The Role of Accounting Officers: A Perspective from the United Kingdom

by Brian Glicksman CB

The Canadian Federal Accountability Act created the new office of "Accounting Officer" following recommendations contained in the Gomery Report and other recent studies. In March 2007 the Public Accounts Committee adopted a "Protocol for Accounting Officers". This report was concurred in by a majority of members of the House of Commons in May. The idea to create Accounting Officers was borrowed from the United Kingdom. This article outlines how the office works in the UK.

I spent nearly six years as a Director in the Treasury of the United Kingdom with the title "Treasury Officer of Accounts", a long-standing title which goes back to the mid-19th century. It forms a link back to the times of the British Prime Minister, William Gladstone, who introduced wide-ranging reforms of our public accounts during the Victorian era. Before I describe the work of accounting officers in the modern era I think it is worth mentioning that this reform was introduced as a partnership between Parliament and the Treasury of the day.

A joint committee of Parliament and the Treasury developed the new accounting arrangements, which were then given statutory form through the Exchequer and Audit Act of 1866. The joint committee was called the Committee on Public Accounts which, to this day, retains a Treasury Minister, the Financial Secretary, as an ex officio member. I believe the committee is unique among the United Kingdom Parliamentary Select Committees in having a Government Minister as a member. Normally, members of Select Committees are drawn solely from the backbenches. The presence of a Treasury Minister on the Public Accounts Committee underlines the commonality of interest between Parliament and the Treasury in seeking to promote good financial management – and in uncovering poor financial management.

These days the convention is that the Financial Secretary only participates once in the committee's proceedings – immediately after being appointed, and then only for a brief 15 minutes or so, leaving the committee to get on with its business in the same way as other select committees. However, the Treasury Officer of Accounts sits with the committee at all its hearings, and occasionally at private sessions, to help the committee with its business, if necessary.

This little digression about the relationship between the Treasury and the Public Accounts Committee, makes the point that the process of accountability is inextricably linked to improvement in financial management. Inevitably, relations between Parliament and the executive can sometimes become a little fraught but both we and the committee nevertheless try to ensure that we make positive use of their work.

The UK System of Accounting Officers

The Accounting Officer concept has recently been introduced in Canada after some debate and I have been asked to speak about the UK system of Accounting Officers, their role and their relation to Parliament. I know very little about the arrangements in Canada so I will restrict myself to describing the arrangements that we have in the UK. Whether these have any relevance to Canada

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is for others to judge. I would only say that it would obviously be dangerous to assume that, just because the title of the post is the same, then everything else must be the same too. Clearly much will depend on the context in which Accounting Officers work and the powers that they have. There may well be important differences in these respects between our countries. Also, as I am now retired, any comments I make are in a personal capacity. I no longer speak as a representative of the UK Government.

Parliamentary Controls

Over the centuries, Parliament has secured many rights in relation to the executive. A few are relevant to the position of Accounting Officers.

First, the Government needs Parliament's approval to raise money through taxation and it needs Parliament's approval to spend money. In relation to expenditure, the Treasury has to present estimates to Parliament each year, identifying how much each Government department needs for the year and, in broad terms, what it needs it for. Parliament then votes the money to the Government. If a department needs more during the year, the Treasury has to present a revised estimate for Parliament's approval.

The United Kingdom Comptroller and Auditor General (C&AG), who is an officer of Parliament, has to authorise the release of funds to the Government during the course of the year and ensure that releases are in line with the voted provision. This is his "Comptroller" function.

At the end of the year, each department has to draw up accounts comparing spend with the estimate and in a form agreed with Parliament. These accounts are audited by the C&AG. This is his "Auditor General" function and he presents the accounts to Parliament with his report. The Public Accounts Committee scrutinises them on behalf of Parliament.

There are, in addition, numerous other requirements. For example, the Government has also agreed, under what is called the "1932 Concordat", that it will not spend money on new services, above certain thresholds, without specific legislation authorising it – even if Parliament has voted the department sufficient funds in its estimate. Departments that fail to comply with these, and other, requirements are at risk of qualified accounts and a report to Parliament from the C&AG.

Over the years, the C&AG's powers have gradually been extended and, in particular, he now has extensive powers to report to Parliament on any aspect of how a department has used the resources at its disposal. These reports are called "value for money" reports and the C&AG's staff in the National Audit Office produce 60 or 70 of them every year. These reports now form the mainstay of the Public Accounts Committee's annual programme of work, rather than the reports on accounts.

My reason for mentioning all this is just to make two very obvious and simple points. First, that Parliament has a keen and legitimate interest in everything that the Government spends money on and, secondly, that, as departments are large, complex organisations, they inevitably need internal systems to ensure they comply with these various requirements. Somebody needs to have responsibility for ensuring these systems are in place and work properly. And this is where our Accounting Officers come in.

Accounting Officers

In the UK the concept of Accounting Officers was in the 1866 Exchequer and Audit Act. That Act required the Treasury to appoint people we now call Accounting Officers. However, their statutory roles under the Act were very limited. The Act merely required the Accounting Officer to prepare the accounts and submit the accounts to the C&AG for audit. In 2000 were placed this part of the 1866 Act but we left the limited statutory responsibilities of Accounting Officers unchanged.

On top of these very limited foundations, however, we have gradually, over the course of 140 years, erected a quite substantial edifice, giving Accounting Officers important non-statutory responsibilities to which we in the Treasury and Parliament, through the Public Accounts Committee, attach considerable importance. The responsibilities are contained in a Treasury document called the "Accounting Officer Memorandum". It forms part of a much bigger Treasury document called "Government Accounting", which codifies the rules and conventions applying to the management of resources in Government departments.

What are the main elements of the Accounting Officer Memorandum? Well, first, from the very earliest days – 1872, in fact – the Treasury has sought to appoint as the Accounting Officer the most senior civil servant in a Government department, who we usually call a Permanent Secretary (Deputy Minister in Canada). Since 1920 this has been the universal arrangement. This recognises the fact that the Permanent Secretary, as the permanent head of the department, is the person who has the authority to ensure that all the systems are in place and operating to prepare proper accounts.

Secondly, by virtue of the fact that the Accounting Officer is in practice the head of the department, we have been able to attach to the Accounting Officer role other responsibilities. In particular, responsibility for ensuring that the department uses its resources in accordance with the requirements of "regularity and propriety", and with economy, efficiency and effectiveness – three "e"s that we usually refer to collectively as "value for money".

Coming back to the phrase "regularity and propriety", regularity is the term we use for ensuring that money is spent in accordance with the rules, e.g. only spending money on things on which the department has powers to spend. Propriety is the term we use for spending in accordance with the standards that Parliament and the public would expect. These standards of course change over time and require a degree of judgment. Now, in reality, it does not need a Treasury memorandum to spell out that the head of department should ensure compliance with regularity, propriety and value for money. These are fundamental responsibilities of the head of any organisation. However, by attaching them to the Accounting Officer role and spelling them out in the Accounting Officer memorandum we have given them an emphasis. We have placed an onus on the department to devote attention to them, even when the department's day-to-day priorities might be elsewhere.

The memorandum devotes quite a bit of space to the Accounting Officer's role in ensuring the proper stewardship of public funds. I will not go over it all here but, in essence, it requires the Accounting Officer to have in place a strong finance section and to have good financial management throughout the department. It requires proper consideration of financial matters when advising on policy and it requires Ministers to give written instructions to the Accounting Officer in certain circumstances.

Accounting Officers feel that the existence of this memorandum from the Treasury, spelling out their responsibilities, strengthens their position in the department and thus supports the maintenance of good financial management.

Relations with Ministers

Interestingly, there is no debate in the UK about the relationship between Accounting Officers and Ministers. This is presumably because the system has been in place for so long that everybody has got used to it – but there is some evidence that it was the subject of debate in the early years of our system. It is obviously a point that merits discussion.

In the UK, as here, Ministers are responsible for their departments and accountable to Parliament for the actions of their departments. An MP can raise concerns about the action of a department on the floor of the House and expect a departmental Minister to respond and take responsibility. We have been careful in our Accounting Officer memorandum not to undermine that responsibility. The memorandum states explicitly that the Accounting Officer is responsible "under the Minister", not in substitution for the Minister.

What we have done in the memorandum is simply to state explicitly that the head of department has a personal responsibility for ensuring the department has proper financial management. The Minister therefore does not need to issue explicit instructions to the head of department asking for this to be put in place. The instructions are there in a standing Treasury memorandum.

I think it is fair to say that people see this as a perfectly natural way of operating and not in any way a dilution of the Minister's position. The head of department would equally expect to take responsibility for other aspects of the department's management, such as recruitment, discipline and performance management, without waiting to be instructed to do so. In fact, I think Ministers would be surprised if somebody told them they needed to instruct their Permanent Secretaries to take responsibility for managing their departments.

Of course, this does not prevent a Minister who has an interest in or concern about financial management, from looking at, or even seeking to change, the department's systems - because the Minister remains ultimately responsible. But, under the Minister, the Accounting Officer has a personal responsibility and, if the two disagree on what needs to be done, the memorandum provides a clear process for resolving the disagreement.

One of the implications of the memorandum is that a Minister knows that the Accounting Officer should be ensuring that the department complies with the requirements of regularity, propriety and value for money. Ministers also know they can expect the Accounting Officer to advise on any such issues that may come up. They do not need to ask for such advice – it should come forward automatically. So what happens if the Minister disagrees with the advice he or she receives?

The memorandum spells out what happens in these circumstances. In essence, the Minister's view prevails but the Minister is required to issue a written instruction to the Accounting Officer. The Treasury and the C&AG have to be informed. If the matter were to come before the Public Accounts Committee, the committee could be expected to recognise that the Accounting Officer bore no personal responsibility for the decision.

On average, these written instructions, which we tend to refer to as "directions", occur perhaps once or twice a year. Some of them might be regarded as "technicalities". Sometimes, the direction may relate to a topic that is already the subject of public debate. However, I cannot think of any case where the direction has become a political issue in its own right – though that does not mean we never will have such a case.

I might mention that the requirement for a direction in relation to value for money cases was only introduced after what is known as the "Pergau dam" case in the 1980s. Prior to that directions were only required in cases of regularity or propriety. These directions were introduced in 1883, and the requirement to inform the Treasury and the C&AG in 1920. Value for money decisions require an element of judgment and it is not surprising if, from time to time, a Minister takes a different view from the Accounting Officer on the balance of the arguments.

Relations with Parliament

The Public Accounts Committee in the UK, and I suspect it will be similar in Canada, has as its main task scrutinising on behalf of Parliament the way in which departments have spent the money that Parliament has provided. I assume that, at one time, this was done by scrutinising and holding hearings on departmental accounts. However, these days, the committee holds relatively few hearings on accounts. Out of the 60 or more hearings the committee holds each year, the overwhelming majority – perhaps as much as 90% – are hearings on value for money reports prepared by the C&AG's staff in the National Audit Office.

The committee usually holds just one hearing on each report and it invites the Accounting Officer to give evidence on the issues raised in the report. These days the committee permits the Accounting Officer to be accompanied by other staff who can speak knowledgeably about the issues. The Accounting Officer is nevertheless expected to be on top of the issues and to do most of the talking.

The committee will have been briefed by the National Audit Office and the department will have prepared its Accounting Officer at length on the background to the report. Accounting Officers know that, if the NAO's report is critical, they can expect a tough time at the hearing. The committee does not mince its words.

By convention, the committee is always chaired by a senior Opposition backbencher, often a former Minister. However, it always seeks to act in a non-partisan manner. It does not question Government policy and does not take evidence from Ministers. It restricts itself to the way in which departments have used their resources. However, as you will readily appreciate, there is a considerable grey area where policy and the use of resources overlap.

Because of the way in which Accounting Officers have to justify their departments' actions to the Public Accounts Committee, we talk loosely of them being "accountable" to the committee. These days we accept this without question but in the 1920s the Treasury felt obliged to spell out how this was reconciled with their accountability to Ministers. The committee can give an Accounting Officer a bruising time, it can publish a highly critical report, it can damage an Accounting Officer's reputation. But it cannot, at the end of the day, dismiss or discipline an Accounting Officer. That is something that would fall to Ministers and/or the head of the civil service. However, Accounting Officers are accountable to the committee in the sense of being required to give an account to the committee of the way in which their departments have used their resources.

Relations with Treasury

The Treasury appoints the Accounting Officer but that is largely a formality once a new head is appointed to a department. The Treasury issues guidance to Accounting Officers. The main documents are the Accounting Officer memorandum, our manual on using public money, called "Government Accounting", and occasional ad hoc guidance in the form of "Dear Accounting Officer" letters. There is also a lot of more specific guidance, e.g. on internal audit and risk management, that is issued as necessary as well as guidance on appearing before the Public Accounts Committee.

We do not of course expect Accounting Officers to memorise, or indeed even to read, all this guidance but we expect them to have a finance section that will be on top of it. And we expect that finance section to have considerable authority within the department, and the strong backing of the Accounting Officer – in effect to protect the Accounting Officer's position.

In addition, because the Treasury Officer of Accounts attends all Public Accounts Committee hearings, I would always attend at least one briefing session with the Accounting Officer before a hearing so that I would be familiar with the issues.

Finally, after the Public Accounts Committee publishes its report on a hearing, the Government will respond through a "Treasury minute" which, although drafted by the department concerned, would be agreed with and presented to Parliament by the Treasury.

Some issues Relating to Accounting Officers

One issue that crops up quite regularly is the position of former Accounting Officers, who have since retired or moved elsewhere. The Government and the committee are agreed that the current Accounting Officer is required to answer for the department's actions whether or not he or she was in post at the time. The committee will not accept an answer of "I don't know because it was before my time."

Nevertheless, the committee also reserves the right to call back former Accounting Officers if it considers this can help its enquiries. This is disliked by the Accounting Officer community but, at the end of the day, the committee has the power to summon any citizen it wishes to appear before it. A *modus vivendi* has been established on the basis of assurances from the committee that this power would be used sparingly in exceptional circumstances. In fact, several of the occasions when it has happened have been occasions when everybody agreed it was the sensible thing to do.

A second issue that we spend some time discussing is whether our arrangements have the effect of reinforcing the natural risk aversion of civil servants. Governments have ambitious programmes and they want to encourage innovative solutions. Does our system of Accounting Officers, their personal responsibility to the Public Accounts Committee, the rough time they can receive if their departments have performed less than perfectly, the voluminous guidance from the Treasury – do these collectively reinforce a "blame culture" that the media are only too happy to promote and thus discourage risk taking and innovation?

The third issue that may be worth mentioning is the increasing focus at Ministerial level on what we refer to as "delivery". Twenty years ago, Ministers focused on policy while civil servants advised on policy and then implemented the Government's policies. Any Minister who showed an interest in implementation was considered rather eccentric. Today, however, the message is that delivery of policies to the citizens in the country is the priority. Ministers are increasingly being required to involve themselves in implementation of policies.

So far, this has not had any impact on the arrangements I have described in my presentation but I wonder whether, further down the line, there may be consequences. For example, will it lead to more use of directions? Will the Public Accounts Committee feel that they need to question Ministers about some projects rather than just Accounting Officers? It will be interesting to see.