



National Audit Office



Accounting officer assessments: improving decision-making and transparency over government's major programmes

Cross-government

REPORT

**by the Comptroller
and Auditor General**

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4 Summary

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Summary

1 Central government bodies must exercise effective stewardship over their use of public money. A body's accounting officer, normally the permanent secretary as the most senior civil servant, is personally responsible and accountable to Parliament for managing the use of public money. At the same time, the permanent secretary is responsible for delivering ministers' priorities. In 2016, we reported on the challenges accounting officers face balancing these duties. We concluded that they needed to exercise their responsibility to Parliament more explicitly and transparently.¹

2 HM Treasury sets out the duties of accounting officers and its expectations of them in *Managing Public Money*. This makes clear that accounting officers should ensure bodies "operate effectively and to a high standard of probity". Government has established controls and processes to support this duty. This includes allowing accounting officers to seek a 'ministerial direction' to go ahead when ministerial proposals do not meet one or more of the four public spending standards set out in *Managing Public Money* – regularity; propriety; value for money; and feasibility.

3 An accounting officer assessment (AO assessment) is a critical part of HM Treasury's controls and processes set out in *Managing Public Money*. It provides a framework for accounting officers to consider significant spending decisions against the four public spending standards. HM Treasury has reiterated the importance of AO assessments for supporting novel and contentious decisions and made them a requirement at certain key points in the life of all programmes that form part of the Government Major Projects Portfolio (GMPP).² To improve transparency HM Treasury also introduced a requirement for summary AO assessments, which are less detailed than the unpublished assessments, relating to these major programmes to be published and shared with the Committee of Public Accounts and the Comptroller and Auditor General (C&AG) unless there are overriding sensitivities. As such AO assessments have two purposes. They:

- support accounting officers in making good decisions that align with Parliament's expectations for spending public money; and
- support the transparency and effective scrutiny of spending and decision-making by Parliament on behalf of taxpayers.

In December 2021, HM Treasury updated its 2017 guidance on completing and publishing AO assessments.

¹ Comptroller and Auditor General, *Accountability to Parliament for taxpayers' money*, Session 2015-16, HC 849, National Audit Office, February 2016 available at: www.nao.org.uk/report/accountability-to-parliament-for-taxpayers-money/

² The GMPP brings together the riskiest and highest cost programmes across government.

4 This report looks at:

- how AO assessments have evolved since 2017 in terms of HM Treasury's requirements and compliance with these requirements (Part One);
- how assessments support accounting officers' decision-making (Part Two); and
- how assessments support Parliament's scrutiny of decisions (Part Three).

5 We do not comment on the value for money of individual programmes. We draw out insights for accounting officers and Parliament on how AO assessments can support value for money across major programmes. Appendix One provides more detail on our approach, which included engaging with four accounting officers and a survey of central government bodies. Our analysis considers AO assessments signed before the end of December 2021, when HM Treasury introduced revised guidance. AO assessments have been completed and published since that date.

Background

6 **Accounting officers have used AO assessments to support decisions on major programmes and more widely.** Published summary AO assessments cover a wide range of programmes including High Speed 2, Astute submarines and Rural Gigabit Connectivity. More widely, departments have also used AO assessments to help make major decisions relating to the UK's exit from the EU and response to the COVID-19 pandemic. It is not possible to say how many AO assessments have been carried out – neither departments nor HM Treasury provided us a complete list and a proportion will be unpublished. With the number of major programmes on the GMPP increasing, and the likelihood that the government may need to make difficult spending decisions because of pressures on public finances, the use of AO assessments may need to increase (paragraphs 1.4, 1.8, 1.9 and 1.11, and Appendix Two).

7 **The available evidence indicates that accounting officers are not consistently publishing and sharing their AO assessments on major programmes in line with HM Treasury guidance.** Since April 2017, an AO assessment is required when a programme joins the GMPP or when an outline business case is completed, should this be later. It is also required when a programme has changed significantly. Of the 227 programmes on the GMPP as at 31 December 2021, we identified 139 that may have required an AO assessment (112 were at an early stage and there were an additional 27 that we judged to have changed significantly). We found summary AO assessments, signed between September 2017 and December 2021, for 52 of these programmes published by 13 bodies. Over the same period, the C&AG has been notified, in line with HM Treasury requirements, of summary AO assessments for 33 of these programmes. He should also be informed of unpublished AO assessments but has not been informed of any (paragraphs 1.7 and 1.14 to 1.18, and Figure 6).

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Supporting accounting officers making decisions

8 Accounting officers value the assessment process. Of the 13 central government bodies that responded to our survey, 12 said that they found AO assessments either valuable or very valuable to the accounting officer. This was endorsed by the four accounting officers we heard from as part of this work. Among other benefits, AO assessments help provide a clear framework for difficult decisions; help accounting officers focus on programme performance; and show how the accounting officer has considered the standards set out in *Managing Public Money*. AO assessments serve a different purpose from the assurance provided by the Infrastructure and Projects Authority (IPA) (paragraphs 1.5, 2.2 to 2.3).

9 Differences in how departments approach AO assessments offer opportunities to share insights to make the process more effective and easier. Respondents to our survey of central government bodies told us it was generally not too challenging to assess programmes against the four standards in *Managing Public Money*. However, some found assessing feasibility and value for money challenging. Some departments had put in place arrangements and support to improve the quality of their AO assessments. But departments did not widely share or use AO assessments internally. For example, we found few shared them with their investment and risk committees whose role is, among other things, to scrutinise major spending (paragraphs 2.4 and 2.5, and Figure 8).

Enhancing transparency and accountability

10 Publishing summary AO assessments supports transparency and Parliament's scrutiny of public spending. Transparency is one of the principles expected of all public services in the UK. The four accounting officers we engaged with as part of this work said that they could see some merit in publishing a summary of their AO assessments. Where available, the Committee of Public Accounts uses AO assessments to support its scrutiny of accounting officers – for example, when it considered the Home Office's Information Law Enforcement Alerts Platform. We also identified where the Committee having access to summary AO assessments could have improved their scrutiny (paragraphs 3.2 to 3.5, and Figure 9).

11 Published summary AO assessments do not always include sufficient information to make clear what issues accounting officers considered when making their judgements. All the 54 published summary AO assessments we reviewed stated that *Managing Public Money* standards had been considered. However, there was often limited supporting evidence, which undermined the usefulness of this published material. Of the 13 central government bodies responding to our survey, 10 told us that when deciding how much information should be published it can be challenging to balance transparency with, for example, protecting commercial interests. HM Treasury's revised guidance now covers this issue in more detail (paragraphs 3.9 and 3.12).

12 A quarter of summary AO assessments were published over six months after they had been signed, which undermines their purpose to support transparency and scrutiny over decisions. HM Treasury requires accounting officers to publish summary AO assessments as soon as the decision to proceed has been made, subject to public interest considerations. Almost two thirds of the 56 summary AO assessments where data were available were published within three months of the underlying AO assessment being signed, but 14 were published more than six months later (paragraph 3.7 and Figure 10).

Conclusion

13 Accounting officers and their organisations recognise the value of the AO assessment process which supports well thought through decision-making. It also helps an accounting officer decide whether they need a ministerial direction to go ahead with a programme. However, we cannot be sure that AO assessments for major programmes have been consistently completed in line with HM Treasury's requirements and therefore that their purpose as a decision-making tool has been realised.

14 Published summary AO assessments have to some extent increased the transparency and assurance that Parliament has over the government's spending on major programmes. But that assurance is limited because too few summary AO assessments are published, and those that are published are often not timely or detailed enough to provide the explicit assurance Parliament has asked for from accounting officers.

Recommendations

15 For major programmes HM Treasury requires AO assessments, and a published summary, to help demonstrate that accounting officers are discharging their duty to safeguard taxpayers' money and provide assurance to Parliament. Our recommendations identify where this governance and accountability mechanism can be improved.

16 To maximise the value of AO assessments in supporting good-quality decision-making, accounting officers should:

- consider sharing AO assessments with those parts of their organisation that need to understand departmental risk and spending (such as the investment committee) and the governance and scrutiny of those decisions (such as internal audit and the audit and risk committee); and
- regularly identify those areas of the AO assessment that prove the most challenging to complete, and identify what additional support may be required for staff.

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HM Treasury should:

- enhance its support to accounting officers and departments by, for example, completing an annual review of the quality of AO assessments to help identify good practice, providing training and facilitating conversations across government on what 'good' looks like; and
- as part of any wider governance review provide greater clarity on how AO assessments fit within the wider governance and accountability framework, including the IPA's reviews of major programmes. This should also set out when AO assessments and published summaries are required for programmes that do not follow the traditional business case route.

17 So accounting officers can better provide Parliament with the explicit assurance they expect over programmes, accounting officers should:

- ensure that published summary AO assessments include sufficient information to enable readers to understand the issues they considered in making their judgements, including their consideration of risk and its mitigations; and
- publish a summary as soon as possible after the full AO assessment is produced and signed off by the accounting officer; and if this is not possible, notify the C&AG and HM Treasury's Officer of Accounts that an AO assessment has been produced, setting out the date by which a summary would be published.

HM Treasury should:

- remind accounting officers of the need to fulfil their responsibility to publish summary AO assessments and ensure that these are easily accessible through its GOV.UK website to improve transparency.