



DAO (GEN) 11/99

21 June 1999

Dear Accounting Officer

**NATIONAL AUDIT OFFICE/PUBLIC ACCOUNTS COMMITTEE
RECOMMENDATIONS: IMPROVED FOLLOW-UP**

Purpose of this DAO

This letter provides non-mandatory guidance on how the follow-up to recommendations made by the Public Accounts Committee (PAC) in their reports and by the National Audit Office (NAO) in management letters might be improved.

2. In the autumn of last year, Principal Finance Officers of main departments were consulted about various options that the Treasury and departments could take to improve the follow-up to NAO and PAC reports and recommendations. This followed an initiative by the PAC designed to achieve similar results.

3. In general, departments responded positively to most of the options. They have, however, given a clear message that any changes should not be too prescriptive or over-bureaucratic and must be cost effective. It has been concluded, therefore, that departments should be encouraged to follow good practice rather than be obliged to adhere to hard and fast rules which may create additional burdens without adding value to the process.

4. The following is a summary of those options which have been most widely suggested, and which are recommended.

Management letters

5. It is **good practice** for departments to prepare action plans for implementing the agreed recommendations from the National Audit Office and the Public Accounts Committee, and for **internal audit and audit committees** to be used to monitor and report on implementation. It is therefore recommended that:

- i. Management letters should always be followed by an agreed action plan including target dates for implementing necessary changes, which should be copied to internal audit for comment but not requiring comment.
- ii. Action plan implementation should be monitored by audit committees.
- iii. Parent departments should automatically be copied management letters addressed to agencies and non-departmental public bodies.
- iv. Parent departments should be provided with an annual report from the audit committees of agencies and non-departmental public bodies explaining, where this is the case, why agreed recommendations have not been implemented.
- v. Departments should consider the option of setting and monitoring a performance target for the implementation of all agreed recommendations, and reporting the results (ie average age of outstanding recommendations) in the Annual Report, to underpin the Accounting Officer's statement on the organisations systems of internal financial control (DAO (GEN) 4/99).

Treasury Minutes

6. Departments need to consider carefully the recommendations in PAC reports which relate to them and to respond to these recommendations in consultation with the Treasury. (Memoranda in response to Northern Ireland matters are provided by the Northern Ireland Department of Finance and Personnel.) These responses are submitted by the Treasury to the House of Commons as "Treasury Minutes".

7. Treasury Minutes are laid before the House of Commons by the Treasury as Command Papers. Along with PAC reports and the minutes of evidence to which they relate, they are the subject of a debate each year on the floor of the House. The debate normally focuses on half a dozen or so reports suggested by the Committee and referred to in the motion for debate.

8. In order to improve the follow-up to recommendations in PAC reports, departments should:

- i. Consider whether the Treasury Minute itself should include an action plan for implementation of agreed recommendations. At the very least, responses to individual recommendations should, where appropriate, contain target dates for implementing agreed action.
- ii. Produce a note on follow-up action in response to PAC recommendations for inclusion in departmental reports.

- iii. Consider carefully whether there is a need to produce a press release when the Treasury Minute is laid before Parliament, since if the PAC hearing or evidence has gained significant media or public interest there may be a need to demonstrate the Government's commitment to following-up the committee's concerns.

Treasury

- 9. The Treasury will aim to promote effective follow-up in two ways:
 - i. Public Services Teams will continue to take an interest in departmental progress in implementing PAC recommendations. Possible ways of doing this involve:
 - S including in team objectives the requirement regularly to check progress on follow up to PAC recommendations;
 - S nominating a team member, at an appropriate level, to track and report progress to the team leader,
 - S holding occasional bi-laterals with departments to consider progress on follow up;
 - S reviewing progress on follow up as part of the regular process of monitoring departmental control systems.
 - ii. TOA will draw to the attention of departments good practice identified - and strategic issues referred to - in NAO/PAC reports. This will be contained in the annual DAO letter on lessons emerging from PAC reports of general application.

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