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19 January 1983

CABINET

PARLIAMENTARY CONTROL OF EXPENDITURE (REFORM) BILL

Note by the Secretary of the Cabinet

I attach a copy of the Parliamentary Control of Expenditure (Reform) Bill, which was published yesterday. This will be relevant to the discussion of the memorandum by the Chancellor of the Exchequer (C(83) 2).

Signed ROBERT ARMSTRONG

Cabinet Office

19 January 1983

Parliamentary Control of Expenditure (Reform) Bill

ARRANGEMENT OF CLAUSES

PART I

AUDITS AND EXAMINATIONS BY COMPTROLLER AND AUDITOR GENERAL

Clause

1. Economy, efficiency and effectiveness examinations of public departments and other bodies.
2. Economy, efficiency and effectiveness examinations of nationalised industries and publicly owned corporations and companies.
3. Economy, efficiency and effectiveness examinations of other public sector bodies.
4. Examination of other bodies.
5. Audit of the accounts of Health Authorities.
6. Right to obtain documents and information.
7. Reports by Comptroller and Auditor General.

PART II

PUBLIC ACCOUNTS COMMISSION AND NATIONAL AUDIT OFFICE

8. Public Accounts Commission.
9. Functions of Commission.
10. National Audit Office.
11. Appointment of Comptroller and Auditor General.
12. Requests by Committee of Public Accounts.
13. Audit fees.
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15. Occupancy of Land.

PART III

16. Consequential amendments.
17. Repeals.
18. Expenditure.
19. Short title and commencement.

[Bill 19]

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B I L L
TO

Strengthen Parliamentary control and supervision of expenditure of public money by making new provision as to the duties and powers of the Comptroller and Auditor General; by establishing a Public Accounts Commission and a National Audit Office; to make provision as to the post and duties of accounting officer; and for connected purposes.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

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PART I

AUDITS AND EXAMINATIONS BY COMPTROLLER AND AUDITOR GENERAL

1. The Comptroller and Auditor General shall have power to carry out economy, efficiency and effectiveness examinations of the use of resources by public departments and all other bodies of which he is the appointed auditor or to which he has statutory or other inspection rights.

Economy, efficiency and effectiveness examinations of public departments and other bodies.

2.—(1) The Comptroller and Auditor General shall have inspection rights to carry out economy, efficiency and effectiveness examinations of the use of resources by nationalised industries, publicly owned corporations and any company of which more than 50 per cent. of the voting shares are publicly owned.

Economy, efficiency and effectiveness examinations of nationalised industries and publicly owned corporations and companies.

(2) Any major examination under this section shall be undertaken only after consultation with the responsible government departments.

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PART I

1973 c.65.
1982 c. 41.

(3) In subsection (1) above the bodies referred to do not include any public body to which sections 96 and 106 of the Local Government (Scotland) Act 1973 or sections 12 and 31 of the Local Government Finance Act 1982 apply.

Economy, efficiency and effectiveness examinations of other public sector bodies.

3.—(1) The Comptroller and Auditor General shall have inspection rights to carry out economy, efficiency and effectiveness examinations of the use of resources by any public sector body which is mainly supported directly or indirectly from moneys provided by Parliament and/or moneys issued from the National Loans Fund. 5 10

(2) In subsection (1) above "public sector body" shall not include any body to which section 2 of this Act, sections 96 and 106 of the Local Government (Scotland) Act 1973 or sections 12 and 31 of the Local Government Finance Act 1982 apply.

Examination of other bodies.

4.—(1) The Comptroller and Auditor General shall have access to bodies other than those referred to in sections 2 and 3 above which are mainly supported directly or indirectly from moneys provided by Parliament and/or moneys issued from the National Loans Fund so far as he considers this to be necessary in order to enable him to examine the use of such moneys. 15 20

(2) In subsection (1) above "bodies" shall not include any body to which sections 96 and 106 of the Local Government (Scotland) Act 1973 or sections 12 and 31 of the Local Government Finance Act 1982 apply. 25

(3) In subsection (1) above "bodies" shall not include any person in receipt of emoluments, expenses, pensions, allowances or benefits paid out of moneys provided by Parliament.

Audit of the accounts of Health Authorities.

5. The Comptroller and Auditor General shall have power to audit and certify the accounts of Health Authorities. 30

Right to obtain documents and information.

6. The Comptroller and Auditor General or any person appointed by him shall have a right at all reasonable times to obtain all such documents relating to a body referred to in sections 1 to 5 of this Act as appear to him necessary for the purposes of carrying out his duties under those sections and shall be entitled to require from any person holding or accountable for any such documents such information and explanation as he considers necessary for those purposes. 35

Reports by Comptroller and Auditor General.

7. The Comptroller and Auditor General shall have power to report the results of his audits and examinations under sections 1 to 5 of this Act to Parliament or to the House of Commons at any time. 40

PART II

PUBLIC ACCOUNTS COMMISSION AND NATIONAL AUDIT OFFICE

8.—(1) There shall be a body of Commissioners named the Public Accounts Commission which shall perform the functions conferred on it by this Act. Public
Accounts
Commission.

(2) The Commission shall consist of:

- (a) a member of the House of Commons who is for the time being the Chairman of the Committee of Public Accounts; and
- 10 (b) five other members of the House of Commons appointed by the House of Commons.

(3) The Commission shall from time to time present to the House of Commons a report on the exercise of its functions.

(4) Schedule 1 to this Act shall have effect as respects the Commission.

9.—(1) The Commission, acting on the advice of the Committee of Public Accounts after consultation with the Treasury, shall have power to examine an annual estimate of the expenses of the National Audit Office prepared by the Comptroller and Auditor General, and shall lay the estimate before the House of Commons. Functions of
Commission.

(2) The Commission shall appoint and determine the duties of an officer ("the accounting officer") responsible for accounting for the sums paid out of money provided by Parliament for the service of the National Audit Office.

(3) The Commission shall appoint an auditor for the National Audit Office and Schedule 2 to this Act shall have effect with respect to the appointment and duties of the auditor.

10.—(1) A National Audit Office shall be established of which the Comptroller and Auditor General shall be the head and which shall consist of the staff appointed by the Comptroller and Auditor General to assist him in the performance of his duties and Schedule 3 to this Act shall have effect with respect to the staff of the National Audit Office. National
Audit Office.

(2) The expenses of the National Audit Office shall be borne on a separate Vote.

11.—(1) On the death, resignation or other vacancy in the office of the Comptroller and Auditor General a new appointment may be made under letters patent by the Crown following an Address of the House of Commons, and no motion shall be Appointment
of
Comptroller
and Auditor
General

PART II

made for such an Address unless it is made by the Chairman of the Committee of Public Accounts.

(2) The Comptroller and Auditor General shall be an officer of the House of Commons in virtue of his appointment.

Requests by
Committee of
Public
Accounts.

12.—(1) In addition to powers conferred by Part I of this Act, the Comptroller and Auditor General may examine the economy, efficiency and effectiveness in the use of resources by a body which either he audits or to which he has inspection rights when requested to do so by the Committee of Public Accounts, and the results of any such examination shall be reported to the House of Commons. 5

(2) The Comptroller and Auditor General shall have complete discretion as to the manner in which examinations are conducted under this section.

Audit fees.

13.—(1) Where the Comptroller and Auditor General is appointed under any statute to audit the accounts of any body he shall have power to charge a fee for carrying out that audit. 15

(2) *All fees and other sums payable to the Comptroller and Auditor General shall be paid into the Consolidated Fund.*

Indemnity for
liabilities
arising from
audits and
examinations.

14. *The Consolidated Fund of the United Kingdom shall be liable to make good all sums required to discharge any liability which the Comptroller and Auditor General or any officer of the National Audit Office in carrying out their duties imposed by statute or by agreement would be personally liable to discharge.* 20

Occupancy of
Land.

15.—(1) The Comptroller and Auditor General may 25

(a) enter into contracts or other agreements, including agreements for the occupation of land and other property by himself and the National Audit Office, and

(b) acquire and dispose of land and other property.

(2) Land and other property occupied by the Comptroller and Auditor General and the National Audit Office shall not be regarded as property of, or held on behalf of, the Crown. 30

PART III

MISCELLANEOUS

35

Consequential
amendments.

16. The enactments mentioned in Schedule 4 to this Act shall have effect with the amendments there specified, being amendments consequential on the provisions of this Act.

17. The enactments mentioned in Schedule 5 to this Act are hereby repealed to the extent specified in the third column of that Schedule.

18. *Expenditure by the Comptroller and Auditor General and the National Audit Office under the provisions of this Act or any increased expenditure under any other enactment which is attributable to this Act shall be defrayed out of moneys provided by Parliament.*

19.—(1) This Act may be cited as the Parliamentary Control of Expenditure (Reform) Act 1983.

PART III
Repeals.
Expenditure.
Short title and
commence-
ment.

(2) This Act shall come into operation on 1st January 1984.

SCHEDULES

Section 8.

SCHEDULE 1

THE COMMISSION

Incorporation

1. The Commission shall be a body corporate. 5

Appointment of Members

2.—(1) Subject to paragraph 3 of this Schedule, a member of the Commission, other than the ex officio member, shall vacate his office—

- (a) if he ceases to be a member of the House of Commons, or 10
(b) if another person is nominated or appointed in his place.

(2) Subject to sub-paragraph (1) above, a member of the Commission, other than the ex officio member, shall hold office for the duration of the Parliament in which he is nominated or appointed, and for the further period provided by paragraph 3 of this Schedule. 15

(3) A member of the Commission, other than the ex officio member, may resign at any time by notice to the Commission.

(4) Past service is no bar to nomination or appointment as a member of the Commission.

(5) In this paragraph, and paragraph 3 of this Schedule, "ex officio member" means the Chairman of the Committee of Public Accounts. 20

Dissolution of Parliament

3.—(1) On a dissolution of Parliament the person who is then the Chairman of the Committee of Public Accounts shall continue 25 in office as a member of the Commission until a new Chairman of that Committee is elected or appointed.

(2) Subject to sub-paragraph (3) below, on a dissolution of Parliament the members of the Commission who are not ex officio members shall continue in office until members are nominated or 30 appointed in their place.

(3) Where at any time after Parliament has been dissolved it appears that a member of the Commission who is not an ex officio member—

- (a) has not been validly nominated as a candidate at the en- 35
suing general election; or

- (b) although so nominated, has not been elected a Member of Parliament at that election,

that member shall resign from the Commission forthwith; but nothing in sub-paragraph (2) above or this sub-paragraph shall be taken 40 as preventing any such member from resigning otherwise than in pursuance of this sub-paragraph.

Chairman

SCH. 1

4. The Commission shall elect a Chairman from amongst its members.

Proceedings and business

5 5.—(1) The validity of any proceedings of the Commission shall not be affected by any vacancy among the members of the Commission, or by any defect in the appointment or nomination of any Commissioners.

(2) The Commission may determine its own procedure.

10 (3) The Commission may appoint one of the Commissioners to act as chairman at any meeting of the Commission in the absence of the elected chairman of the Commission.

SCHEDULE 2

Section 9.

15 APPOINTMENT AND DUTIES OF THE AUDITOR OF THE NATIONAL
AUDIT OFFICE

1.—(1) The auditor appointed by the Public Accounts Commission to audit the appropriation account of the National Audit Office shall be a member of one or more of the bodies mentioned in sub-paragraph (2) below or shall have such other qualifications as may be approved for the purposes of this Schedule by the Commission; and a firm shall not be so appointed unless each of its members is a member of one or more of those bodies.

(2) The bodies referred to in sub-paragraph (1) above are:—

25 (a) the Institute of Chartered Accountants in England and Wales;

(b) the Institute of Chartered Accountants of Scotland;

(c) the Association of Certified Accountants;

(d) the Chartered Institute of Public Finance and Accountancy;

(e) the Institute of Chartered Accountants in Ireland; and

30 (f) any other body of accountants established in the United Kingdom and for the time being approved by the Public Accounts Commission for the purposes of this Schedule.

(3) The appointment of an auditor under the provisions of this Schedule shall be on such terms and for such period as the Commission may determine.

2. The auditor of the National Audit Office shall have power to carry out economy, efficiency and effectiveness examinations of the use of resources by the National Audit Office.

3. The auditor of the National Audit Office shall have a right of access at all reasonable times to all such documents as appear to him necessary for the purposes of the audit and shall be entitled to require from any person holding or accountable for any such

SCH. 2 document such information and explanation as he thinks necessary for these purposes.

4.—(1) When the auditor has concluded his audit of the appropriation account of the National Audit Office he shall—

- 1866 c. 39.
1921 c. 52.
- (a) certify that he has completed his examination in accordance with the provisions of this Act and of the Exchequer and Audit Departments Acts 1866 and 1921, and 5
 - (b) state whether in his opinion the sums expended have been applied for the purposes authorised by Parliament and the account properly presents the expenditure and receipts of 10 the National Audit Office.

(2) On completion of his examination, the auditor shall submit the appropriation account of the National Audit Office, together with his audit report thereon, to the Public Accounts Commission for presentation to the House of Commons. 15

Section 10.

SCHEDULE 3

THE NATIONAL AUDIT OFFICE

1. The National Audit Office shall not be regarded as acting on behalf of the Crown and its staff shall not be regarded as Crown servants. 20

Staff

2.—(1) The Comptroller and Auditor General shall appoint such staff as he considers necessary for the discharge of his functions and duties.

(2) The staff shall be appointed at such remuneration and on such other terms and conditions as the Comptroller and Auditor General may determine. 25

(3) The Comptroller and Auditor General shall in the case of any of his staff as he may determine—

- (a) pay such pensions to or in respect of them ; 30
- (b) make such payments towards the provision of such pensions ;
or
- (c) provide and maintain such schemes (whether contributory or not) for the payment of such pensions, as he may determine.

(4) In this paragraph any reference to the payment of pensions to or in respect of the Comptroller and Auditor General's staff includes a reference to the payment of pensions by way of compensation to or in respect of any of the Comptroller and Auditor General's staff who suffers loss of office or employment or diminution of emoluments. 35

3.—(1) Employment by the Comptroller and Auditor General shall be included among the kinds of employment to which a superannuation scheme under section 1 of the Superannuation Act 1972 can apply, and accordingly in Schedule 1 to that Act (in which those 40

1972 c. 11.

kinds of employment are listed) the words " National Audit Office " shall be inserted after the words " Countryside Commission ";

(2) The Comptroller and Auditor General shall pay to the Minister at such times in each financial year as may be determined by the Minister, subject to any directions of the Treasury, sums of such amounts as he may so determine for the purposes of this paragraph as being equivalent to the increase during the year of such liabilities of his under the Principal Civil Service Pension Scheme as are attributable to the provision of pensions to or in respect of persons who are or have been, in the service of the Comptroller and Auditor General in so far as that increase results from the service of those persons during that financial year and to the expense to be incurred in administering those pensions.

4.—(1) It shall be the duty of the Comptroller and Auditor General to make, by such date as the Public Accounts Commission may determine, an offer of employment by the Comptroller and Auditor General to each person employed in the civil service of the State in the Exchequer and Audit Department immediately before the appointed day; and the terms of the offer must be such that they are, taken as a whole, not less favourable to the person to whom the offer is made than the terms on which he is employed on the date on which the offer is made.

(2) An offer made in pursuance of this paragraph shall not be revocable during the period of three months beginning with the date on which it is made.

(3) Where a person becomes a member of staff of the Comptroller and Auditor General in consequence of this paragraph, then for the purposes of the Employment Protection Act 1978, his period of employment in the civil service of the State shall count as a period of employment by the Comptroller and Auditor General and the change of employment shall not break the continuity of the period of employment. 1978 c. 44.

(4) Where a person ceases to be employed as mentioned in subparagraph (1) above—

(a) on becoming a member of staff of the Comptroller and Auditor General in consequence of this paragraph; or

(b) having unreasonably refused an offer made to him in pursuance of this paragraph,

he shall not, on ceasing to be so employed, be treated for the purposes of any scheme under section 1 of the Superannuation Act 1972 as having been retired on redundancy. 1972 c. 11.

Interpretation

5. In this Schedule—

"appointed day" means the day appointed for the coming into force of this Schedule;

"the Minister" means the Minister for the Civil Service;

"pension" includes allowance or gratuity.

Section 16.

SCHEDULE 4

CONSEQUENTIAL AMENDMENTS

Exchequer and Audit Departments Act 1921

1921 c. 52.

1. For section 3 of the Exchequer and Audit Departments Act 1921 there shall be substituted the following section:— 5

“3.—(1) The Comptroller and Auditor General may on request undertake the audit of the accounts of any body where he is not disqualified from doing so by any other enactment.

(2) All directions made by the Treasury under this section as originally enacted shall cease to have effect.” 10

Public Records Act 1958

1958 c. 51.

2. In Part II of the Table in Schedule 1 to the Public Records Act 1958, there shall be added after “Monopolies and Mergers Commission” the words “National Audit Office”.

National Health Service Act 1977

1977 c. 49.

3. In section 98(1) of the National Health Service Act 1977 for the words from “Those accounts” onwards there shall be substituted the words “shall be audited by the Comptroller and Auditor General or by auditors appointed by the Secretary of State and where the Comptroller and Auditor General is not the auditor, he may examine all such accounts and any records relating to them and any report of the auditor on them.” 15 20

4. In section 98(3) of that Act after the words “with respect to the audit” there shall be inserted the words “by auditors appointed by him”. 25

National Health Service (Scotland) Act 1978

1978 c. 29.

5. In section 86(1) of the National Health Service (Scotland) Act 1978 for the words from “those accounts” onwards there shall be substituted the words “shall be audited by the Comptroller and Auditor General or by auditors appointed by the Secretary of State and where the Comptroller and Auditor General is not the auditor, he may examine all such accounts and any records relating to them and any report of the auditor on them.” 30

6. In section 86(2) of that Act after the words “with respect to the audit” there shall be inserted the words “by auditors appointed by him”. 35

House of Commons (Administration) Act 1978

1978 c. 36.

7. In section 4 of the House of Commons (Administration) Act 1978 there shall be added the following subsection:—

“(7) The National Audit Office shall not be regarded as a House Department and section 4(4) above does not apply to the Comptroller and Auditor General or any officer or post in the National Audit Office.” 40

SCHEDULE 5

Section 17.

REPEALS

Chapter	Short Title	Extent of Repeal
5 29 & 30 Vict. c. 39.	Exchequer & Audit Departments Act 1866.	Sections 6 and 24.
11 and 12 Geo. 5 c. 52.	Exchequer & Audit Departments Act 1921.	In section 1(2) the words "Provided that" to "shall take action accordingly". Section 1(3). Section 8(1). Section 8(2). Section 11(1)(a).
10 1980 c. 21.	Competition Act 1980.	In section 11(1) the reference to paragraph (a).

Parliamentary Control of
Expenditure (Reform)

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To strengthen Parliamentary control and supervision of expenditure of public money by making new provision as to the duties and powers of the Comptroller and Auditor General; by establishing a Public Accounts Commission and a National Audit Office; to make provision as to the post and duties of accounting officer; and for connected purposes.

*Presented by Mr. Norman St. John-Stevas,
supported by
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Mr. Richard Wainwright, Mr. John Roper,
Mr. Terence L. Higgins,
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