



J S Beastall
Under Secretary

AA L/4

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Dear Accounting Officer

AGENCIES: CONSULTATION WITH NAO

This note gives guidance to departments on the question of consultation with the National Audit Office (NAO) when plans for agencies are being drawn up. It has been agreed with NAO.

Accounts

2. If an agency which remains part of a department is to produce formal accounts, the form of the accounts is subject to the direction or approval of the Treasury and the certification audit of the accounts will be carried out by NAO. NAO do not of course have any formal role in prescribing forms of account. However, departments may wish to consult them on matters such as the feasibility of introducing particular forms of accounts within a given timescale and the measures that would be necessary to do this.
3. When the general form of the accounts has been agreed with the Treasury, but before an agency moves to the production of them, it is essential for the department to consult NAO about the detailed layout, etc, of the accounts and about the systems which will be necessary to produce them to a standard required for a clear audit certificate. This consultation should include such matters as the arrangements for charging between the agency and the rest of the department.
4. If a self-standing department becomes an agency and it is agreed with the Treasury that a change in the form of its accounts is required, the department should similarly consult NAO about the detailed layout, etc, of the account and the necessary support systems.
5. It may be the case that an agency is not able to produce formal accounts, at any rate for an interim period, and will therefore prepare memorandum accounts. Although these will not be formally audited by NAO, departments, after discussing their form with the Treasury, should also consult NAO with a view to ensuring that they are as informative as possible within the limitations on the accounting systems available.
6. There is no presumption that NAO need be shown the whole of agency Framework Documents in draft; but they should be consulted about any substantive passages on accounts in the Framework Document.

Designation of Agency Accounting Officers

7. Where an agency does not have its own Vote and remains part of a department, the departmental Accounting Officer will designate the Chief Executive as Agency Accounting Officer. After consultation with departments the Treasury will be issuing guidance about the contents of the letter of designation. This guidance will also be prepared in consultation with NAO. There is no need, therefore for departments to consult NAO about the contents of individual designation letters. They should send a copy of such letters, when they are issued, to the Comptroller and Auditor General as well as to the Treasury expenditure division and the Treasury Officer of Accounts.

Other Matters

8. It is open to departments if they wish - they have no obligation to do so - to consult NAO about other matters relating to the establishment of agencies where NAO have expertise. For example, NAO would be ready to offer comments on the systems required to underpin the financial and performance targets which departments select for their agencies.

9. Any enquiries on this letter should be addressed to J D R Shore (01-270-5361).

10. This letter is being circulated to Accounting Officers and their Principal Finance Officers only.

Yours sincerely

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Treasury Officer of Accounts