

HM Treasury

Parliament Street
London SW1P 3AG
Telephone 071-270

TJ Burr
Treasury Officer of Accounts

DAO(GEN) 3/94
4 MARCH 1994

Dear Accounting Officer

CHECKLIST OF POINTS IN THE PAC'S 8TH REPORT ON THE PROPER CONDUCT OF PUBLIC BUSINESS

Departments will be aware that on 27 January the PAC published its 8th report on The Proper Conduct of Public Business. The report drew attention to a number of recent lapses in financial management in departments and other bodies, all of which were the subject of separate PAC reports. Annex 1 offered a checklist of points which, as a result of its experience, the Committee believes public bodies need to keep in mind to guard against the risk of such lapses.

2. The Government has already taken action, as explained in Treasury Minutes responding to the relevant reports, to implement changes recommended by the PAC. The PAC has recognised that these changes are in hand. The purpose of this letter is to draw the attention of all departments and Agencies to the checklist, a copy of which is attached, and to remind them of the need to take steps to avoid in future problems of the type referred to in the checklist.

Relationship between the Checklist and Current Guidance

3. The points raised in the checklist are already dealt with in central guidance (such as Government Accounting, CUP guidance, PES papers, relevant DAO letters etc). The PAC explicitly indicate that they are not calling for any more detailed rules, but rather for a framework of effective systems of control and accountability, supported by responsible attitudes.

4. The penultimate item in the checklist refers to the need for full and open competition, which should of course remain the normal method of procurement of goods and services. However, departments should note, in accordance with PES(94)3, that there will sometimes be exceptions which may include, where EC rules permit, cases involving a high degree of innovation where the private sector finances the necessary capital investment. Where competitions are not held, departments and Agencies will need to consider other means of ensuring value for money from the expenditure.

Action

5. Departments should ensure that those responsible for financial controls, for the stewardship of public funds and for ensuring value for money, are made aware of the checklist and relevant guidance. Departmental procedures should be reviewed to ensure that they adequately address the issues raised by the checklist.

Application of Non Departmental Public Bodies

6. Departments should ensure that similar steps are taken by NDPBs and other bodies for which they are responsible.

Enquiries

7. Departments and Agencies should address questions related to compliance with the checklist to their appropriate expenditure division contact. Questions related to PAC matters should be addressed to Ian Thomson (telephone 071-270-4304) or John Breckenridge (telephone 071-270-5361).

8. This letter is being sent to Treasury appointed Accounting Officers, their Principal Finance Officers and Agency Chief Executives.

TJ BURR
Treasury Officer of Accounts

CHECKLIST FROM PAC'S 8TH REPORT

FAILURES	CHECKLIST
<p>Inadequate Financial Controls</p> <p>Inadequate internal accounting systems and controls, leading to waste and a risk of fraud and theft.</p> <p>Failure to ensure that financial procedures and controls are adapted in line with major changes in the organisation of the business.</p> <p>Inexperienced staff lacking in financial training and expertise, leading to failure to secure adequate controls especially at a time of change.</p> <p>Poor monitoring of expenditure on capital projects, leading to overspends and waste.</p> <p>Paying bills and other outgoings without checking.</p> <p>Failure to pursue money owed.</p> <p>Failure to comply with rules</p>	<p>Departments and public bodies should ensure that from the outset proper financial systems are in place and applied.</p> <p>Procedures and controls need to be revised from time to time to ensure their continuing relevance and reliability, especially at times of major change.</p> <p>Care should be taken to provide staff with the financial skills required and to ensure that staff responsible for securing major. changes in accounting systems are suitably experienced.</p> <p>Major capital projects require specific financial and project management skills and experience, and the projects should not be embarked upon unless such skills are available and utilised.</p> <p>Bills and other outgoings should be checked and validated before payment is made. They should be supported by evidence that the goods or services have been supplied.</p> <p>There should be adequate arrangements to ensure that monies owed are properly monitored and pursued.</p>

<p>Payments of grants on the basis of insufficient evidence as to entitlement.</p>	<p>Robust procedures should be in place and applied so that entitlement is clearly established and documented.</p>
<p>Provision of redundancy benefits.</p>	<p>Public bodies should ensure that they do not exceed their delegated powers in making provision for redundancy and other benefits.</p>
<p>Ex gratia payments made without authority on termination of employment, sometimes in circumstances where disciplinary action might have been more appropriate.</p>	<p>As well as seeking authorisation from sponsoring departments for any payments to staff going beyond their delegated powers, public bodies should ensure that any such exceptional payments can be fully justified in all the circumstances.</p>
<p>Provision of official cars to senior executives without requiring them to pay for private motoring.</p>	<p>Public bodies should ensure that they follow the rules laid down for the provision of official cars.</p>
<p>Failure to secure full recovery of benefits provided to senior executives to which they were not entitled.</p>	<p>Public bodies should pursue full recovery of all such benefits.</p>
<p>Inadequate stewardship public money and assets</p>	<p>Departmental Accounting Officers should identify the key information they need on the way in which non-departmental public bodies conduct their business, and ensure they obtain and use such information.</p>
<p>Failure by departments to establish effective monitoring of non-departmental public bodies which they fund and sponsor, leading to failure to detect waste and irregularities.</p>	<p>Departmental Accounting Officers should identify the key information they need on the way in which non-departmental public bodies conduct their business, and ensure they obtain and use such information.</p>
<p>Inadequate oversight by those in authority (failure to obtain information, infrequent meetings, decisions not properly reached and</p>	<p>Chairmen and Members (including non-executives) of public bodies should receive adequate training to enable them to discharge</p>

<p>meetings, decisions not properly reached and recorded).</p> <p>Failure to ensure that delegation of responsibility is accompanied by clear lines of control and accountability, leading to the waste of large sums of public money.</p> <p>Over-dominant chief executives and senior executives.</p> <p>Failure to hold individuals personally accountable for their actions.</p> <p>Failure to take prompt corrective action when things begin to go wrong.</p> <p>Failure to conduct regular reviews of the necessity and functionality of particular expenditure programmes, and to draw appropriate conclusions from their failure to date.</p> <p>Lack of evenhandedness when taking disciplinary action against individual.</p>	<p>their responsibilities.</p> <p>Chairmen and Members should ensure that chief executives and senior executives are clear what their individual responsibilities are.</p> <p>Chairmen and Members need to ensure that chief executives and senior executives are regularly and effectively accountable to them.</p> <p>Those who have delegated their responsibilities need to ensure that individual responsibility for management decisions can be established, and that such responsibility is made properly accountable so far as the individual is concerned.</p> <p>Robust reporting arrangements from all levels of delegated responsibility need to be secured.</p> <p>Public bodies should conduct regular internal examinations of the programmes on which they are spending public money, and should, where appropriate, draw into such examinations the employees of contractors who are engaged on the programmes concerned.</p> <p>The case of dismissal or other disciplinary action needs to be fully considered in a fair And objective way, irrespective of the seniority</p>
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<p>Concealing information</p> <p>Failure to provide value for money</p> <p>Inadequate management of major building projects, contributing to overspends and failure to identify and address problems as they arise.</p> <p>Embarking on ambitious computer projects on the basis of inadequate appraisal, and failing to ensure that the system delivers what is required.</p> <p>Inadequate re-appraisal of computer etc projects in response to changing circumstances and requirements.</p> <p>Generally accepted principles of full and open competition not always observed when privatising or contracting out the provision of goods and services.</p> <p>Failure to secure arms length relationships with private sector consultants, leading to conflicts of interest in decisions to spend public money.</p>	<p>of the individual concerned.</p> <p>Fear of embarrassment is no justification for withholding information the release of which would be in the public interest.</p> <p>Project management needs should be carefully assessed and met throughout the lifetime of the project.</p> <p>Rigorous financial and risk appraisal should be carried out before computer projects are approved, and care taken to ensure that users are fully consulted and the system thoroughly tested at each stage.</p> <p>Project managers should carry out careful re-appraisals of the continuing validity of the project when change occurs.</p> <p>Full and open competition should be applied in all save the most exceptional circumstances (eg where no alternative supplier is available) in order to secure the best the market can provide at the most competitive price.</p> <p>Care should be taken to avoid actual, potential, perceived or perceivable conflicts of interest when employing consultants and staff.</p>
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