to guard against accounting errors and irregular use of public money, losses of cash or stores and, in the extreme case, fraud. Attention has been, and will continue to be, devoted to improving these techniques, and to applying them to the increasingly important areas of computerised processing of, and accounting for, financial and stores transactions.

6. It should however be noted that the discharge of the C & AG's certification responsibilities is directed solely to the formal accuracy and regularity of Departmental expenditures and receipts in relation to Parliamentary authorisations and other rules; and to give Parliament itself some independent assurance in these respects was a main objective of the founding Act of 1866. For the purpose of certifying the accounts it is not necessary for the C & AG to examine other aspects of Departments' financial management, relating for example to the adequacy of their budgeting and project controls, the management information they produce, and whether they obtain value for money in using the funds and resources at their disposal. Good administration in such financial management is central to efficient and effective public expenditure. It is therefore important that the C & AG's audit should concentrate on these areas as well. The conceptual distinction between the audit examination required solely to enable the C & AG to certify the formal accounts and that directed to these other aspects of financial control or efficiency is important because it underlines the need for a proper distribution of E & AD's resources. But in practice the same examination may sometime serve more than one objective and there is no intention, or need, to change this.

7. Financial accuracy of appropriation accounts and formal regularity of expenditure remain important objectives. But Parliament, through the PAC, have increasingly concentrated their attention on the more substantive aspects of public audit. They may agree that the C & AG should employ the most cost-effective methods and devote no greater resources purely to certification audit work than he considers necessary in the exercise of his professional judgement.

8. Some of the considerations which are relevant to the exercise of his judgement are:

- (a) All Departments follow a common Vote accounting guide issued by the Treasury which has remained relatively unchanged over many years. Departments' operations under this guide have been continuously subject to E & AD audit.
- (b) Whilst there is a large number of Departmental sub-systems supporting the central accounting systems, these tend to be standardised and to follow central rules and guidance from the Treasury or Civil Service Department. In this area E & AD already adopt a cyclic approach to the audit.
- (c) Departments maintain extensive accounts staffs and internal audit organisations of their own, which seek to provide their Permanent Secretaries/Accounting Officers with an assurance that financial control systems are adequate and operating effectively.
- (d) Accounting Officers take personal responsibility, for which they must answer to the PAC, for the correctness and regularity of their Departments' accounts.

9. As stated above the E & AD Acts require the C & AG to certify the appropriation accounts. By long standing practice followed since 1866 and specifically endorsed by the PAC in 1922 he has generally certified each account individually, some 170 in all, as "in my opinion, correct". This is a more stringent form of words than is applied to any commercial style account, public or private; to the audit of local authorities; or to the audit of public accounts in most advanced countries. Though the PAC have accepted that the word "correct" should not be taken literally, a form of report or certificate for Appropriation and similar accounts may now be desirable which would be more appropriate to the degree of formal assurance which Parliament might reasonably expect the C & AG to provide in modern conditions, and which would reflect the consequential nature of this part

of his Department's audit examination.

10. In practical terms this analysis suggests that E & AD should continue to apply a professional audit examination of high standard to Departments' discharge of their formal Vote accounting responsibilities. The direction and extent of that examination in each Department should be the C & AG's responsibility, taking into account both the materiality and sensitiveness of particular accounts and the general factors in paragraph 8 above. A report by the C & AG, rather than a certificate, on the results of this part of the audit might be appropriate. Whether legislation should specify the wording of that report, or whether the form should be left for consideration by the Public Accounts Committee will need to be considered. But legislation should in any case provide in suitable terms for these responsibilities.

ACCOUNTS AUDITED OR INSPECTED BY THE C & AG

This Annex groups the accounts audited or inspected by the C & AG into four Parts as shown below.

PART I Accounts relating to the expenditure of public funds, grouped as follows:-

| | Corresponding Supply Estimates Classes |
|---|---|
| Defence | I |
| Overseas | II |
| Agriculture, Fisheries, Food and Forestry | III |
| Trade, Industry, Energy and Employment | IV and V |
| Roads and Transport | VI |
| Housing and other Environmental Services | VII and VIII |
| Law, Order and Protective Services | IX |
| Education and Libraries, Science and Arts | X |
| Health, Personal Social Services and Social Security | XI and XII |
| Other Public and Common Services | XIII and XIV |
| Northern Ireland | XV |
| Rate Support Grant and Financial Services | XVII |

Within each group the accounts are listed under five headings:

- (i) Appropriation Accounts The C & AG audits all Appropriation Accounts with the exception of that for the Exchequer and Audit Department, which is audited by the Auditor of the Civil List (the Treasury).
- (ii) Trading Accounts and Trading Funds The C & AG audits all Departmental Trading Accounts and Trading Funds.
- (iii) National Loans Fund Accounts Accounts prepared by Departments relating to issues from the National Loans Fund and audited by the C & AG.
- (iv) Other Accounts audited by the C & AG.¹ These are not necessarily laid before Parliament but relate to the receipt or payment of public funds.²
- (v) Inspection Rights In addition, the C & AG has acquired non-statutory rights of access to the books and records of a wide variety of organisations of which he is not the auditor. These rights are not necessarily exercised every year but relate to
 - a. Grant-aided organisations, where access rights have been negotiated because the Exchequer makes a significant contribution²
 - b. Bodies in receipt of voted funds in a form other than Grant-in-Aid, to whose books the C & AG has automatic rights of access by virtue of his audit of the relevant Appropriation Account.²

All the responsibilities under (i)-(iii) and some of those under (iv) are laid on the C & AG by statute.

/PART II

1. Accounts which are audited by the C & AG following a Treasury direction under Section 3 of the E & AD Act 1921 or on the basis of an agreement between the C & AG, the relevant Department and the body concerned are marked with an * or a † respectively.

2. Bodies which in accordance with Cmnd 7797 it is proposed should be disbanded or where public funding is to be discontinued are marked with a ϕ.

- PART II Revenue, Banking and Superannuation Accounts audited by
the C & AG¹
- PART III Accounts which do not relate to the current (1979-80) payment
or receipt of public funds, where the C & AG audits usually on
a fee basis¹
- PART IV International organisations audited by the C & AG on a fee basis

1. See footnote on previous page

PART I Accounts relating to the expenditure of public funds

DEFENCE

- (i) Class I Votes 1-5
- (ii) HM Dockyards and other establishments
; Royal Ordnance Factories
- (iii) Nil
- (iv) Naval and Marine Museums (Grant in Aid)
National Army Museum (Grant in Aid)
Royal Air Force Museum (Grant in Aid)
- (v) a. Nil
b. Nil¹

1. In addition the C & AG has rights of access to the books of International Military Services Ltd for which token provision is made at Class I Vote 2 Subhead N5 for any contingent liability arising from its defence activities, for which the Secretary of State for Defence assumed responsibility on 1 April 1977.

AGRICULTURE, FISHERIES, FOOD AND FORESTRY

- (i) Class III Votes 1-10
- (ii) Ministry of Agriculture, Fisheries and Foods: Lands Managed
Department of Agriculture and Fisheries, Scotland: Lands Managed and Farmed
Welsh Office Agriculture Department: Lands Managed
- (iii) National Loans Fund Issues to the Covent Garden Market Authority
- (iv) Agricultural Marketing Fund
Central Council for Agricultural and Horticultural Cooperation
Forestry Fund
Herring Industry Fund and Board
IBAP Buying Accounts
White Fish Authority
- (v) a. Agricultural Training Board
National Institute of Agricultural Botany
- b. Agricultural Credit Corporation Ltd
British Wool Marketing Board
Cereals Committee Ltd
Crofters Commission
Eggs Authority
Home Grown Cereals Authority
Land Settlement Association Ltd
Meat and Livestock Commission
Milk Marketing Boards
National Proficiency Tests Council
Potato Marketing Board
Red Deer Commission
Scottish Agricultural Organisation Society
Scottish Agricultural Colleges and Research Institutes¹

¹ In addition the C & AG has access to the books and records of the Covent Garden Market Authority (in respect of finance from the National Loans Fund - see (iii) above) and the National Seeds Development Organisation Ltd, whose net receipts are surrendered to the Consolidated Fund

TRADE, INDUSTRY, ENERGY AND EMPLOYMENT

- (i) Class IV Votes 1-25 and Class V Votes 1-2
- (ii) Export Credits Guarantee Department:
Credits Insurance Scheme
Overseas Investment Insurance Scheme
Special Guarantees Scheme
Offshore Petroleum Installation Facilities
- (iii) National Loans Fund Issues to
British Airports Authority
British Airways Board
Civil Aviation Authority
British Aerospace
British Shipbuilders
British Steel Corporation
Development Board for Rural Wales
National Enterprise Board
Post Office
Scottish Development Agency
Shipbuilding Industry Board
Welsh Development Agency
British Gas Corporation
British Nuclear Fuels Ltd
Electricity Council
National Coal Board
North of Scotland Hydro-Electric Board
South of Scotland Electricity Board
The Radiochemical Centre Ltd
- (iv) British Tourist Authority
Civil Aviation Authority
English Tourist Board
Marine and Aviation Insurance (War Risks) Account¹
Price Commission
Scottish Tourist Board
Simplification of International Trade Procedures Board
Wales Tourist Board
Anglo-German Foundation for the Study of Industrial Society
Cooperative Development Agency
Design Council
Development Board for Rural Wales
Highland and Islands Development Board
National Research Development Corporation (Statements of Account)
Scottish Development Agency
Welsh Development Agency
United Kingdom Atomic Energy Authority
Advisory, Conciliation and Arbitration Service
Health and Safety Commission² /Executive
Manpower Services Commission

1. The Secretary of State is empowered to insure and reinsure ships, aircraft and cargo against war risks. Any receipts or payments are paid into or out of the Consolidated Fund.

2. In addition, the C & AG audits the accounts prepared by the Department of Industry under the Local Employment Act 1972 showing the financial results of providing premises through the English Industrial Estates Corporation. For the purpose the C & AG enjoys rights of access to the books of the Corporation.

TRADE, INDUSTRY, ENERGY AND EMPLOYMENT (continued)

- (v) a. British Agricultural Export Council
British Overseas Trade Group for Israel
British Standards Institution
Committee for Middle East Trade
East European Trade Council
Latin American Trade Advisory Group
Merchant Navy Welfare Board
National Association of Citizens Advice Bureaux
National Consumer Council
National Federation of Consumer Groups
National Metrology Coordinating Unit
Royal Society for the Prevention of Accidents
Sino-British Trade Council
Clothing Industry Productivity Resources Agency
Development Corporation of Wales
Devon and Cornwall Development Bureau
Institute of Patentees and Inventors
North of England Development Council
North-West Industrial Development Association
Welsh Development Agency Holdings Ltd
Yorkshire and Humberside Development Association
Royal Society
UKAEA Retirement Fellowships Scheme
- b. Monopolies and Mergers Commission Metrication Board
Nationalised Industry Consumer Councils
Overseas Projects Fund
Ship Mortgage Finance Co UK Trade Agency for Developing Countries
Community Industry Scheme Bodies Genetic Manipulation Advisory Group²
Industrial Training Boards¹
Miscellaneous Training Bodies¹
National Dock Labour Board
Remploy Ltd
Youth Opportunities¹ and Job Creation Scheme Bodies
National Coal Board (access to records relating to Vote payments to
redundant mine workers)

-
1. The C & AG enjoys rights of access to these bodies by virtue of his audit of the Manpower Services Commission (see (iv) above)
 2. The C & AG has rights of access to this body by virtue of his audit of the Health and Safety Commission/Executive

ROADS AND TRANSPORT

- (i) Class VI Votes 1-7
- (ii) Nil
- (iii) National Loans Fund Issues to
 - British Railways Board
 - British Transport Docks Board
 - British Waterways Board
 - Harbour Authorities
 - National Bus Company
 - National Freight Corporation
 - Scottish Transport Group
- (iv) Erskine Bridge and Severn Bridge Toll Accounts¹
- (v) a. Nil
 - b. Loganair Ltd
 - Orkney Islands Shipping Co Ltd
 - Road Safety Education Development Unit

1. Net receipts are surrendered to the Consolidated Fund

HOUSING AND OTHER ENVIRONMENTAL SERVICES

- (i) Class VII Votes 1-4 and Class VIII Votes 1-8
 - (ii) Nil
 - (iii) National Loans Fund Issues to
 - Building Societies
 - Housing Associations
 - Housing Corporation
 - Land Authority for Wales
 - New Towns Development Corporations and Commission
 - Scottish Special Housing Association
 - Water Authorities
 - (iv) Countryside Commission for Scotland
 - Development Fund
 - Ironstone Restoration Fund
 - Land Authority for Wales
 - Nature Conservancy Council
 - Scottish Commission for Local Authority Accounts
 - Sports Council
 - Sports Council for Wales
 - (v) a. Agreement Board
 - Centre for Environmental Studies
 - Council for Small Industries in Rural Areas
 - National Building Agency
 - b. Building and Friendly Societies (in connection with Option Mortgage Scheme)
 - Countryside Commission
 - Housing Associations
 - Housing Corporation
 - Scottish Special Housing Association
- Location of Offices Bureau

LAW, ORDER AND PROTECTIVE SERVICES

- (i) Class IX Votes 1-15
- (ii) Nil
- (iii) Nil
- (iv) Commission for Racial Equality
Criminal Injuries Compensation Board
Equal Opportunities Commission
Legal Aid Funds (Statements of Account)
Metropolitan Police Fund
Police Complaints Board
- (v) a. Catholic Marriage Advisory Council
Family Welfare Association
Institute of Marital Studies
Jewish Marriage Education Council
National Association for the Care and Resettlement of Offenders
National Council of Social Service
National Marriage Guidance Council Women's Royal Voluntary
United Kingdom Immigrants Advisory Service Service
- b. Gaming Board

EDUCATION AND LIBRARIES, SCIENCE AND ARTS

(i) Class X Votes 1-30

(ii) Nil

(iii) Nil

(iv) Agricultural Research Council

+Arts Council

: British Library

+Crafts Advisory Committee

Medical Research Council

+National Library of Wales

+National Museum of Wales

Natural Environment Research Council (including British Antarctic Territory)

Science Research Council

+Scottish Arts Council

Trustee Museums and Galleries Purchase
Grant in Aid Accounts

+Scottish Sports Council

Social Science Research Council

+Welsh Arts Council

(v) a. British Academy

British Film Institute

British Institute of Recorded Sound

Cranfield Institute of Technology

Gaelic Books Grant

Open University

Royal College of Art

Royal Geographical Society

Royal Scottish Geographical Society

Royal Society

Royal Society (Edinburgh)

Schools Council

Sir John Soane's Museum

South Bank Theatre Board

Universities in England, Wales and Scotland

b. Central Bureau for Educational Visits and Exchanges /Advisory Council

Council for Educational Technology

for Adult and
Continuing
Education

Council for Museums and Galleries etc, Scotland

Council of Museums in Wales

Direct Grant Further and Adult Education Establishments in England,
Wales and Scotland

Direct Grant Secondary Schools in England, Wales and Scotland

Direct Grant Special Schools in England, Wales and Scotland

League for the Exchange of Commonwealth Teachers

Museum Documentation Association

National Film School

Teacher Training Colleges in Scotland

University Grants Committee

Voluntary Teacher Training Colleges in England and Wales

Scottish Council for Educational Technology

Scottish Council for Research in Education

HEALTH, PERSONAL SOCIAL SERVICES AND SOCIAL SECURITY

- (i) Classes XI Votes 1-5 and XII Votes 1-4
- (ii) Nil
- (iii) Nil
- (iv) Central Council for Education and Training in Social Work
Council for Education and Training of Health Visitors
Health Services Board
National Biological Standards Board
National Health Service Summarised Accounts
National Health Service (Scotland) Accounts
National Radiological Protection Board
Public Health Laboratory Service Board
- (v) a. Joseph Rowntree Memorial Trust
Intermediate Treatment Trust
Midwife Teachers Training College
- b. Association of Community Health Councils
Association of Scottish Local Health Councils
Central Blood Laboratories
Central Midwives Boards (England and Wales, and Scotland)
Common Services Agency (Scotland)
Council for Postgraduate Medical Education and Training
Dental Estimates Board
Development Team for the Mentally Handicapped
Family Fund
General Nursing Council
General Nursing Council for Scotland
Health Authorities, Boards, Councils and Special Trustees
Health Education Council
Joint Board of Clinical Nursing Studies
List D Schools (Scotland)
Malaria Reference Laboratory
Medical Practices Committee
Mental Welfare Commission for Scotland
Occupational Pensions Board
Panel of Assessors for District Nurse Training
Personal Social Services Council
Prescription Pricing Authority
School for Dental Auxiliaries Ltd
Scottish Council for Postgraduate Medical Education and Training
Welsh Health Technical Services Organisation

OTHER PUBLIC AND COMMON SERVICES

- (i) Class XIII Votes 1-31 (excluding Vote 9), Class XIII A Vote 1 and Class XIV Votes 1-10
- (ii) HMSO: Government Bookshops
Property Services Agency: Supplies Trading Fund
Royal Mint Trading Fund
- (iii) Issues from the National Loans Fund to
Local Authorities
- (iv) Consolidated Fund and National Loans Fund Accounts
Consolidated Fund and National Loans Fund Supplementary Statements
Contingencies Fund
Government Hospitality Fund (Grant in Aid)
+History of Parliament Trust Account
House of Commons Members Fund
House of Commons Refreshment Department Accounts
Irish Land Purchase Fund
Parliamentary Contributory Pension Fund
Tithe Act 1936 Account
- (v) a. British American Parliamentary Group
Chequers Trust
Civil Service Sports Council
Commonwealth Parliamentary Association
Inter-Parliamentary Union
Commonwealth War Graves Commission
- b. Royal Commissions
National Economic Development Council

NORTHERN IRELAND¹

- (i) Class XV Votes 1-5
- (ii) Nil
- (iii) National Loans Fund Issues to
Northern Ireland Consolidated Fund
- (iv) Police Authority for Northern Ireland
Police Complaints Board for Northern Ireland
- (v) a. Belfast Community Law Centre
"Extern"
Northern Ireland Association for the Care and Resettlement of Offenders
Save the Children Fund
Training Schools and Remand Homes Accommodation
- b. Nil

-
1. Accounts relating to services financed from the Northern Ireland Consolidated Fund are audited and inspected by the Comptroller and Auditor General (Northern Ireland). At present, these accounts, together with the C & AG (NI)'s reports on them are laid before Parliament.

RATE SUPPORT GRANT AND FINANCIAL SERVICES

- (i) Class XVII Votes 1-15
- (ii) Nil
- (iii) Nil
- (iv) Nil
- (v) a. Nil
b. Nil

PART II Revenue, Banking and Superannuation Accounts audited by the C & AG

Inland Revenue Revenue Account
Customs and Excise Revenue Account
 (including Isle of Man Act 1958 Customs and Excise Account)
Driver and Vehicle Licence Revenue Account
IBA: Additional Payments by Programme Contractors Account
National Oil Account
Post Office Broadcast Receiving Licence Receipts Account

DOE and SDD Betterment Levy Revenue Accounts
Community Land Surpluses Account
National Insurance Surcharge Revenue Accounts (DHSS and DHSS(NI))
Funds left in Trust for the Reduction of the National Debt:
 Elsie Mackay Fund
 John Buchanan Fund
 †Doris Duke Gift Fund

*Paymaster General's Banking Account
National Savings Bank Accounts (Investment and Ordinary Deposits)
Trustee Savings Bank Accounts (Fund for the Banks for Savings) Account

Maternity Pay Fund
National Insurance Fund
Redundancy Fund

†National Insurance (Industrial Injuries) Colliery Workers Supplementary Scheme
*NHS Acts Revenue and Expenditure Accounts under Superannuation Regulations
*Teachers Superannuation (England and Wales): Actuarial Account
*Teachers Superannuation (Scotland): Actuarial Account
UKAEA Principal Non-industrial Superannuation Scheme and Industrial
 Superannuation Scheme

PART III Accounts which do not relate to the current (1979-80) payment or receipt of public funds, where the C & AG audits usually on a fee basis

- *Air Travel Reserve Fund
- †Arts Council Retirement Fund
 - Aviation Security Fund
 - Church Commissioners Accounts
- †Commonwealth Institute Superannuation Scheme Funds
- †Commonwealth Zimbabwe Scholarships Fund
- Crown Agents Realisation Account
- *Crown Agents Abstract Accounts (final accounts relating to period up to 31/12/79)
- Distribution of German Enemy Property Account
- †Flora Zambesiaca
 - Forestry Enterprise Accounts
 - Funds in Court in England and Wales
- *Funds in Court (Northern Ireland)
 - General Lighthouse Fund
 - Greenwich Hospital and Travers Foundation Accounts
- †Holyrood Amenity Trust
- *House of Lords Security Fund
 - Industrial Organisation and Development Levy Accounts
 - Insolvency Services (Accountancy and Investment) Act 1970 Account
- †Interim Commissioner for the West Indies
- *Land Purchase Trustee for Northern Ireland Account
- *Merchant Shipping Acts: Wages of Living Seamen
- *Merchant Shipping Acts: Property of Deceased Seamen
- National Land Fund
 - Official Custodian of Charities (Charities Act 1960) Account
- †Palestine Currency Fund
 - Police Property Fund (Northern Ireland)
 - Royal Hospital Chelsea Account
- †Royal Patriotic Fund Corporation
 - Royal Ulster Constabulary Fund
- †Society of Clerks at the Table in Commonwealth Parliaments
- †Sports Council Trust
- Sugar Beet (Research and Education) Fund
- Supreme Court of Judicature (Northern Ireland) Land Purchase Account
- Trust Funds:
 - †Agricultural Research Council Underwood Fund
 - †Agricultural Research Council Wain Fund
 - †British Council Donations for Special Purposes
 - †British Library Trust Funds
 - †British Library Endowment Funds
 - †British Museum Trust Funds
 - †British Museum (Natural History) Special Funds
 - Department of Education and Science Trust Funds
 - †Imperial War Museum Trust Funds
 - †Medical Research Council Endowment Funds
 - †National Army Museum Private Funds
 - †National Gallery Trust Funds
 - *National Galleries of Scotland Trust Funds
 - †National Library of Scotland Trust Funds
 - †National Maritime Museum Trust Funds
 - †National Museum of Antiquities of Scotland Trust Funds

-
1. Payments from the National Land Fund are made to the Commissioners of Inland Revenue in satisfaction of CTT in return for property accepted in lieu.

Trust Funds (continued):

- †National Portrait Gallery Trust Funds
- †Royal Scottish Museum Lindsay Carnegie Trust
- †Science Museum Trust Funds
- †Social Science Research Council Private Funds
- †Tate Gallery Trust Funds
- †Victoria and Albert Museum Trust Funds Pool
- †Victoria and Albert Museum John Webb Trust Fund
- *Universities and Colleges Estates (Winchester College)
- USA (MDAP) Equipment Disposal Deposit Account
- †West Africa Currency Board (Residual Assets) Fund
- *Wreck and Salvage Account

PART IV International organisations audited by the C & AG on a fee basis

Food and Agriculture Organisation
General Agreement on Tariffs and Trade
Inter-Governmental Maritime Consultative Organisation
International Agency for Research on Cancer
International Centre for Advanced Technical and Vocational Training
International Labour Organisation
International Maritime Satellite Organisation
International Oil Pollution Compensation Fund
North Atlantic Ocean Stations
North East Atlantic Fisheries Commission
Oslo Commission on the Prevention of Marine Pollution by Dumping
Pan American Health Organisation
United Nations Educational, Scientific and Cultural Organisation
Western European Union
World Health Organisation
World Meteorological Organisation