



DAO(GEN)15/99

13 August 1999

Dear Accounting Officer

PAC CONCLUSIONS OF GENERAL APPLICATION

May I draw your attention to the attached list of PAC conclusions of general application?

2. The conclusions are taken from the Committee's reports in the 1997-98 Session together with those reports in the 1998-99 Session to which Treasury Minutes have already been published.

3. The recommendations are those which are applicable to departments generally and not just the departments covered by the reports in question but which may not, or may not yet, be the subject of specific central guidance. The recommendations are annotated by reference to the relevant Treasury Minutes.

4. The conclusions cover:

C privatisations:

S key lessons identified by the Committee on the privatisations on which it reported between 1981-82 and 1997-98;

S checking the basis of benchmark valuations;

S evaluating the cost of sale of small entities;

C property management:

S helpful NAO guidance on the disposal of surplus property;

S the need to consider existing vacant property when considering changes in accommodation;

C utilities management:

S helpful NAO guidance on utilities management;

C NDPB Accounting Officers

S completing the induction process promptly;

S bringing together annually a department's NDPB Accounting Officers;

C safeguarding public funds:

S safeguarding assets held on behalf of third parties;

C final accounts and related matters:

S submitting accounts within statutory deadlines;

S dealing with debtors effectively;

S maintaining adequate documentation on assets owned by third parties;

C severance payments:

S handling cases involving serious mismanagement.

5. May I emphasise in particular the importance the Committee attaches to submitting all accounts within statutory deadlines? The Committee regard late submission of such accounts as unacceptable.

6. May I also remind departments of the Committee's continuing concern over **Excess Votes**? The Committee look to the Treasury to remind departments that authorised supply grants are expenditure limits not expenditure targets; that they need to take great care effectively to monitor, forecast and control expenditure during the year; and that they need to use assumptions which are soundly based when seeking Supplementary Estimates.

Application of this guidance to Non-Departmental Public Bodies

7. Departments should draw items in this letter as appropriate to the attention of the accounting officers or senior full time officials of the NDPBs which they sponsor.

Enquiries

8. Enquiries should be addressed in the first instance to Nick Towers, TOA Team, Treasury, (GTN) 270 5477.

JAMIE MORTIMER

PAC CONCLUSIONS OF GENERAL APPLICATION 1997-98 and 1998-99 (to date)

PRIVATISATIONS

61st Report 1997-98: Getting Value for Money in Privatisations

The Committee identify key lessons arising from all the privatisations on which it reported between 1981-82 and 1997-98.

The Treasury notes (Treasury Minute, Cm 4075, paras 1-5) that practice within government evolved in this period as experience from earlier sales was applied and lessons from the Committee's reports were incorporated into Treasury guidance and good practice in Departments. The Treasury also notes that there is a continuing need to exercise judgment in conducting individual privatisations. Meanwhile it would ensure that the lessons in the Committee's report are drawn to the attention of all Departments involved in sales and reflected in guidance for Departments.

13th Report 1998-99: The Final Accounts of: the Chessington Computer Centre, the Recruitment Assessment Services, and the Occupational Health and Safety Agency

The Committee recommend (conclusion xi) that where the actual outcome varies significantly from the benchmark valuation, Departments should discuss possible reasons with financial advisers to satisfy themselves as to the soundness of the advisers' work.

The Department notes (Treasury Minute, Cm 4381, para 47) that benchmark valuations are by their nature inexact, but accepts that the soundness of the advisers' work should have been reviewed in the light of the bids received.

The Committee recommend (conclusion xii) that Departments need to take particular care when evaluating the business case for the sale of a relatively small entity, and should include the major costs of sale such as advisers' fees.

The Department agrees that significant costs of sale should be taken into consideration when assessing the feasibility of sale of a small organisation.

PROPERTY MANAGEMENT

10th Report 1998-99: Ministry of Defence: Identifying and Selling Surplus Property

The Committee note (conclusion xxii) that the Comptroller and Auditor General's Report identifies many lessons and pitfalls in relation to the identification and disposal of surplus property, and recommend that it be drawn to the attention of other Departments, Agencies and Non-Departmental Public Bodies. The Committee welcomes the Treasury's assurance that they will do so.

The Treasury undertook (Treasury Minute, Cm 4381, para 21) to draw these lessons to the attention of Departments, Agencies and NDPBs.

26th Report 1997-98: Property Advisers to the Civil Estate: Vacant Office Property

The Committee recommend (conclusion viii) that Departments considering changes in their accommodation should always consider existing vacant property as an option; and look to the Treasury to ensure that guidance on investment appraisal is particularly rigorous on the assessment costs and benefits of moving to other accommodation when there is government property standing empty.

The Treasury Minute notes (Cm 3973, para 9) that the Treasury issued revised and updated guidance on appraisal and evaluation (the Green Book) in August 1997. This guidance made clear that Departments must take full account of costs and benefits (paragraphs 1.2 and 4.28). PACE was consulted in the drafting of Annex F, which deals with land and buildings. The issue of vacant property is dealt with in Annex F, paragraph 16, while Annex F, paragraph 17 makes clear that costs to central government as a whole must be taken into account in the appraisal calculation.

UTILITIES MANAGEMENT

4th Report 1997-98: Ministry of Defence: Management of Utilities

The Committee believe (conclusion xxi) that the Comptroller and Auditor General's report and checklist offer lessons of value to other government Departments, Agencies and Non-Departmental Public Bodies and look to the Treasury to draw the report and checklist to the attention of Accounting Officers.

The Treasury notes (Treasury Minute, Cm 3880, para 68) that it had already drawn the C&AG's report and checklist to the attention of Accounting Officers.

NDPB ACCOUNTING OFFICERS

7th Report 1997-98: Resignation of the Chief Executive of English Heritage

The Committee recommend (conclusion ix) that the Treasury draw to the attention of Departmental Accounting officers their responsibility to ensure that NDPB Accounting Officers complete their induction process at the earliest opportunity.

The Treasury Minute notes (Cm 3894, para 10) that the Cabinet Office and the Treasury had already circulated guidance on arrangements for the induction training for Accounting Officers. However, the Treasury would write again to Departments drawing attention to the importance the Committee attaches to early induction training.

The Committee commend (conclusion xvi) DCMS'S initiative to bring together annually the Accounting Officers of their NDPBs, and welcomes the proposed involvement of the NAO and the Treasury in these events. The Committee look to the Treasury to foster the development of similar initiatives in other sponsoring Departments.

The Treasury Minute notes (Cm 3894, para 16) that it is already the practice in several NDPB sponsoring Departments to hold periodic get-togethers with their NDPB Accounting Officers. However, the Treasury would write to sponsoring Departments commending this practice and offering support for such meetings.

SAFEGUARDING PUBLIC FUNDS

12th Report 1997-98: Overseas Development Administration: Irregularities in Pension Payments in Amman, Jordan

The Committee stress (conclusion ix) that there should be full and proper accountability for all the money and other valuables in a post's charge, including funds held on behalf of third parties; and recommend that instructions to this effect be issued to all FCO posts. The Committee also recommend that the Treasury should ensure that the Government Accounting Manual contains guidance on this point.

The Treasury Minute notes (Cm 3894, para 72) that the Accounting Officer Memorandum, which forms part of Chapter 6 of *Government Accounting*, emphasises that an Accounting Officer should ensure that his organisation's staff are as conscientious in their approach to costs not directly borne on the Department's votes - such as costs incurred by other Departments - as they would be if such costs were directly borne. However, the Treasury would consider whether this point could be emphasised in future revisions to *Government Accounting*.

THE DRAWING UP OF FINAL ACCOUNTS AND RELATED MATTERS

13th Report 1998-99: The Final Accounts of: the Chessington Computer Centre, the Recruitment Assessment Services, and the Occupational Health and Safety Agency

The Committee note (conclusion i) that in the private sector, failure to file accounts on time would lead to fines and penalties. The Committee look to the Treasury to emphasise to Departments generally that submitting accounts beyond the deadlines imposed by statute is unacceptable.

The Treasury notes (Treasury Minute, Cm 4381, para 35) that it has already put in place procedures aimed at improving the delivery of the 1998-99 Appropriation Accounts and has written to departments, agencies and NDPBs to emphasise the importance of submitting all other accounts within the statutory deadlines.

The Committee urge (conclusion vi) Departments and other central government bodies to ensure that they maintain adequate records of monies owed to them, and take action to collect such sums promptly.

The Department agrees (Treasury Minute, Cm 4381, para 41) that government organisations should maintain proper records and ensure that monies owing to them are collected promptly.

The Committee recommend (conclusion vii) that legal and other documentation supporting the use by central government bodies of assets or other rights owned by third parties should be regularly reviewed to ensure that it is up-to-date, comprehensive and fit for the purpose.

The Department agrees (Treasury Minute, Cm 4381, para 42) that the documentation supporting the use of assets and rights owned by third parties should be regularly reviewed to ensure that it is up to date, comprehensive and fit for its purpose.

SEVERANCE PAYMENTS

8th Report 1997-98: Governance and the Management of Overseas Courses at Swansea Institute of Higher Education

The Committee are concerned (conclusion xiii) that, “once again, the Committee of Public Accounts has been presented with a case where an individual responsible for serious mis-management receives a generous settlement”.

The Treasury Minute (Cm 3894, para 31) notes that guidance on severance payments has been issued to both the further and higher educational sectors in Wales.