

CONFIDENTIAL

Prime Minister

Mr WHITMORE

(Can I talk with D-R and with Sir) - W. 21.13.

You said the letter from the Chancellor's office which today. Contact for me to write on the lines of the draft reply or 'yes'?

INTERNAL AUDIT: Mr Wiggins's letter of today's date

at the same time. This sequence of events includes 2iv

all that is wrong with the Civil Service spreadsheet. I cannot write this if we are to achieve anything. Not

1. Your letter of 20 March to Mr Wiggins said that the Prime Minister "would like to be informed of the main elements in the programme of reform preferably before officials appear before the PAC" She also hoped that a firm of professional accountants might be used.

2. Central department officials appear before the PAC on Monday 6 April.

Atmosphere

3. There is a certain irony about the references in Mr Wiggins's letter to urgency and the issue by the Treasury of "specific instructions":

a. Both the Prime Minister and Sir Derek Rayner queried the tentativeness of the language to be used in the letter from Sir Ian Bancroft and Sir Douglas Wass of 20 March.

b. Sir Derek Rayner queried the timetable (see especially the reference to 30 June 1982 in para. 9(iii)).

c. In replying to Sir DR's last letter on the subject, Sir Douglas Wass particularly observed that he and Sir Ian Bancroft felt that they should not go so far as to "instruct" their colleagues in respect of audit committees (para. 9(i)) and the interpretation of "really able staff" for internal audit units (para. 11).

4. Although the letter as issued was stiffer than the draft on which Sir DR commented, a strong whiff of "might be" lingers about it and about the meeting of Permanent Secretaries, to which Mr Wiggins referred. The brief discussion took place at the end of a meeting at which, on other items, much resentment at "pinpricks" from the centre was expressed. At least some of this appears to have been due to the disgust of right-minded departments (so far as internal audit goes) at the centre's latter day repentance and evangelism.

The intended programme

5. The Treasury will lead, CSD will help. The centre's job is specifying suitable standards and co-ordinating in respect of recruitment, pay and training.

6. Departments are asked to agree with the Treasury

- the objectives of their IA by 30 September, plus the job description of the head of IA plus proposals for filling it;



- the composition of their IA units by 30 June 1982, if only provisionally;
- by 31 December 1981 a course of action to bring computer audit up to scratch in three years.

7. You may like to note that:

- a. The requirement to agree certain things with the Treasury is new. It is an important development, welcome to this office.
- b. There is a touch of the chicken and the egg about the present situation: Permanent Secretaries complained at the meeting that the letter of 20 March was not clear enough about the precise functions and objectives of internal audit.
- c. The timetable is a bit leisurely. This is partly because the centre's policy-makers are having to learn their lessons step by step in order to stay ahead.
- d. There are genuine difficulties: computer audit is a new science, outside as well as inside the Service, and good accountants have not been easy to recruit.
- e. But at least we are facing the right direction.
- f. The outsider would find it very odd that the Head of the Government Accountancy Service is not leading the programme.

*Prime Minister's
The trouble is that the
Head of the Accountancy
Service is not very good
Adv. Advice*

*Then we
must find one
who is good.*

8. The content of the programme is acceptable. The timetable has now been promulgated, which is a pity. But I think that it should now be left alone.

9. The crucial point is whether the programme is driven forward with determination and success. My impression is that the responsible Deputy Secretary in the Treasury, Mr Littler, is addressing the task with vigour. He met with the PFOs on Tuesday; I gather that they were responsive. But he has of course many other duties. Both Sir DR and the Head of the Government Accountancy Service had made the case for a designated project leader.

10. Your letter of 20 March was a powerful expression of the Prime Minister's views. I suggest that the Treasury should now be encouraged to provide firm and appropriate leadership and to report back on progress.

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11. I attach a possible private secretary letter.

DM

P C PRIESTLEY
2 April 1981

Enc: Draft letter

DRAFT OF 2 APRIL 1981

A J Wiggins Esq
HM Treasury

The Prime Minister has seen your letter of 2 April, together with that sent to Permanent Secretaries by Sir Ian Bancroft and Sir Douglas Wass on 20 March.

The Prime Minister is content with the substance of the programme outlined in the letter to Permanent Secretaries, but is concerned less the intended timetable for action should be interpreted as less urgent than the case requires. She would be grateful if the Chancellor would kindly arrange for her to receive a first report during the summer on the progress made by the Treasury and by other departments.

The Prime Minister welcomes Treasury leadership. She thinks that this requires a considerable part of the time of a senior officer suitably qualified by training and experience and will be glad to know how this is to be provided. She would also like to know what professional assistance the Treasury is looking for from outside the Service, if any (my letter of 20 March refers).

Finally, the Prime Minister has asked me to say that she would like conveyed to the Accountancy, Finance and Audit Division her good wishes on their change of department and for the important work which lies before them.

I am copying this to Jim Buckley (CSD) and Sir Derek Rayner.

C A WHITMORE