Report
by the Comptroller
and Auditor General

Cross-government

Accountability to Parliament
for taxpayers’ money
Introduction

1 Accountability to Parliament for taxpayers’ money is an inextricable part of good public management and democratic government. It can provide assurance over government’s activities, highlight improvement actions, improve policy-making, and engage stakeholders and service users in decision-making. Effective accountability can also identify who is responsible if something goes wrong, and enable redress.

2 Both ministers and civil servants are accountable to Parliament for the spending and performance of government departments. The departmental accounting officer or AO (normally the permanent secretary) is personally responsible and accountable to Parliament for managing the department, including its use of public money and stewardship of assets. The departmental AO is also responsible for ensuring the department’s arm’s-length bodies have systems adequate to meet the standards of governance, decision-making and financial management expected of public sector bodies.

3 Departmental AOs have other responsibilities: as permanent secretaries, their primary responsibility is to serve their minister, while as AOs, their responsibility to Parliament is to safeguard public money. AOs therefore find themselves at the interface between the policy and implementation spheres, and have to balance the priorities, risks and pressures associated with their dual accountabilities. In drawing attention to this balancing role, we are not suggesting that it cannot work, but that AOs require, as well as a high degree of skill and experience, the right incentives and support to allow them to perform it effectively.

4 However, as the complexity of both policy and implementation has increased over the decades, the balance of pressures on AOs has shifted in a way that potentially undermines accountability to Parliament. AOs now operate in an environment where ministers often perform a more ‘executive’ role in policy implementation and have sought greater involvement in top civil service appointments, while appointing increasingly influential special advisers to act on their behalf. This appears to have tilted the balance so that AOs have greater pressures to give weight to political drivers rather than public value. The increased rigour of backbench committees and greater government transparency have had some compensating effect, but overall there are serious concerns that these developments are steadily eroding AO accountability to Parliament.
We consider it important for us to open up these issues for debate because we recognise that it is difficult for senior civil servants to raise them, given their obligations to serve ministers. This also means that, while our report draws on a considerable volume of evidence, it also reflects our perceptions from working across the civil service.

Our analysis builds on the Committee of Public Accounts’ (the Committee’s) 2011 and 2012 reports on Accountability for public money. These reports re-emphasised the importance of AO accountability to Parliament, while highlighting challenges from both increased devolution of powers to local bodies and the closer interest ministers have taken in how their policies are implemented.

Accordingly, this report is concerned with the effectiveness of arrangements for securing accountability to Parliament for taxpayers’ money. It draws on the National Audit Office’s (NAO’s) catalogue of some 300 major reports since 2012, as well as the work of the Committee, which published 158 reports over that period and held AOs to account roughly 60 times a year. This is not a standard value-for-money report and we do not conclude on the value for money of the accountability system itself. Instead, we highlight major concerns about how accountability of taxpayers’ money is exercised:

- what is meant by accountability to Parliament and the key role and responsibilities of AOs;
- the robustness of the AO role as a key control over value for taxpayers’ money;
- the ‘health’ of current accountability to Parliament based on four essentials of accountability; and
- challenges to existing accountability systems presented by developments in government.

Key findings

Why there is a problem with accountability

8 The incentives on an AO to prioritise value for money are weak compared with those associated with the day-to-day job of satisfying ministers. In terms of the balance of priorities AOs have to strike, the emphasis has shifted over a number of years towards political drivers – sometimes at the expense of safeguarding public value. AOs appear to lack confidence to challenge ministers where they have concerns about the feasibility or value for money of new policies or decisions, not least because standing up to ministers is seen as damaging to a civil servant’s career prospects. This is not a recent phenomenon, but a result of how government has evolved over the decades since the first AOs were appointed in the 1870s. Developments contributing to this climate include (paragraphs 1.23 to 1.29):

- the more ‘executive’ role of ministers in specifying the detail and timing of policy implementation (and consequently AOs being held responsible for implementation decisions not directly under their control);
- ministers seeking greater involvement in the selection of civil servants appointed to senior posts; and
- concerns over the influence of special advisers to ministers.

9 The AO’s power to request a formal ‘ministerial direction’ is not being used effectively as an accountability control to safeguard value for money. Where an AO has serious concerns about value for money, he or she can flag the concern to Parliament by formally (and publicly) requesting a direction to proceed from the minister. The threat of this can prevent poor decisions about use of taxpayers’ money, but evidence suggests the mechanism is not being used effectively. Many major projects where there were clear value-for-money concerns, such as implementation of the Single Payment Scheme for farmers (2005–2014) or the National Programme for IT in the NHS (2002–2011), have not been the subject of directions. It can reasonably be argued that discussions about possible directions will have had ‘invisible’ positive influence, leading to better decisions and hence better value for money. However, there is no way of knowing how systematically this happens. HM Treasury suggests that ‘AO assessments’ be prepared when AOs have concerns about propriety, regularity, value for money or feasibility of policies, but this procedure is neither well known nor well used. Overall, we think that a robust, accountable system of decision-making would feature much more transparent and visible activity than we see happening (paragraphs 1.17 to 1.21 and 1.32).
10 Accountability arrangements have evolved, but need to keep pace with transformational changes to government, including greater local devolution. The traditional model of AOs being solely and personally accountable to Parliament for all spending under their remit dates from when government was far smaller and simpler. AOs now commonly delegate, devolve or share delivery responsibilities, and accountability systems have begun to adapt. In response to the Committee’s demands during the last Parliament, HM Treasury made senior responsible owners (SROs) of major projects directly accountable to Parliament for project implementation. HM Treasury’s progress with the Whole of Government Accounts (WGA) is also a significant step forward in transparency over financial management. However, ensuring the essentials of accountability in some areas of government still seems to be an afterthought. Devolution of powers and funding to the local level has often not been accompanied by clarity over who is accountable for what, and how value for money is to be secured. Another example is increased cross-departmental working in government, which can result in gaps in accountability unless roles and responsibilities are clearly defined at the outset. Figure 1 overleaf sets out more detail on progress and challenges to achieving effective accountability for delivery (paragraphs 1.33 and 1.34, and Figure 1).

11 The creation of accountability system statements was a positive development, but they are not comprehensive and often are little more than a compliance exercise. Government has provided helpful clarity over locally devolved funding by publishing accountability system statements for sectors such as local government, education, health and policing. While the system statements are a good starting point, only 7 of the 17 main departments have prepared them and they generally provide weak evidence of the quality of underlying accountability systems. In particular they lack clarity on how departmental AOs oversee entire systems of delivery to secure value for money. Parliament has had difficulties using the system statements to hold AOs to account, and there is little evidence of departments using them in practice (one exception is the local government system statement, which explains how DCLG exercised its oversight responsibilities to deal with failing local authorities at Doncaster, Tower Hamlets and Rotherham). None of the statements encompass the full set of accountability relationships within the AO’s remit – including, but not limited to, arm’s length bodies, outsourced activities, major projects, and central and cross-cutting initiatives (paragraphs 1.35 to 1.39, and Figure 13).
Government has made good progress on improving the transparency of its finances through initiatives such as the Clear Line of Sight and Whole of Government Accounts (paragraphs 2.3 and 2.5). More needs to be done on using the WGA balance sheet to manage long-term risk across government; and to clearly link financial commitments to the policy objectives they are designed to achieve (paragraphs 2.4 to 2.8).

Accountability and oversight regimes for local delivery bodies, eg in education and health, do not provide Parliament with adequate assurance over how the whole system of delivery is working, and if it is value for money (paragraphs 3.4 and 3.5). Devolution of funding and powers to local areas, cities or regions is increasing rapidly, but central oversight arrangements (eg to ensure overall value for money) have yet to catch up (paragraphs 3.6 to 3.8).

AOs delegate responsibilities where appropriate, but retain ultimate accountability. Senior responsible owners of major projects are directly accountable to Parliament for implementation, but similar accountability does not apply to others, eg contractors (paragraphs 4.3 to 4.7).

Cross-cutting initiatives involving several departments can leave accountability unclear and weaknesses in performance unchecked (eg as seen in services for care leavers and confiscation of criminal assets) (paragraphs 4.8 and 4.9).

Departments frequently fail to specify appropriate performance or cost measures, instead selecting indicators that are easy to measure. This leaves government too often with no proper means to assess performance (paragraph 5.3).

### Figure 1
National Audit Office findings on the state of accountability: progress and challenges

<table>
<thead>
<tr>
<th>Accountability essential</th>
<th>NAO findings</th>
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<tr>
<td>1 A clear expression of spending commitments and objectives</td>
<td>Government has made good progress on improving the transparency of its finances through initiatives such as the Clear Line of Sight and Whole of Government Accounts (paragraphs 2.3 and 2.5). More needs to be done on using the WGA balance sheet to manage long-term risk across government; and to clearly link financial commitments to the policy objectives they are designed to achieve (paragraphs 2.4 to 2.8).</td>
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<td>2 A mechanism or forum to hold to account</td>
<td>Accountability and oversight regimes for local delivery bodies, eg in education and health, do not provide Parliament with adequate assurance over how the whole system of delivery is working, and if it is value for money (paragraphs 3.4 and 3.5). Devolution of funding and powers to local areas, cities or regions is increasing rapidly, but central oversight arrangements (eg to ensure overall value for money) have yet to catch up (paragraphs 3.6 to 3.8).</td>
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<td>3 Clear roles and someone to hold to account</td>
<td>AOs delegate responsibilities where appropriate, but retain ultimate accountability. Senior responsible owners of major projects are directly accountable to Parliament for implementation, but similar accountability does not apply to others, eg contractors (paragraphs 4.3 to 4.7). Cross-cutting initiatives involving several departments can leave accountability unclear and weaknesses in performance unchecked (eg as seen in services for care leavers and confiscation of criminal assets) (paragraphs 4.8 and 4.9).</td>
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<td>4 Robust performance and cost data</td>
<td>Poor data quality is an endemic problem and government has failed to embed a strong culture of accountability for performance based on robust, relevant data (paragraphs 5.4 and 5.5). Departments frequently fail to specify appropriate performance or cost measures, instead selecting indicators that are easy to measure. This leaves government too often with no proper means to assess performance (paragraph 5.3).</td>
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Source: National Audit Office
12 HM Treasury has not asserted its own key role in setting the overall framework for AO accountability and providing clarity about expectations on AOs. HM Treasury has a crucial role across government as the overall guardian of accountability for taxpayers’ money. It oversees guidance for AOs, such as the authoritative Managing Public Money, and has recently issued supplementary guidance on the AO role and duties.\(^2\) It also provides advice when requested, for example if an AO is considering seeking a ministerial direction. However, HM Treasury could do more to develop the strong culture of accountability within government that would support AOs in fulfilling their important accountability responsibilities. For instance, it does not systematically review accountability system statements or monitor how effectively accountability regimes operate in practice (paragraphs 1.30 to 1.32).

**How the problem could be addressed**

13 We consider that action is needed to rebalance the incentives on AOs, if the checks and balances required by Parliament over taxpayers’ money are to be effective in the modern government environment. To counterbalance the shift towards political drivers, in our view effective accountability now requires that permanent secretaries explicitly exercise their responsibility to Parliament as accounting officers in a more transparent and positive way. Our recommendations below are intended to help government achieve such a shift, which should help:

- AOs to understand and express more clearly their accountabilities to Parliament and clarify how these are shared, delegated and devolved to others within the overall system for which they have responsibility;
- departments and their delivery partners to put in place effective accountability systems to support AOs in their role;
- ministers and AOs to clarify their respective accountabilities and work together more effectively, especially around challenging decisions about value for taxpayers’ money; and
- Parliament and its select committees to hold AOs to account for the decisions they have made, their management of risks and the robustness of the accountability systems they oversee.

In taking this forward, a clear focus on our four essentials of accountability (Figure 1), at all levels of government, should help AOs establish priorities for improvement across their respective delivery systems. For example, AOs could use our accountability essentials to check that accountability system statements are clear about who is accountable for what, and how they will be held to account.

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Recommendations

For HM Treasury

14 HM Treasury should introduce a new requirement on AOs to provide **positive assurance** about regularity, propriety, feasibility and value for money ahead of key implementation decisions. This would be an extension of existing requirements in *Managing Public Money* relating to major projects and policy initiatives, and would **reinforce scrutiny processes** by providing assurance that appropriate, informed judgements had been made before public resources were committed. For example, HM Treasury should require for major projects and policy initiatives:

- more explicit **sign-off by AOs at certain implementation stages**, such as at business case approval and when major changes to project specifications are agreed; and

- **AO assessments** to be prepared following Treasury guidelines, where AOs have concerns about the regularity, propriety, feasibility or value for money of particular policies. AOs should make their AO assessments available to Parliament and HM Treasury should report regularly on the number of AO assessments, in the interests of transparency.

15 HM Treasury needs to provide **stronger leadership to AOs across government**, to fulfil its lead role as the guardian of overall government accountability. For example, it should act as a **critical friend** to help AOs develop their accountability systems. HM Treasury should coordinate and periodically assess accountability system statements, including ensuring that they are prepared to common standards and are revised when significant changes to departmental systems are implemented. Treasury spending teams should provide advice as necessary on developing and maintaining effective accountability systems.

For accounting officers

16 Departmental accounting officers must take **firmer ownership of the whole systems of accountability** for which they are responsible, particularly where responsibilities are delegated, devolved or shared with others. With the help of HM Treasury, AOs should review their accountability systems and rectify any accountability gaps or lack of clarity about responsibilities.

17 All departmental AOs should provide to Parliament a **accountability system statement** setting out all of the accountability relationships and processes within that department (including those not currently covered by existing accountability system statements). AOs should test and update their system statements regularly, to ensure they are relevant and can be used in a practical sense to hold AOs and delivery bodies to account.

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3 HM Treasury, *Managing Public Money*, July 2013, paragraph 3.3.3.
For the Cabinet Office

18 The Cabinet Office should identify and put in place specific measures to change incentives for permanent secretaries to emphasise their AO responsibilities, alongside their duty to ministers. For example, it should ensure that AO responsibilities are given more weight in the formal appraisal of each permanent secretary’s performance. It should also give more emphasis to AO duties in each permanent secretary’s performance objectives. This should go beyond mere general statements about the AO’s role; for example, objectives should make explicit how specific programmes and priorities will be pursued in accordance with value for money.