



HM TREASURY

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Dear Accounting Officer

TOPICAL REMINDERS

This letter reminds Accounting Officers and those who work for them of some important requirements which can be overlooked at busy times. Recent events have highlighted the need to be clear about these.

Clearance of public spending with the Treasury

1. It is important that public sector organisations make sure that they have adequate clearance from the Treasury for all spending commitments they enter into. Spending settlements often give departments a considerable degree of freedom about how they dispose and prioritise their DEL provision. In turn departments may give their sponsored bodies considerable freedom about their allocations. But there are also often specific limits which should be respected.
2. Where specific limits exist, Accounting Officers should be clear that proceeding without explicit Treasury authority renders the expenditure improper. I am prepared to write to the Comptroller and Auditor General to draw exceptions to his attention should they happen. It will of course be for the C&AG to decide whether the resulting resource accounts should be qualified.
3. This is important because it is part of ministers' collective responsibility to cooperate with the Treasury's leadership in managing the economy. In turn it should mean that the Treasury can be confident that ministers' collective decisions can be relied upon as a given for decisions about management of economic performance in the round. Should a minister be minded nevertheless to disregard a collective decision, an Accounting Officer has the option of seeking a direction to proceed with the expenditure or commitment (see MPM section 3.4).

Cash Management

4. Accounting Officers are reminded that it is good practice to establish a banking policy to ensure that any surplus cash in their organisation at the end of each working day is used efficiently. For most organisations the starting point should be to consider whether



the Government Banking Service can offer the required range of facilities. This enables the Debt Management Office to minimise the government's overnight debt, benefitting the exchequer as a whole. Further guidance is in annex 5.7 of Managing Public Money [http://www.hm-treasury.gov.uk/d/mpm_annex.5.7.pdf].

Contingent Liabilities

5. Accounting Officers are reminded that parliament expects to be given notice of contingent liabilities before they are assumed wherever possible. Departments should obtain Treasury approval before laying a departmental minute in parliament, wherever possible leaving fourteen sitting days in which Members can raise objections. Where confidentiality demands private disclosure to the relevant chairs of the select committee and the PAC, it is wise to check that safe delivery has been achieved. The requirements are set out in section 5.4 and annex 5.5 of Managing Public Money.

PAC Hearings

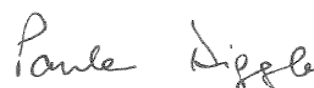
6. Witnesses to PAC hearings sometimes find that there is supplementary material which would be helpful to the Committee in addition to the NAO report. When this happens it is good practice to submit it to the Committee with adequate time to consider it, clearing it first with the NAO. If time does not permit this, witnesses or their representatives should discuss the best approach with the Clerk to the Committee.

7. After a PAC hearing witnesses and ministers are sometimes invited to comment publicly on the PAC's report. It is bad practice to do so immediately as the Committee finds this practice discourteous to parliament. The substantive response should instead be made in the Treasury minute published a few weeks after the PAC report. Accounting Officers should be aware that the PAC chairman is prepared to censure witnesses and ministers who do not observe this basic parliamentary convention.

Please consult me or one of my team if these standard rules seem likely to cause difficulty in a particular case. Contacts include:

Marius Gallaher	Alternate TOA	7270 5058
David Barton	Head of Accountability	7270 5365
Jim Duncan	Contingent liabilities	7270 4833

Yours sincerely



Paula Diggle
Treasury Officer of Accounts

