UNIVERSAL
LIBRARY

OU_164512

UNIVERSAL
LIBRARY

OUP—880—5-8-74—10,000.

OSMANIA UNIVERSITY LIBRARY

Call No. 354.42 C55c Accession No. 32335

Author Chubb, B.

Title Control of Public Expenditure

This book should be returned on or before the date last marked below.

THE CONTROL OF PUBLIC EXPENDITURE

THE CONTROL OF PUBLIC EXPENDITURE

Financial Committees of the House of Commons

BY

BASIL CHUBB

OXFORD
AT THE CLARENDON PRESS
1952

Oxford University Press, Amen House, London E.C.4

GLASGOW NEW YORK TORONTO MELBOURNE WELLINGTON

BOMBAY CALCUTTA MADRAS CAPE TOWN

Geoffrey Cumberlege, Publisher to the University

PRINTED IN GREAT BRITAIN

ACKNOWLEDGEMENTS

ACADEMIC writers usually owe much to their teachers and to their colleagues. Those who studied or taught politics in the University of Oxford in recent years will know how fortunate I was in this respect. To two of them especially I owe much. I thank Mr. R. B. McCallum, Fellow of Pembroke College, and Professor K. C. Wheare, Fellow of All Souls College, for much advice and friendly encouragement. I thank also Dr. R. B. McDowell, Fellow of Trinity College, Dublin, for reading the manuscript and for his suggestions. From public servants I have had nothing but the most generous help. I am particularly grateful to Sir Frank Tribe, K.C.B., K.B.E., the Comptroller and Auditor General, and to Mr. Basil Drennan, Clerk of Financial Committees, and his colleagues in the Committee and Private Bill Office of the House of Commons. Some sections of Chapters VI and VII have appeared in substantially the same form in *Parliamentary Affairs* and I thank the Hansard Society for permission to reprint.

B. C.

TRINITY COLLEGE
DUBLIN
1951

CONTENTS

INTRODUCTION 1

PART I

THE ORIGINS OF THE SYSTEM

Chapter I. THE DEVELOPMENT OF APPROPRIATION, EXCHEQUER CONTROL, AND AUDIT 6

Chapter II. THE EVOLUTION OF THE PUBLIC ACCOUNTS COMMITTEE 23

PART II

THE HISTORY OF CONTROL

Chapter III. THE HISTORY OF CONTROL FROM 1861 TO 1888 42

Chapter IV. THE HISTORY OF CONTROL FROM 1888 TO 1921 71

Chapter V. THE HISTORY OF CONTROL FROM 1921 TO 1939 109

Chapter VI. THE HISTORY OF CONTROL FROM 1939 TO 1950 137

PART III

PROCESSES AND TECHNIQUES OF CONTROL

Chapter VII. THE PUBLIC ACCOUNTS COMMITTEE 169

Chapter VIII. THE ESTIMATES COMMITTEES OF 1912–14 AND 1921–39 198

Chapter IX. THE NATIONAL EXPENDITURE COMMITTEES AND THE PRESENT ESTIMATES COMMITTEE 210

PART IV

NEW MACHINERY

Chapter X. THE PROPOSAL FOR A PUBLIC EXPENDITURE COMMITTEE 228

CONCLUSIONS 240

APPENDIXES 261

1. Proposals for a body to examine the Public Accounts 261
2. Organization of the Select Committee on National Expenditure, 1917–20 262
3. Organization of the Select Committee on National Expenditure, 1939–45 263
4. Organization of the Select Committee on Estimates, 1946–9 264
5. Organization of the proposed Public Expenditure Committee 265
6. The Public Accounts Committee in session (diagram) 266
7. Number of meetings annually of Financial Committees:
   - (i) Public Accounts Committee 267
   - (ii) Estimates Committees, 1921–39 267
   - (iii) National Expenditure Committee, 1939–45 267
   - (iv) Estimates Committee, 1946–9 268
8. Attendance at meetings of the Public Accounts Committee 269
9. Pattern of attendance of members at the Public Accounts Committee 270
10. Attendance of the Financial Secretary to the Treasury at meetings of the Public Accounts Committee 271
11. Attendance at meetings of the Public Accounts and Estimates Committees in the session 1937–8—a comparison 272
12. Attendance at meetings of the National Expenditure Committee, 1939–45 273
13. Attendance at meetings of the Estimates Committee in sessions 1945–6 to 1947–8 274
14. Sale of reports of the Financial Committees of the House of Commons 275

BIBLIOGRAPHY 277

INDEX 281

NOTES ON TERMS AND ABBREVIATIONS USED

1. Throughout, committees of the same type appointed with terms of reference identical to their predecessors are referred to as 'it'. For example, the series of Estimates Committees which worked between 1921 and 1939 is considered as being one committee. Although I am aware that select committees lapse at the end of each session, the continuity in personnel, procedure, and scope of work are sufficient to justify regarding a series as if it were, in fact, one body with a continuous corporate existence.

2. Reference in the notes to the reports of the main committees studied is made by citing the initial letters of the committee's title, the number of the report, the year, and, if appropriate, the paragraph. For example, the third report of the Public Accounts Committee for 1895, paragraph 7, is cited as 'P.A.C. 3 R. 1895. 7'. Similarly, the Estimates Committee is cited in notes as 'E.C.' and the National Expenditure Committee as 'N.E.C.'

INTRODUCTION

IT has been a major fact of English political and constitutional history that the management of finance is a basic essential of responsible government. Taxation and supply have been the twin keys to all government action and even to the existence of the very machinery of government since the time kings ceased to live of their own. The control of these keys by the House of Commons was for long an aspiration, but for more than 250 years it has been conceded in principle and to varying degrees in practice. It ensures that governments are responsible and will obey, though they lead, and will answer for their actions, though they command majorities. The practice of popular party government has not invalidated this control, which inheres in the House as a body.

The House of Commons is interested in finance at two broadly distinct levels. It is concerned, first, with questions of policy—what shall be the amount of taxation and expenditure and to what objects public money shall be applied. This policy aspect is the more spectacular, but to view the House only as the 'grand forum of debate', or as a legislative production line, is to miss other important, though less exciting, aspects of its work. For it is concerned, second, to ensure that the policy which, though it is the government's in origin, it endorses and makes its own, shall be carried out accurately, faithfully, and efficiently. Its aims here are different from those at the first level. Policies are settled and 'politics' ought to play a minor part. No party has a greater interest than another at this stage and it is the House as a corporate body which is here concerned. Hence, the institutions and procedures for deciding policies and engaging in 'politics' are no longer appropriate. Other institutions and procedures are necessary and exist. Consideration and debate in the full House are replaced by the inquiries and deliberations of select committees.

It is with the second level or aspect that this work is concerned. It is a study of the institutions and procedures which the House of Commons has devised to assure itself that its orders and wishes are carried out by the administration precisely and

economically. It is not concerned with financial policy, for at this stage policy is given and settled. It is concerned instead with the processes by which the House supervises the actual spending that results in the goods and services which are policy implemented. That the House adopts a financial approach is, in practice, inevitable, for money measurement is the most convenient and the most significant for both the spenders and the donors. Government action is sanctioned and made possible by granting supply and it can be checked most conveniently by some form of supervision of government spending before, during, or after the event. What these financial controls are, how they have developed, and how they work in practice are examined, first historically and then analytically. This book is, then, in the main, a study of some aspects of parliamentary and administrative procedure in the nineteenth and twentieth centuries, for it was not until the middle of the nineteenth century that a complete system and adequate machinery of control were evolved.

Since this is a study of House of Commons machinery and procedure, it does not include any direct assessment of Treasury control. It is assumed throughout that to make a reality of responsible government it is not sufficient to abandon control of expenditure to the Treasury and that the House of Commons should have its own machinery and methods for supervision and control. The ultimate aims of the Treasury and the House of Commons—the attainment and maintenance of legal and efficient action in the departments of state—are indeed alike, but the type of control each effects is different in nature and impact.

The Treasury is the government's instrument for carrying out its financial policy and for supervising the activities of the departments. It stands in a unique position and its functions are difficult to define. 'Treasury Control', wrote Henry Higgs, 'is something that you live under, that you suffer from, that you profit by; and if you cannot define it, well—Lord Morley used to say that he could not define an elephant, but he knew it when he saw it.'[1] Unique though its position is, the Treasury is, nevertheless, but a department, *primus inter pares*. And difficult to define though its control may be, there is no doubt it is an administrative control and internal to the administration.

[1] *Public Administration*, vol. ii (1924), p. 122.

It is not the least of the duties of the House of Commons to supervise and criticize the administration and, therefore, the administrative control of the Treasury itself. Its aim is to ensure that the administration gives, first, proof of full, accurate, and faithful compliance with orders and, second, adequate reasons for, and a good defence of, the quality of the goods and services it renders. Each process is a process of control; but the one is directive, giving and refusing permission, and the other is protective, aimed to satisfy the House itself and the taxpaying public. The one cannot replace or make unnecessary the other. Reginald Palgrave, one-time Clerk of the House of Commons, wrote that it was true that 'the Commons should, after due preliminary explanation, place entire confidence in Governments regarding the demands they make in the House. . . . But the Commons must place no confidence at all in any Ministry, when they sit—their departmental pockets well lined—in Whitehall.'[1] It is in Whitehall and not in the Palace of Westminster that the Treasury is to be found.

This study falls naturally into two main divisions, the one historical (Parts I and II), and the other analytical (Parts III and IV). To treat the subject in this manner by adopting two different approaches inevitably involves some repetition, but repetition is preferable to obscurity. The origins of the modern system and machinery of control are traced from their beginning to their evolution in the middle of the nineteenth century, in a form which has remained largely unaltered in essentials until today. The development of appropriation, Exchequer control, and audit was necessary before the House could even begin to apply an effective control. Only when the necessary facts for an audit were available and a competent system of audit instituted was the House in a position to judge, for the first time, the conduct of the government from a new standpoint, that of finance. General impressions could now be supplemented by accurate and detailed knowledge. But the House needed new methods to use that knowledge and to make its judgements. The Select Committee of Public Accounts was its answer to that problem. Until the twentieth century it was the only answer.

The story of the work and impact of the financial committees

[1] *Quarterly Review*, vol. 141 (1876), p. 230.

is, until 1912, therefore, the story of the Public Accounts Committee. From 1912 until the present day there has been a series of attempts, in the form of estimates and expenditure committees, to extend the scope of the inquisition and control. The circumstances leading up to each, their story, and their lessons are examined. It is necessary also to make some assessment of parliamentary and other influential opinion in order to discover what members were trying to do and what they thought of their committees' work. It is, after all, they who were and are responsible for setting them up and abandoning them.

It is impossible, however, to understand fully the work and the success or failure of the committees or to learn any general lessons, unless a clear and detailed picture is obtained of their actual working and procedure. For this reason also, it is essential to examine the type and experience of committee members and their attendance and participation, where and how the committees obtain their information and the quality of that information, the impact of committee reports and methods of ensuring the notice and compliance of departments, without which all the earlier stages are in vain.

Since the end of the Second World War interest in this subject has been aroused by the dilemma of the obvious need to reduce expenditure on the one hand and, on the other, the constant and insistent demands on the Exchequer. Whatever the level of expenditure, and select committees barred from considering policy cannot, of course, affect it one way or another, there is constant and increasing agreement that, at least, money should not be wasted. For this reason, recent proposals for improving parliamentary control of expenditure warrant attention. Sir Gilbert (now Lord) Campion's proposals, which were endorsed by the Select Committee on Procedure of 1945–6, represent the results of the most serious thought which has been given in this century to improving the present system. Those proposals aroused strong opposition, however, and were rejected by the Government. With the exception of the Government spokesmen, there was general agreement among the witnesses before the Procedure Committee that the existing system was inadequate, but they could not agree on how it ought to be improved.

Since that time the new Estimates Committee has evoked much interest by its topical reports and apparent ability to detect waste. Its reports on the financial aspects of such ventures as the Civil Service Commission's Country House experiment at Stoke D'Abernon and the Government's Park Street hotel brought home the fact that there is still a crying need for the House of Commons to get twenty shillings worth of goods for every pound it spends and, more than that, to 'enable the House of Commons to *see* that it gets twenty shillings worth of goods for every pound' it spends.[1] The results of this study make it possible to suggest some general conclusions about the organization and procedure of financial committees and about the possibilities and the limits of parliamentary control in this field.

[1] Mr. Richard Holt, H.C. Debates, 17.4.1912, col. 409. Author's italics.

PART I

THE ORIGINS OF THE SYSTEM

CHAPTER I

THE DEVELOPMENT OF APPROPRIATION, EXCHEQUER CONTROL, AND AUDIT

I

FROM medieval times Parliament insisted with varying success on the principle that it alone had the right to grant kings and governments the funds they needed. Further, it demanded, from time to time, that kings and governments must specify the objects for which they needed supply and must subsequently account for the grants made to them. It is customary to point to this insistence with pride, yet such admiration of the principle has tended to obscure the more important facts, that the practice of appropriation, accounting, and audit was, at first, negligible and, at best, fragmentary and spasmodic until as late as the nineteenth century.[1]

Indeed, it was not until the decade 1857–67 that the House of Commons could effect any real control of expenditure, for it was not until then that it had completed a system of detailed appropriation, had provided for accurate and useful accounts, and had brought under its own control and made efficient both the Exchequer and the Audit Department. These were necessary preliminaries to any further parliamentary control. The Select Committee of Public Accounts, set up in 1861 to be the Commons' agent for supervising expenditure, was, in Gladstone's words, 'the last portion of the circle' of control.[2] Until that circle was drawn, the House could not do an efficient job of control. The development of appropriation, accounting, and parliamentary control of the Exchequer and the Audit Department had to precede an effective Accounts Committee, for that Committee presupposed their existence.

[1] To appropriate means to allocate funds in stated amounts for specific purposes.

[2] H.C. Debates, 1.3.1866, col. 1373.

II

During the seventeenth century were settled both the right of Parliament, and only Parliament, to grant supply, and also the dominant position of the lower House in supply matters. But supply is only one of the functions of the Commons. Equally important is the control over the destination of moneys. The right of 'appropriation was the immediate and logical consequence of the right of levying the supplies'.[1] There is a Finance and an Appropriation Act in each year's financial business.

'Appropriation, meaning in its widest sense control over the destination of moneys, can be said to have two aspects. First, control of the objects on which money is to be spent and how much. This is a question of policy. The development of responsible government has modified the power of the Commons as a body to decide the objects on which money is to be spent. The sovereignty of the Commons, in theory complete, is in normal practice tempered by the control the government has over them and by the initiative the government holds. This control evolved with the practice and doctrine of responsible government and is 'political' in the sense that it is a control over policy. But, given an agreed policy (however procured), the Commons were concerned also that it should be accurately stated and that the demand for funds should be detailed and calculated to the last penny. This is the second aspect of appropriation. It is concerned not with policy, but with accurate and detailed demands on which to base grants and later to check action. Efficient appropriation machinery was necessary before control could begin. The Commons had to have set out in detail the government's proposals, which they sponsored and made law, before they could censure the government for not having carried them out.

The origin of detailed appropriation may be said to date from the Revolution of 1688, although the practice of appropriating grants did not, of course, originate then. The first 'unequivocal' instance occurred as early as 1353, when a subsidy on wool was

[1] Lord Monteagle in a memorandum to the Select Committee on Public Monies, H.C. 279 of 1857, sess. 2, App. III, p. 69.

granted to be applied solely to the purposes of war.[1] In fact, the practice of appropriating supply tended to be used especially in times of war when the grants were made for war. Otherwise, the king was expected not to need supply. In 1385 Richard II's Parliament appropriated its grant of a tenth and a fifteenth and named supervisors, while Henry IV's Parliament of 1405 appropriated tonnage and poundage. In 1426 Parliament said of its grant that 'ne no part thereof be beset ne dispendid to no othir use, but oonly in and for the defense of the seid roialme'.[2]

In Tudor and early Stuart times, appropriation was only occasional, though in 1624 the Commons followed up a victory over the King in matters of foreign policy by setting out the destination of their grants.[3] In 1665 Sir George Downing, a Teller of the Exchequer and servant of the Crown, shocked Clarendon by moving an appropriation clause to a grant, but after this time the Commons tended to appropriate when possible.[4] Both Lord Danby and Sir Edward Seymour were charged with, amongst other things, misappropriation, although an enthusiastic and amenable House in 1685 presented 'this bill to your Majesty without the addition of any conditional, appropriating or tacking clauses'.

The beginning of appropriation as a regular system dates, however, from 1688 when it was made 'part of that system of Government which was then established for the better securing of the rights, liberties and privileges of the people of this country'.[5] The Revolution marked the beginning of a major change. There began the practice of voting supply annually for the defence services (Navy, Army, and Ordnance), which necessitated these services presenting estimates to the House. Their estimates were, however, not detailed. Supply for the Army was granted in two or three votes and the estimates were not printed until 1800. Funds for the Navy were granted in the form of one large vote until 1798, but between that time and 1819 the form

[1] Taswell Langmead's *Constitutional History*, 10th ed., by T. F. T. Plucknett, p. 179. The word 'unequivocal' is his.

[2] Rot. Parl. IV, 302, No. 24, quoted in Taswell Langmead, op. cit., p. 207.

[3] See G. W. Prothero, *Select Statutes and other Constitutional Documents*, 4th ed., p. 278.

[4] See H.C. 279 of 1857, sess. 2, App. III, p. 70.

[5] Hatsell, quoted ibid., p. 72.

was changed and estimates became more and more detailed. The eighteenth century, indeed, saw little development. 'Extraordinaries' vitiated the control of service supply, while on two occasions, at least, in 1727 and 1735, the Commons voted supply without mention of appropriation. Here, though, in embryo, was a supply and appropriation system.

The Crown's personal expenses and the cost of civil government were, however, still not differentiated in 1688 and these charges constituted the newly formed Civil List. The funds to meet them were assigned as one large, complex appropriation. The total yield of certain sources, whatever that yield might happen to be year after year, was allocated by Parliament to enable the king to meet the expenses of ordinary government. It was, after all, his government and his, not Parliament's, concern. In 1689, these funds were reckoned to be £600,000 and they were gradually increased to about £900,000 and with this amount the executive had, according to eighteenth-century doctrine, to manage its own affairs. The whole process of raising, spending, issuing, and accounting for money was still in the hands of the king's government and was expected to remain there.[1] Until such time as the House considered itself responsible for administration and until the legislature was linked to the executive, strict and detailed appropriation was neither possible nor desired.[2] This did not take place until the nineteenth century, but before that time the problem of paying for the civil government was thrust upon the Commons. Whenever the king overspent his Civil List grants he applied for funds to pay the government's debts and the House was then forced to consider national expenditure.[3] From the accession of George III such overspending was common. On one such occasion, in 1777, there was some criticism of the administration, but it was tentative and all speakers, including Wilkes and Burke, accepted the premise that, under normal circumstances, the king's administration was his own affair and that it was 'not proper to require any account of the expenditure . . . unless money had

[1] See D. L. Keir, *Law Quarterly Review*, vol. 50 (1934), pp. 377–80.

[2] But from the Revolution there were a few annual votes for civil supply. See, for example, W. A. Shaw, *Calendar of Treasury Books*, vol. ix, part i, Introduction, pp. cxcii–cxciii.

[3] See Keir, loc. cit., p. 378.

been demanded of Parliament to pay debts'.[1] There was still little idea of questioning government administration and the farthest that even Wilkes would go was to suggest that certain items ought to be removed from the Civil List and charged to annual supply.

But a marked change in attitude is clear in the years 1780–82, with the 'economical reform' move of Burke and others. The Commons assumed the right to debate and to remedy abuses in the machinery of civil administration and the importance of the 'economical reform' drive, culminating in Burke's Civil Establishment Act, 1782, lay not only in the abolition of some useless, political offices, but more especially in the fact that it inaugurated the first of the inquiries which led to a long series of reforms. The Exchequer and Audit Departments Act, 1866, was to be the culmination. The Civil Establishments Act also provided for the reorganization of the Civil List, dividing it into eight classes; and in 1802, when the Crown once more had to apply to the House for relief, a further attempt was made to deal with the now inadequate civil revenues. The headings under which supply was granted were further elaborated, for the expenses of part of civil government were to be met by the 'Miscellaneous Civil Services out of Supply' which were divided into five heads, including, for example, Public Works and Buildings, Salaries, and Law and Justice.[2] Thus part of the civil government became dependent on annual supply and subject to annual review. These grants, making good the deficiencies of the Civil List, became permanent and tended to increase as the costs of government rose.[3] In 1816 the Civil List Act provided for the removal of certain charges from Civil List funds altogether and allotted fixed annual allowances to defray others.[4] In 1830, on the accession of William IV, a select committee recommended that 'the Civil List should be applied only to such Expenses as affect the Dignity and State of the Crown, and the proper maintenance of Their Majesties' Household',[5] and that the expenses

[1] See Keir, loc. cit., p. 378.

[2] See R. H. Gretton, *The King's Government*, p. 104.

[3] See ibid., p. 123.

[4] See D. L. Keir, *The Constitutional History of Modern Britain*, 3rd ed. revised, p. 388.

[5] *Report of the Select Committee on the Civil List*, H.C. 269 of 1830–1, p. 1.

of civil government should be borne by supply grants. The Crown's personal expenditure and the expenses of government were now at last separated and the responsibility for, and control of, the latter were assumed by Parliament. The Crown was stepping down from its position of control and responsibility and Parliament, led by the Cabinet, was stepping up.

Meanwhile, the classification of supply votes became more and more detailed. Civil votes were reclassified in 1824, 1837, and 1843. In 1847 the system was reviewed by the Select Committee on Miscellaneous Expenditure which recommended that, in future, 'the votes for Civil Establishments at home and abroad . . . be arranged under the head of Civil Estimates and presented separately to the House'. These recommendations were implemented and the civil estimates began to look very much as they do today.[1] Henceforward, each department had not only to estimate its needs with some accuracy but was also subject to annual review and obliged to an annual defence. The same process was taking place in the defence departments. One of Sir James Graham's reforms in the Admiralty in 1832 was a revised and more detailed classification of expenditure and estimates. He increased the heads under which naval funds were voted from four to seventeen.

The practice of presenting appropriation accounts also aided the development of detailed and systematic estimating. It started in the Admiralty as the result of legislation in 1832[2] and was extended in 1846 to the War Office and Ordnance Office,[3] and, in 1851, to the Office of Woods and Works.[4] The revenue departments, required by Gladstone's Act of 1854[5] to present estimates of the cost of collecting revenues, were also called upon to present appropriation accounts in 1861[6] and the obligation was made universal in the Exchequer and Audit Departments Act of 1866.[7] Further, in 1863 the practice of 'virement', which tended to make nonsense of strict appropriation, was restricted within definite and clearly laid-out limits.[8] Finally, in

[1] See Gretton, op. cit., p. 123.
[2] 2 and 3 Will. IV, c. 40.
[3] 9 and 10 Vict. c. 92.
[4] 14 and 15 Vict. c. 24.
[5] 17 and 18 Vict. c. 94.
[6] 24 and 25 Vict. c. 93.
[7] 29 and 30 Vict. c. 39.
[8] By the Treasury Minute 27.1.1863, quoted in *Epitome of the Reports from the Committees of Public Accounts 1857 to 1937*, H.C. 154 of 1937–8, p. 14.

1861 and 1862 the remaining powers of departments to hold 'unexpended balances' were abolished and the Exchequer and Audit Departments Act enshrined the principle laid down in 1862 that sums asked for and granted must 'come in course of payment' within the year.[1] Thus, by 1866, appropriation was both detailed and rigidly defined.

III

By itself appropriation is of small value in controlling the actions of government. When the House of Commons appropriates, it only indicates its wishes about how the money ought to be spent. There is a clear need to check whether it is spent in the manner directed. The checks are two: a check on issue to see that departments receive only the funds to which they are entitled; and a check on the final application of funds by means of audited accounts. These checks existed in the form of the Exchequer, of departmental and Exchequer accounts of doubtful value and of an administrative audit carried out by the Auditors of the Imprest. Until the nineteenth century Parliament had no control over them and wished none. They were directed by the only interested party, the Crown. It was not until Parliament began to feel and assume responsibility for government, that it felt any need to control these checks.

The Exchequer, the ancient treasury of England, occupied a central position in the state until the Restoration.[2] From 1660, however, the Lord High Treasurer and the Commissioners became separated from the Exchequer and formed the Treasury and to them passed the superintendence of financial affairs. The functions of the Exchequer became confined to the receipt of public money and to its lawful issue, to record and to audit. It merely controlled issue and even this task was performed inefficiently. It was the home of many valuable sinecure offices and its chief officer, the Auditor of Receipt, might be and often

'Virement' is the term applied to the practice of transferring funds allotted for one purpose or service to another.

[1] Exchequer and Audit Departments Act, 1866, s. 24. The Public Accounts Committee had enunciated the principle. See P.A.C. 1 R. 1862, pp. iii–iv.

[2] For a brief history of the Exchequer from early times until today, see W. R. Anson, *Law and Custom of the Constitution*, 4th ed., vol. ii, part ii, pp. 172 ff.

was a political leader. The uselessness of the office as an impartial check on public spending can best be illustrated by the behaviour of Lord Grenville, who held it from 1794 to 1834. During that time he was leader of the Whig party both in and out of power and 'it is plain that neither he nor his friends saw any incongruity in the tenure by the same man of two logically incompatible offices'.[1]

The series of inquiries and reforms inaugurated during the 'economical reform' drive transformed the Exchequer, the process being completed by the sweeping changes of 1834 on the death of Lord Grenville.[2] The sinecure holders disappeared, taking with them the obsolete accounting systems and the 'cumbrous, antiquated, and unmeaning forms' of earlier days.[3] The business of actual receipt and issue was transferred to the Bank of England and what still remained of detailed payments to the Paymasters.[4] Henceforward, the Exchequer's main function was to ensure that all issues from the Bank to public officers were legal and it was to do this on behalf, not of the government, but of Parliament. The Auditor of Receipt and the Clerk of the Pells were replaced by a Comptroller of the Exchequer, disqualified from membership of the Commons, holding office during good behaviour and removable only by resolutions of both Houses. In this way he was insulated from both politics and the government, and thus control of issues passed into the hands of an independent officer, exercising formal statutory functions. In 1866 the office was incorporated in that of the Comptroller and Auditor General and the Departments of Exchequer and Audit were united.[5]

Exchequer control is, however, a control only of issue. To ensure that departments act legally and wisely, it is necessary to have some record of their action. Financial records are in the form of accounts and the examination of such records is an

[1] Anson, op. cit., p. 178. For the political motives behind his refusal to issue funds in 1811 see ibid., pp. 177–8.

[2] The changes embodied in the 1834 Act (4 and 5 Will. IV, c. 15) were inspired by the Commissioners for Public Accounts of 1831.

[3] H.C. 279 of 1857, sess. 2, App. III, p. 81.

[4] The offices of paymaster were consolidated into one office, The Paymaster General, in 1836.

[5] By the Exchequer and Audit Departments Act.

audit. The development of parliamentary control of audit and accounts dates, as does Exchequer control, from the late eighteenth and the first half of the nineteenth century and culminates in the year 1866.) In many ways the development was a slower one than that of the Exchequer outlined above; for, with the exception of a handful of clear-sighted and able Members of Parliament who were experts in public finance, Exchequer control satisfied most members until the middle of the nineteenth century. Lord Welby remarked particularly on this in his evidence to the National Expenditure Committee of 1902, when he said:

> I have always been greatly struck by the fact that for, you may say, 160 years, the House of Commons, always anxious to establish its control, should have remained all that time under the illusion that it could control expenditure by putting checks on the issue of money from the Exchequer instead of ascertaining how the money had been spent.[1]

That is not to say, however, that Parliament did not seek from early times to make some examination of accounts. Since the Exchequer was an executive department, Parliament's only checks were those set up and imposed by itself. The number of special commissions and committees of accounts with general and undefined powers is endless. Their members often had only the vaguest idea of their job and the appropriate techniques. They were ill-informed and, all too often, ill-intentioned. Parliament's motives were two. First, in some cases, it clearly wished to inform itself of the real extent of the administration's needs when estimates were non-existent and the government itself had little idea of its financial position. Dr. Shaw, in his Introduction to *The Calendar of Treasury Books*,[2] cites the example of the House of Commons Committee of 1666. The House was impelled to this inquiry, not so much by hostility, though a

[1] H.C. 387 of 1902, Evidence, Q. 2508. Lord Welby was one of the great civil servants of the latter part of the nineteenth century. He entered the Treasury in 1856 and was permanent secretary from 1885 to 1894. An admirer of Gladstone, he helped to impress on the service the characteristics it acquired at that time. His evidence to the National Expenditure Committee of 1902 is of great value because of his wide knowledge and long experience. See *D.N.B., 1912–21*, p. 563.

[2] Vol. ii, p. xxxvi.

hostile spirit is not absent, as by the need to estimate the next year's requirements, since the Government itself could not do so. The House was here doing for itself what was later done by the departments and the Treasury.

The state of governmental accounting is of no concern here except to notice that it was gravely deficient until well into the nineteenth century. The departments themselves kept embryonic records. Pepys found it worthy of comment and 'great joy' when, after feverish activity to prepare the account books for Parliament's inspection, he and Sir William Coventry were able to strike a rough balance, though he admits 'our method of accounting, though it cannot, I believe, be far wide from the mark, yet will not abide a strict examination if the Parliament should be troublesome'.[1] As late as 1857 the Select Committee on Public Monies was still urging the merits of the double-entry system of book-keeping. There was also a central 'administrative' audit, which was an internal examination by the highly paid and inefficient Auditors of the Imprest in the Exchequer[2] on rules laid down in Tudor and Stuart days. 'It limped leisurely along, so much so, that in 1782 great accounts twenty and thirty years old were still open, and there were accounts not yet settled, which went back to the reign of William III.'[3] Unsurrendered balances, wisely invested, brought their holders useful profits and the practice was not held to be dishonourable.[4] Provision for a more regular audit was not made until 1785, when Parliament took the first steps to provide for itself a professional audit service. Until this date Parliament's investigations could only be amateur inquiries. The committees and commissions often made up their own accounts, since they did not trust the administration, and there was no link of responsibility between executive and legislature. They were often openly hostile, not infrequently partisan. In the face of such poor accounting and in such an atmosphere, little of value could be accomplished and big errors in computation and judgement were common.

[1] *Diary*, 23 Sept. 1666, Everyman ed., vol. ii, p. 104.

[2] From 1547, see F. C. Dietz, *English Public Finance 1558–1641*, p. 5.

[3] Lord Welby to the Select Committee on National Expenditure, H.C. 387 of 1902, Evidence, App. 13, p. 228.

[4] See, for example, *Accounts Relating to Public Income and Expenditure*, H.C. 366—1 of 1868–9, p. 672.

But Parliament's second and main motive for examining the accounts was to discover if funds were spent as intended or, at least, to see that they had not been spent in any scandalous, wasteful, or unpopular manner. As far back as the thirteenth century the nation's accounts were scrutinized by or for Parliament. Hatsell says that 'even in the more ancient times it was not unusual to appoint persons to examine the accounts',[1] and Stubbs mentions attempts in 1237 and 1244. The premature increase in Parliament's activities in the late fourteenth and fifteenth centuries led to active though spasmodic accounting control. Many early examples of appropriation were accompanied by provisions for accounting and examining and, in some cases, auditors were named before the grants were made. As a rule the government was expected to be able to account for the special grants it received from Parliament while the king's normal expenditure was, of course, his own affair. In 1340 and 1341 committees were appointed to investigate the accounts showing how the last subsidies had been spent.[2] In 1378 and 1379 accounts were produced for examination.[3] In 1406 the Commons appointed auditors to examine the accounts of the Treasurers of War, Lord Furnival and Sir John Pelham, though Henry IV tried in vain to maintain that 'Kings do not render accounts'. In 1552 a bill came down from the Lords for making treasurers accountable, but it was dropped with cries of 'prerogative'. The appropriated subsidy of 1624 was accompanied, in 1625, by the establishment of a 'Grand Committee' with powers to appoint a sub-committee for auditing the accounts.[4] The Interregnum saw many experiments in parliamentary control of finance, including committees divided on departmental lines to check the administration, while in August 1649, an ordnance was passed 'For taking the accounts belonging to the Navy and the Customs' and ordering them to be audited.[5]

The incompetent handling of inadequate finances during the Second Dutch War led to near disaster and caused the Commons

[1] Quoted in H.C. 279 of 1857, sess. 2, App. III, p. 94.

[2] See J. Redlich, *The Procedure of the House of Commons*, vol. ii, p. 203.

[3] See Taswell Langmead, op. cit., p. 189.

[4] See H.C. 279 of 1857, sess. 2, App. III, p. 94.

[5] See M. P. Ashley, *Financial and Commercial Policy under the Cromwellian Protectorate*, p. 51.

to inquire into the Government's financial position.[1] Pepys's alarm, vividly portrayed in his *Diary*, must have struck a chord of sympathy in many Accounting Officers past and present as they prepared themselves to face the 'Hotspurs'[2] of the Public Accounts Committee. 'Dire is the consternation reflected on those pages . . . by the mere whisper of a Committee to inquire, perhaps "sharply", into the affairs of the Admiralty.'[3] A summons to appear before it caused Pepys to wake 'betimes, mightily troubled in mind, and in the most true trouble that I ever was in my life',[4] and that despite the fact that, being responsible for a dubious purchase of flags he had, as he says, 'concluded of scraping out my name, and putting in Mr. Tooker's, which eased me'.[5] In December 1667, another committee of nine persons was appointed and it 'revealed gross incompetence and malversation'.[6] In 1669 the revelations of a committee led to Carteret, Secretary of the Navy, being expelled from the House.

After the Revolution the triumphant Commons of 1689 felt 'they might claim a more extensive function, as naturally derived from their power of opening and closing the public purse, that of investigating the wisdom, faithfulness and economy with which their grants had been expended'.[7] They seized upon the idea of parliamentary committees something after the Commonwealth style, and a series of inquiries into the conduct of the war was carried on in the following years. Committees of the Commons of seventy-seven members and of fifty-one members were appointed to examine the Army and Navy estimates.[8] They went farther and made a systematic attempt to provide for audit of accounts. In 1691 they held a conference with the Lords on 'the title and design of the Bill . . . to appoint Commissioners to examine, take, and state the public accounts of the kingdom; which, during the session of Parliament, is the proper work of

[1] As much to estimate future needs as to investigate past action. See above, pp. 14–15.

[2] Pepys's word. *Diary*, 26 Sept. 1666, Everyman ed., vol. ii, p. 105.

[3] *Quarterly Review*, vol. 141 (1876), p. 231.

[4] *Diary*, 3 Oct. 1666, Everyman ed., vol. ii, p. 107.

[5] Ibid., p. 104.

[6] G. N. Clark, *The Later Stuarts*, p. 65.

[7] H. Hallam, *The Constitutional History of England* (1875), vol. i, p. 536.

[8] See C. M. Clode, *The Military Forces of the Crown*, vol. i, p. 112.

the House of Commons' and they claimed that the liberty naming commissioners 'is a necessary dependence of this ri of giving money'.[1] Audit acts were passed setting up comn sioners with strong powers. These 'commissioners of accou interpreted their function of auditing very widely'.[2] They 'strong powers of inquiry'[3] and 'they antagonised the Execu by proceeding as a roving inquisition'.[4] The result was inevita They produced 'a document of amazing ignorance', and can only agree with Dr. Shaw's conclusion that 'the Hous Commons was as badly organized for constructive Parliament criticism as the King's executive was for constructive Par mentary leadership'. Yet, for a time, these commissioners, p tisan as they were, were a regular feature. In the first yea Queen Anne's reign, an audit act of William's reign was revi while a later act appointed seven commissioners, chosen ballot, from the Commons. These commissioners of 1711 w outspoken in their attacks on Marlborough, who had taken s £63,500 as 'perquisites' from public moneys intended for br contractors. Here was a political attack, but it revealed all clearly the loose chaos of the Government's financial meth

This activity produced no permanent additions to par mentary machinery. In fact, the next two reigns saw a perio uncaring apathy, except for occasional attacks on Army 'ex ordinaries' which, in 1745, led to a committee 'to consider distribution of money granted by Parliament for the Pay'. the same 'extraordinaries' led, in 1780, to a wholesale att on the financial laxity of the administration and to Bur 'economical reform' move.[5] At the same time, and in the s spirit, Colonel Barré pressed for commissioners of audit more promising agency than committees of the House. The n was urgent, for apart from occasional inquiries such as t cited and the audit commissioners of the reigns of William Anne, there had never been any parliamentary audit of accou Indeed, no accounts were even presented regularly after spate of activity in Anne's reign. But from 1780 demands

[1] See C. M. Clode, *The Military Forces of the Crown*, vol. i, pp. 112
[2] G. N. Clark, op. cit., p. 145.
[3] Ibid., p. 169.
[4] W. A. Shaw, *Calendar of Treasury Books*, vol. ix, part i, Introduc p. clxiii.
[5] See above, p. 1

returns of accounts were frequent as the House of Commons sought to implement the new responsibility it was beginning to feel. Yet it was not until 1802 that annual 'Finance Accounts'[1] were presented, and 1822 that balanced accounts appeared. The work of the Commissioners of Audit of 1780 resulted in the abolition of the Auditors of the Imprest, who were Exchequer officers, and in their replacement in 1785 by a board of five members, whose status was made as independent as possible of the executive.[2] They were appointed by the Crown under the authority of Parliament and held office during good behaviour. Here was a real provision for a regular audit as opposed to irregular parliamentary inquiries.

The story of the Audit Board and its development into the modern Exchequer and Audit Department is part of the story of the development of responsible government. Although the Board was a notable advance in its original form and its audit effective and prompt compared with that of the Exchequer officers, its limitations were all too clear, and they were not removed by modifications carried out in 1786 and 1806. These limitations were two. First, the Board was neither independent of the executive nor a servant of the House and, second, it was not yet provided with the right sort of information.

The fact that no provision had been made for laying the Board's work before Parliament or for giving effect to its recommendations soon became clear. The audited accounts went to the Treasury and the Board entirely failed to make itself independent of that department.[3] The audit was, in fact, still administrative. Lord Welby commented:

> it is singular that two of our greatest Chancellors of the Exchequer, Mr. Pitt and Sir Robert Peel, did not seize the point. It is the more singular as regards Mr. Pitt. . . . Possibly he was not anxious to give the House of Commons that which the House had not asked, for it is difficult to conceive that so able a financier, when reforming the system of audit, did not see that the control of Parliament over

[1] The 'Finance Account' is an account of public revenues and issues from the Exchequer.

[2] By the Act 25 George III, c. 52.

[3] See the third report of the Select Committee on Public Monies, H.C. 279 of 1857, sess. 2, App. III, p. 96.

expenditure must be gravely defective so long as Parliament was not aware of the results of that audit.[1]

He (Lord Welby) suspected that neither the Chancellors, their advisers, nor Parliament itself, saw clearly that control over issue was not sufficient. Recognition that this was the case dawned but slowly as the desire to have an independent audit control grew with the ever-widening knowledge of what was implied in the idea of responsible government. The reforms of 1785 had been inspired, it is true, by the desire to have an efficient rather than an independent Board, but the new, changed conception of the position of the Audit Board was clearly laid down in 1857 in the report of the Select Committee on Public Monies.[2] The recommendations of this Committee were embodied in the Exchequer and Audit Departments Act of 1866, which profoundly modified the existing arrangements. First, it united the Audit Department with the Exchequer, despite the weighty protests of those who contended that no good would come of uniting what they felt to be the executive function of the Exchequer with the parliamentary function of the Audit Department. Second, the Act created the office of Comptroller and Auditor General. His position was made independent of government and administration by tenure 'during good behaviour' and by his, not Treasury, control of his own department. He was conceived as a powerful servant of the House, armed with strong powers to perform clearly enunciated statutory functions. He was to audit the departments' accounts for the House of Commons and to report his findings to it. In this way the machinery of audit was finally harnessed to parliamentary control.

The second weakness of the old Audit Board was that its work could be of little value unless and until it had access to the right sort of information. While the House of Commons was not furnished with an account showing on one side the sums appropriated and, on the discharge side, the sums finally paid during the year (that is, an 'appropriation account'), it was in no position to say conclusively whether its wishes had been

[1] H.C. 387 of 1902, Evidence, App. 13, pp. 228–9.
[2] See H.C. 279 of 1857, sess. 2, p. 6.

followed or not. As the House came to desire such information, this weakness became more obvious.

The first step was taken before most members realized the need for such accounts. In 1832 provision was made for the first of the appropriation accounts. Amongst the reforms in the administration of the Navy carried out by Sir James Graham was the provision in the Navy Accounts Act, 1832, for the Commissioners for Audit to examine the accounts and vouchers for naval expenditure side by side with the votes and the estimates and to report the result to the House.[1] At the same time, he introduced a revised and enlarged classification of the estimates. Henceforward, the Admiralty had not only to estimate its requirements with some degree of accuracy, but had to account as accurately for its expenditure. But notable advance as this was, the account did not, at first, attract much attention in Parliament.[2] The changes were, however, extended to the War Office and to the Ordnance Office in 1846, to the Office of Woods and Works in 1851, to the Revenue Departments in 1861, and were made universal by the Exchequer and Audit Departments Act in 1866. Sections 21–26 of that Act require the departments to present full, signed appropriation accounts and 'an explanatory statement of any excess of expenditure over the grant or grants'. Sections 27–32 require further that the Comptroller and Auditor General shall examine these accounts 'on behalf of the House of Commons'. In his examination he 'shall ascertain, first, whether the payments . . . charged to the grant are supported by vouchers or proofs of payments, and, second, whether the money expended has been applied to the purpose . . . for which such grant was intended to provide'. To assist his investigations he is given 'free access, at all convenient times, to the books of account and other documents relating to the accounts of . . . departments'.

The development of the House of Commons appropriation machinery on the one hand, and the construction of efficient exchequer and audit checks and their transfer from executive to parliamentary control on the other, were the necessary prerequisites of any effective supervision. When this was accom-

[1] 2 and 3 Will. IV, c. 40.

[2] See H.C. 387 of 1902, Evidence, App. 13, p. 229.

plished the stage was set for the appearance of a committee of the House to complete the 'circle of control'. Money may be carefully appropriated and legally issued and the administration's accounts may be audited by an authority set up by Parliament, but unless Parliament is prepared to take notice of the results of such audit, these checks lack an effective sanction and are in danger of becoming meaningless forms. It needed now an accounts committee to complete the machinery.

CHAPTER II

THE EVOLUTION OF THE PUBLIC ACCOUNTS COMMITTEE

I

THE development of strict appropriation and efficient parliamentary audit created the conditions necessary before a Public Accounts Committee could be evolved. But that by no means implies that the project of such a committee was not considered before the Exchequer and Audit Departments Act finally settled the pattern of our present day financial system. In fact, as we shall see, the Public Accounts Committee preceded that Act by five years and itself helped to determine the final form of that Act.

In the last chapter it was pointed out that committees and commissions of accounts of one sort or another were a spasmodic, but regularly recurring, feature of parliamentary life for hundreds of years. But, hitherto, they had laboured in the dark with not much information or preparatory work and they had little idea of the nature and limits of their inquiries, or under what conditions they could do their most useful work. Often they had to start their inquiries by themselves drawing up an account; almost always they acted as auditors. The rendering of appropriation accounts by departments and the development of an efficient professional audit agency, which was gradually brought under Parliament's control, gave the House of Commons access to information which it had never before possessed. The question was, would it use it? With a long tradition of jealous financial control it seemed certain that it would, while the frequent use of committees in the past suggested that committee machinery would be adapted to this specialist investigating function in the future. But, even so, it remained to devise the best method of using the information now available and to evolve a committee with appropriate powers and procedures.

The spate of financial committees of the late eighteenth and early nineteenth centuries, on the one hand, revealed the limitations of committee work in the fast developing system of

cabinet government and, on the other, built up by experience and much inquiry a general consensus of opinion about the type of body which would fit the evolving financial machinery and, at the same time, serve to complete it. In these committees the origin of the Public Accounts Committee can be seen and it was in their deliberations that the idea was mooted. They were various in nature, but generally speaking, they fell into two classes. The greater number had terms of reference of a compendious nature with a general direction to investigate the financial affairs of some or all departments with an eye especially to economy. They might, and did, go widely into both conduct of affairs and departmental machinery. But, from time to time also, committees were appointed solely to look into the machinery of accounting and financial control.

The committees with the compendious terms of reference spread their nets widely. Although the Commons were now separating audit from inquisition, they were by no means clear either about the amount of work with which a committee could cope or the necessary limits within which it could work. Moreover, the majority of members had only an elementary idea of the different stages of financial business and of the limit of scrutiny and investigation to which departments could or should be subject. While, on the one hand, they tended to lay too much stress on the efficacy of control of actual issue and hence on the Exchequer, on the other they appointed committees with terms of reference which gave them more work than they could do and which involved them treading upon the delicate ground of policy. And though the doctrine of governmental responsibility was only being worked out in these years, it was soon apparent that no committee could be of much value if its terms of reference directed it to such a wide field as 'the state of Public Income and Expenditure', or if it was ordered baldly to report 'what further measures can be adopted for reducing any part of the Public Expenditure without detriment to the public service'.[1] The problem of what was and was not policy was already becoming apparent.

Amongst such committees were the Finance Committees of the years 1786, 1796, 1807, 1817, and 1828. The wide scope that

[1] Parts of the terms of reference given to the Finance Committee of 1828.

they covered can be seen by their reports. The Finance Committee of 1807 issued thirteen on such diverse topics as the Audit of Public Accounts, Offices and Places, Printing and Stationery, Collection of Taxes in Scotland, and Commissioners for Dutch Prizes. That of 1817 issued sixteen, including reports on Public Income and Expenditure, Sinecure Offices, and Navy and Army Estimates. The practical results of this work were small and, in 1828, we find Joseph Hume objecting to the motion for another such inquiry on the grounds of its inadequacy. One committee could not possibly cover the whole field he said, there being work enough for eleven.[1]

After 1828 the Finance Committees lapsed, but in the vigorous period of scrutiny of existing institutions which followed the Reform Act and, later, as the mid-Victorian era approached, many other committees of this nature were appointed to examine estimates or expenditure. In 1848, for example, two were at work: one to inquire into 'the Expenditure . . . of the Navy, Army, and Ordnance', and the other into 'the Expenditure for Miscellaneous Services'. Both had wide terms of reference which included scrutiny not only of machinery, but also of policy. In 1860 a motion was made and carried for an annual committee to inquire into 'the Miscellaneous Civil Service Expenditure of the preceding year; into the payments made out of the Consolidated Fund; and into those on account of the Woods, Forests, and Land Revenues'.[2] This was another suggestion for a compendious committee, although the motion did say 'of the previous year' and thus invited an investigation limited to the year's financial work. Mr. Gladstone opposed it, arguing, as Hume had thirty-two years before, that a committee with wide terms of reference was useless and confusing, and adding that, in his view, it constituted a threat to ministerial responsibility. In the next year it was quietly allowed to lapse.

Besides these committees with wide terms of reference, there was also a series set up solely to examine the public accounting system and to suggest improvements. Such were the Committee of 1822, appointed 'to consider of the best mode of simplifying the [Public] Accounts' and the Treasury Commission of 1829 to

[1] H.C. Debates, 15.2.1828, col. 440.
[2] H.C. Debates, 2.2.1860, col. 446.

examine 'the mode of keeping the official accounts in the principal departments'.

More important in the story of the Public Accounts Committee was the Royal Commission of 1831 which was set up as a result of constant pressure in the House. By then the stages in the process of control of government expenditure were becoming evident to those who examined the subject. Also, there were a few members of the House versed in public finance who were active in calling for reform. The Commission of 1831 included some of them like Sir Henry Parnell, Sir James Graham, Sir Francis Baring, and Edward Ellice. In their report on the Exchequer, they wrote:

> to secure a more effectual control than has hitherto existed over the application of the Public Money, we suggest that this officer [the Comptroller of the Exchequer] should be required to prepare for Parliament, before the fifteenth day of January in each year, an Annual Account of all Monies received and of all Credits ordered by the Exchequer during the previous year: and we further recommend, that a Law be passed, constituting *a Commission of persons independent of the Crown, and to be chosen annually by the House of Commons*, to examine this Account, and to report their opinion upon it before the Annual Budget is voted.[1]

This was clear recognition that parliamentary control was not complete until the House had effectively examined annual accounts and, further, that this examination could best be done by a body which it should appoint for the purpose. In the same year the Treasury asked Dr. (afterwards Sir) John Bowring to write reports on the financial systems of Holland, France, and Belgium.[2] The French system was, at the time, said by members to be very efficient. Dr. Bowring recorded the French practice of having annual audited accounts examined and reported on by the *Commission des Comptes*[3] and he commented favourably

[1] H.C. 313 of 1831, p. 22. Author's italics.

[2] Sir John Bowring was a well-known business man and public figure. A friend of Bentham, whose works he edited, he alternated between private business and, when times were bad, the public service. As British representative in China he was later involved in the 'Arrow' incident. See *D.N.B.*, vol. vi, pp. 76–80.

[3] A body appointed by the King, the *Cour des Comptes* (the Audit Board), and the Representatives.

thereon. The strong similarity between the French system and the 1831 Commission's findings is evidence of the impression it made.

However, no action resulted from these recommendations and little was heard of a committee or commission to examine the accounts until 1845, though in this age of inquiries and blue books, an age moreover in which the cry of economy was constantly being raised, committees abounded on subjects connected with expenditure. In 1845, however, a Treasury Committee concluded that 'efficient control could only be established through *a Committee of the House of Commons*, whose duty it should be to examine the accounts laid before them by the Commissioners of Audit'.[1] It went on to say that the Audit Board had submitted its reports to Parliament apparently without any result.

> This can only be explained by the fact of there being no special Committee of the House, whose duty it is to examine the accounts laid before it; and this circumstance leads us to the consideration of the question whether a control of this nature would not be more beneficially exercised by that department of the Government which is charged with the regulation of the public finances.[2]

This Committee, whose report was endorsed by the Treasury,[3] thus reached much the same conclusions as had the 1831 Commissioners, but with two significant additions. It proposed a committee of the House itself and, failing that, it suggested an alternative in effective Treasury control. To civil servants the second alternative seemed to be a satisfactory solution and it had a distinct attraction for the Treasury, whose power and influence were increasing throughout this period.

Once again no action resulted. The Commons were interested in economy, but not in machinery. The Crimean War turned their thoughts to matters of war and foreign policy, but it also showed up the faults in the administration and a fresh impulse was given to the move for administrative efficiency. It embraced all aspects and the nation's accounts were not forgotten. On 8 April 1856, Mr. George Bowyer rose in the House to say that

[1] See P.A.C. R. 1862, Evidence, Q. 1730. Author's italics.
[2] Ibid.
[3] Treasury Minute, 13.1.1846, quoted ibid.

when Mr. Disraeli had been Chancellor of the Exchequer he had promised a committee to investigate the issue and receipt of public money.[1] Mr. Bowyer traced the history of the Audit Board and concluded rightly that it was 'not an independent, efficient department'. Although the Chancellor of the Exchequer, Sir George Cornewall Lewis, defended the existing system, it was evident that there was in the House a small group of interested and instructed members who were dissatisfied with it. One of them, Sir Francis Baring, 'regretted that the House showed so little anxiety with regard to this subject'. Disraeli echoed the call for an efficient Audit Board directly responsible to the Commons. A few days later Sir Francis Baring, in a speech in which he criticized the financial system, moved for a committee 'to inquire into the Receipt, Issue, and Audit of Public Moneys in the Exchequer, the Pay Office, and the Audit Department'.[2] He stressed the difference between this and a 'Finance' committee and complained that he had asked for action two years before. He wisely pointed out that a Treasury check was no substitute for a parliamentary scrutiny. Gladstone supported him and Palmerston, seeing which way the wind blew, intervened and agreed to the appointment of a committee.

II

This body, the Select Committee on Public Monies, sometimes called the Baring Committee, was, said Lord Welby, 'one of the most remarkable Committees, both as regards its constitution and the work it did, that I remember'.[3] Its reports 'practically decided the form in which Parliamentary control over expenditure should be established'.[4] Its chairman was Sir Francis Baring, later Lord Northbrook. A grandson of Francis Baring, the founder of the banking house of Baring Brothers, he had long been an active member of the House of Commons and had held the offices of Chancellor of the Exchequer and First Lord of the Admiralty. He was keenly interested in questions of public finance and he had been a member of the 1831 Commission on Public Accounts. The Committee also included several

[1] See H.C. Debates, 8.4.1856, cols. 691 ff.
[2] H.C. Debates, 24.4.1856, cols. 1450–7.
[3] H.C. 387 of 1902, Evidence, Q. 2508.
[4] Ibid., App. 13, p. 230.

influential members interested in financial affairs such as Joseph Henley, George Bowyer, James Wilson, and also Edward Ellice and Sir James Graham (of Admiralty fame), who had both been members of the 1831 Commissioners, and Sir George Cornewall Lewis, the Chancellor of the Exchequer. The reports of the Public Monies Committee[1] contained recommendations to solve all the major problems and formed the basis of all the changes of the next nine years. They included proposals to improve the Exchequer; they stressed the need for the Audit Board to present its reports directly to Parliament and recommended that all departments should render appropriation accounts before the close of the year following that to which the account referred; they urged that the Comptroller of Audit should check the day-to-day payments made by the Paymaster General; that the status of the Audit Board should be raised; and that the principle of 'annuality' should immediately be applied.[2] With these proposals, covering as they did all the stages of the financial business of government, it was not surprising that the members considered the final stage. 'Your Committee further recommend', they said, '*that these audited accounts be annually submitted to the revision of a Committee of the House of Commons to be nominated by the Speaker.*'[3]

This recommendation was the outcome of several suggestions made in the course of evidence, and it is worth while considering them to see the different forms envisaged by those interested.[4] The Treasury produced a memorandum for the Committee, the work of its efficient and able Finance Clerk, William (later Sir William) Anderson. He pointed to the uselessness, as a reliable and uniform check, of merely laying the accounts on the table of the House. They were hardly looked at and never debated. He proposed a 'finance committee' comprising the Speaker and four nominated members. Their duties would be to check a cash account and the previous year's appropriation accounts. These

[1] H.C. 375 of 1856; H.C. 107 of 1857; H.C. 279 of 1857, sess. 2.

[2] 'Annuality' is the term applied to the principle that the government starts each year afresh, that no balances are carried over except where unavoidable, and that only payments actually made within the year are to be reckoned.

[3] H.C. 279 of 1857, sess. 2, p. 6. Author's italics.

[4] See Appendix 1 below for a detailed comparison.

accounts and the committee's reports thereon would be returned to the Treasury and then presented to the House by the government who would ensure debate on them by moving that, on a future day, 'they be received'. The Comptroller General of the Exchequer, Lord Monteagle, in his memorandum recalled the recommendations of the 1831 Commissioners. It will be remembered that they had advocated a commission of persons chosen annually by the House and independent of the government. Lord Monteagle opposed the Treasury plan because of the inclusion of the Speaker, for he rejected the Treasury's constitutional doctrine that that officer was intimately concerned with the financial affairs of the House.[1] Also, he did not think that a committee of the House of Commons could present its report to the Treasury, which was a department. It must report to the House—the source of its being.[2] Sir Francis Baring also objected to the Treasury plan and suggested a committee to be nominated by the Speaker. It should examine the Exchequer accounts, the appropriation accounts, and a statement of all changes made in all departments.[3] It will be seen that the Committee adopted the views of its chairman.

Some points about these sets of proposals should be noted. The Treasury plan reflected its origin, but it clearly provided that attention should be paid to the reports of the proposed committee. None of the other suggestions put forward provided for debate in the House and, in fact, this has never been ensured. All plans favoured a body which should be expert and impartial, a tribunal rather than a committee, and their authors attempted to attain these qualities by proposing a committee nominated by the Speaker or a small committee nominated by the government under the Speaker. They were all agreed, too, that the committee should examine the audited accounts, if possible the appropriation accounts. The final recommendations of the Public Monies Committee naturally envisaged this, for it had also reported in favour of all departments submitting appropriation accounts.

[1] The Treasury plan had included some very strange constitutional doctrine about the Speaker. See H.C. 279 of 1857, sess. 2, App. I, pp. 27–28.

[2] Again Lord Monteagle refuted a strange piece of constitutional doctrine by the Treasury. See ibid., App. III, pp. 108–9.

[3] See ibid., Proceedings, p. 18 (30.7.1857).

A Treasury Minute of 1858[1] approved the Committee's recommendations, including both the principle of submitting all accounts to the revision of 'an independent authority', which should report to Parliament, and the proposal for a select committee to examine the results of such an audit; and it appeared that interest and support had been aroused. In his valuable evidence to the National Expenditure Committee of 1902, Lord Welby mentioned the great change in the opinion of Parliament, which can be marked down to the period 1856–66, especially 'as to the method in which Parliamentary control should be exercised'.[2] Up to that time the stress had been on checking the issue of money, and he maintained that the change was marked by the Baring Committee Report although, of course, Graham had seen the point in 1832. As they also had the Treasury's blessing, it was to be expected that the Committee's recommendations would be implemented.

Since the report embraced all aspects, it tended to be one coherent whole and cried out to be adopted in its entirety, but once again action was meagre though the subject was never dropped by that group of members in the House who regarded finance as their special sphere. The pages of *Hansard* are dotted with their questions to the minister. On 20 April 1858, Mr. Ridley asked Mr. Disraeli, the Chancellor of the Exchequer, if the Baring Committee proposals were to be carried out.[3] Mr. Disraeli answered that the Government's measures would be explained when 'the condition of public business permitted'. Apparently it never did, for a year later Baring repeated the question, mentioning especially the proposal for an accounts committee. Mr. Disraeli replied to this question, 'it is not my intention at present to propose the appointment of such a Committee, for the right hon. Baronet will agree with me that . . . the operations of such a Committee would be imperfect' till the other legislation is carried through.[4] This was a reasonable, if somewhat convenient answer, but was belied by the actual course of events.

[1] Treasury Minute, 15.2.1858, on the Report of the Select Committee on Public Monies, H.C. 94 of 1857–8, paras. 26 and 30.

[2] H.C. 387 of 1902, Evidence, Q. 2508.

[3] H.C. Debates, 20.4.1858, col. 1353.

[4] H.C. Debates, 14.2.1859, cols. 341–2.

Thus, when in June 1859 Gladstone followed Disraeli as Chancellor of the Exchequer, nothing of importance had been done to implement the recommendations of the Public Monies Committee, despite Treasury approval. The next seven years is the record of Gladstonian finance, of great budgets and fiscal reform. Redlich wrote 'it was only when the great financial strength of Mr. Gladstone, supported by his political associates . . . was brought to bear on the subject that measures of thorough reform were taken'.[1] Morley stressed his hatred of waste and his desire for strict accounting and accountability.[2] Sir Spencer Walpole pointed out that he 'proved the extent of his knowledge and the sincerity of his convictions by giving the House of Commons, for the first time in its history, machinery for exercising an effective control over the right appropriation of public moneys'.[3] The setting up of the Select Committee of Public Accounts was one of the first of his financial measures. In 1859 he at once indicated support for such a committee.[4] In February 1861, the continual goading of Baring and his associates from both sides of the House, now joined by Sir Stafford Northcote, elicited the statement that, although a committee could not do an effective job until the proposed legislation on audit and accounting procedure was passed, he felt, unlike Disraeli, that there was no reason why it should not be appointed. It would have, he wisely added, the advantage of becoming familiar with the accounts in this apprenticeship stage.[5] In April 1861, he moved for a committee of nine and the motion was carried. The members were nominated on 19 April and it was apparent that the Government had chosen a very strong group of experienced parliamentarians and financial experts. On 31 March 1862, Gladstone moved for a select committee 'who shall be nominated at the commencement of every session' and on 3 April he moved that the resolution of 31 March should be a Standing Order of the House.[6] The Committee was now a permanent piece of the Commons' financial machinery.

[1] J. Redlich, *The Procedure of the House of Commons*, vol. iii, p. 167.
[2] See *Life of Gladstone*, Book V.
[3] *The History of Twenty-five Years*, vol. i, p. 389.
[4] See H.C. Debates, 21.7.1859, col. 156.
[5] H.C. Debates, 21.2.1861, col. 711.
[6] See H.C. Debates, 3.4.1862, col. 528. The Standing Order is now No. 90.

Thus, it was Gladstone who was immediately responsible for bringing the Committee into existence.[1] But its eventual appearance in 1861 was not due to his efforts alone. First, and generally, it was the work of the busy and able parliamentarians who had been interested in financial problems since the eighteen-twenties; second, and most important, it undoubtedly owed its birth to the Public Monies Committee which, inspired by Baring, realized that 'without such a tribunal, the machinery of control through audited accounts was absolutely ineffective'. It (the Accounts Committee) 'is the key to the success of the system'.[2] The Committee's report had had an important effect on the opinion of the House. It had, in fact, done what a select committee should do. It had worked out an answer to a given problem, had given that problem and the answer publicity, and had educated the legislature and the Government. It had also found support for its proposals in the Treasury, as the Minute of 18 February 1858 showed. This support was to be expected for, as the evidence to the Public Monies Committee shows, the very capable permanent Treasury chiefs had given the matter much thought and had come to the same conclusions as eventually had the Committee. The Public Accounts Committee looked like strengthening the Treasury's already strong hand.

III

So far, the emergence of the Accounts Committee has been traced as the evolution of a piece of machinery, and that is what it primarily was and is. But members of the House of Commons were less interested in machinery than in achieving their political ends. They gave the Committee what, at bottom, it had to have—their vote and support—and they did so because it appeared to them to fit in with their ideal of financial control. Stated generally, and it is only possible to be general, the normal view was based on constitutional analogies and hatred of spending. Prodigal departments had to be watched distrustfully and governments were likely to be led into demanding too much. Control ought to be directed to watching, criticizing, and, above

[1] For further evidence of Gladstone's interest and influence see below, pp. 36–8.

[2] Lord Welby, H.C. 387 of 1902, Evidence, App. 13, p. 230.

all, keeping down expenditure. This attitude arose out of Benthamite individualism and *laissez-faire* liberalism and was 'the utilitarianism not of the study but of the House of Commons, or of the Stock Exchange'.[1] It was a feature of both parties.

By nature, the mid-Victorians disliked government spending. Mr. K. B. Smellie writes: 'The struggle of Peel to prune away the vested inefficiencies of eighteenth-century departments had passed into the Gladstonian tradition that to take care of the pence was policy enough',[2] and the principle of this tradition was, he adds, that 'the cost of any particular service should be the decisive factor in deciding upon its desirability'.[3] The tradition has, of course, always been connected with Gladstone though, following in the footsteps of Peel, he only inherited it. Writing to Palmerston he said: 'I think it will be a healthful day, both for the country and for the party over which you so ably preside, when the word retrenchment . . . shall again take its place among their battle cries',[4] and he lamented that it was more difficult to save a shilling than to spend a million. His was not a lone voice crying in the wilderness by any means, but rather the epitome of Victorian parsimony. When, in 1860, the Government and Parliament were, for once, willing to be drawn aside from the path of retrenchment by Palmerston's cries of national danger, Gladstone stood firm and risked unpopularity and his position, as Morley so graphically relates. The result was that by 1866 he reduced expenditure to the 1857 level and gained thereby the universal admiration of his like-minded fellow men. This was the critical, even suspicious, approach to spending which led to a constant demand for expenditure committees and for stronger financial machinery. Both were intended to ensure that the government should spend as little as possible.

Moreover, such an attitude focused attention upon ensuring that, when grants were made, the departments spent them exactly as intended. It suspected and, therefore, looked for *irregularity*. It had an *a priori* suspicion of the administration, which was increased by the fact that very little information was avail-

[1] A. V. Dicey, *Lectures on the Relation between Law and Public Opinion in England during the 19th century* (1905), p. 169.

[2] K. B. Smellie, *A Hundred Years of English Government*, p. 260.

[3] Ibid., p. 246.

[4] Quoted in J. Morley, *Life of Gladstone* (1905), vol. i, p. 683.

able, even yet, on how the nation's money was spent. Appropriation accounts were still not rendered by all departments and when they were, after 1870, experience was soon to show how little even an account could reveal. Hence, when the Public Monies Committee had done its work, support for the idea of an accounts committee was widespread, and it was increased by a perhaps overrated idea of the powers and scope of such a committee.

Although he approached the problem from a different angle, the average member had thus come to see eye to eye with the financial and administrative experts who had advanced from more primitive conceptions of control, thinking mainly in terms of machinery. It is, of course, true that the experts did not consider the problem with unprejudiced minds. On the contrary, they shared the feelings and convictions of their fellow men about spending. But, nevertheless, they approached it rather as financial and constitutional experts than as politicians, and the system they designed was intended primarily to deal with the facts and the law. The facts, recorded in the accounts, were clear; the law, embodied in the Appropriation Acts and in Treasury regulations, was also clear. It remained for the Accounts Committee to give a decision. Thus the experts combined the predilections of the age with the knowledge that came of investigation and study, and their conclusions were not only welcome, but incontestable.

Finally, the proposal for a committee of this sort derived support for another reason. Eager as they were for a policy of low spending, Gladstone and the Treasury could approve of such a committee for the very reason that it was precluded from commenting on policy. Gladstone clearly conceived its functions as limited to checking the accuracy and regularity of the accounts. Personally, he combined a dislike of spending with a passion for economy over details which amounted to parsimony, and for regularity which amounted to 'red tape'. Morley stressed the way in which he stamped his ideas on the public service—thrift, resistance to waste, rigid exactitude. He hoped the Committee would do good work in enforcing strict standards and, with the Treasury, he saw it as a potential supporter of Treasury control, control by regulation, the rule of rule.

IV

Although the Public Accounts Committee was now established, and although it seemed a strong committee, its future was by no means secure or certain. The Select Committee on Miscellaneous Civil Service Expenditure, set up in 1860, and intended by its advocates to be annual, was quietly allowed to lapse. This fate was not likely to befall the Accounts Committee, but its position was not assured. Its initial success depended upon three factors. They were Gladstone's support and his conception of its place, the attitude of the Treasury, and, above all, the nature and value of the work the Committee itself chose to do.

It can be seen from Gladstone's own pronouncements on the subject how he gradually came to realize its importance. Experience served to confirm and to reinforce his original opinion. In July 1859, in his first month of office in the Treasury, he had said that he thought such a committee was 'almost necessary to complete the discharge of the functions of the House of Commons with respect to the expenditure of public money'.[1] By 1865, when the Committee had shown its worth, he could say it 'was an institution well founded he thought on the principles of parliamentary government', and he thought it should be 'made as efficient as possible and armed with every power which could tend to complete that efficiency'.[2] In 1866, he said that 'the last portion of the circle remained incomplete until the Committee of Public Accounts had done its duty'.[3] Finally, the experience of twelve years brought from him, in 1873, a tribute to its 'judicial conduct and language' and to its 'constitution and efficiency' which 'are of the greatest consequence to the welfare of the state'.[4]

He also held firm and sound views on the composition of the Committee. He maintained from the beginning that it should be nominated by the government. He justified his departure from the recommendations of the Public Monies Committee (that the Speaker should nominate) by asserting that the names

[1] H.C. Debates, 21.7.1859, col. 156.
[2] H.C. Debates, 20.2.1865, col. 456.
[3] H.C. Debates, 1.3.1866, col. 1373.
[4] H.C. Debates, 29.7.1873, col. 1227.

were chosen 'to give satisfaction to both sides of the House, and fairly to represent all parties, while bringing as much talent, knowledge, and experience as possible to discharge these important functions'.[1] The stress was on talent, knowledge, and experience. Inevitably, the Committee included Sir Francis Baring, also Sir Stafford Northcote and one of the Joint Secretaries to the Treasury, Sir Frederick Peel. Sir James Graham was a member, though he was old and dying, and the great Cobden was included. Sir Henry Willoughby, George Carr Glyn (later Baron Wolverton), Edward Howes, and Sir Baldwin Leighton were the other members. Gladstone also favoured the most valuable principle of continuity of membership, which enabled members to become acquainted with the accounts and the technique of their work. Nine, he decided, was the right number and he rejected all suggestions to make it bigger. It remained at this figure until 1870.[2]

With this conception of the Committee's functions and value, Gladstone consistently encouraged it. In March 1862, when it had been in existence for only a year, he rejected Lord Montagu's plea for a committee to revise the estimates and accounts, on the grounds that the Public Monies Committee had done the work already and that it was in the Public Accounts Committee 'and in its investigations that the House will have the best security for the due, speedy, and effectual examining and rendering of the Public Accounts'.[3] He envisaged the Committee as the government's guide and the Treasury's support in matters of financial procedure. In 1863 an incident occurred which, perhaps more than any other, illustrated his views of its value and importance. The Committee's third report of 1862 had commented adversely on an obscure transaction in the naval accounts. Gladstone wrote to the chairman, Sir Francis Baring, pointing out the doubts that this critical comment would arouse in the Commons and in the country and he was obviously much concerned. At the same time he wrote 'both individually and as a Minister, I take a cordial interest in the success of the

[1] H.C. Debates, 19.4.1861, col. 773.

[2] In 1870 the Committee was increased to eleven and in 1893 to fifteen members.

[3] H.C. Debates, 11.3.1862, col. 1351.

endeavour . . . to give completeness to our system of Parliamentary control over the public monies'.[1] It was imperative, he continued, that financial officers should have the support of the Committee if they were in the right and, in this case, he thought they were. He asked if he might attend the Committee to explain the transaction. In his evidence he said, 'I need not say that I consider it a particular portion of my duty to attend to whatever proceeds from this Committee'.[2] There is no reason to believe that this was not the case. The Committee itself grew in the way he conceived it, a body of experienced experts rather than party men, diligently examining the accounts and calling for explanations from the senior officers in the departments scrutinizing the financial machinery of government and striving constantly for strict appropriation and a coherent system easily controlled and checked.

Of the Treasury's attitude little can be said. To be a success the Committee had clearly to work with the Treasury. Its recommendations were dependent upon Treasury action if they were to be implemented, except, of course, in the case of recommendations with which the House itself might choose to deal. In one sense, Treasury co-operation was assured because its chief, the Chancellor of the Exchequer, was well disposed towards the Committee. On the other hand, the successors of Gladstone might not always have his influence on the Treasury when, indeed, the situation might be reversed. But it would seem that, in any case, the Treasury as a department was enthusiastic. For had it not itself suggested a committee both in 1845–6 and in 1857–8? True, it had planned for a first look and a check on the Committee's report, but it was equally true that William Anderson, the Finance Clerk to the Treasury, was a firm supporter of the Baring Committee report. This is shown in his evidence, session after session, in the first years of the Accounts Committee's life. Moreover, its aims appeared to coincide with those of the Treasury. As a central ministry of finance, the Treasury had many statutory functions in financial and accounting matters and it had also built up for itself a strong controlling position *vis-à-vis* the spending departments. Both Treasury and Committee functioned, in fact, as checks on their

[1] P.A.C. 2 R. 1863, Evidence, App. I. [2] Ibid., Q. 1.

actions, and departments found themselves all too often facing the Committee with the Audit Board (from 1866, the Comptroller and Auditor General) as prosecution and the Treasury as chief witness. As time went on, both the Comptroller and Auditor General and also the Treasury were literally sitting on the other side of the table from the departments.[1] Finally, the information elicited by the new system of audit and parliamentary scrutiny was of the greatest help to the Treasury. Hitherto it had acted as a 'capricious despot'.[2] Information was meagre and reluctantly given by departments. Now, and especially after the Exchequer and Audit Departments Act, it became an 'enlightened tyrant'.[2]

For these reasons, Treasury support was forthcoming from the very beginning. Sir Frederick Peel, a Joint Secretary to the Treasury, told the House that two of the most important recommendations of the Committee's first year's reports had been carried out by statute in the course of a session and others had been implemented.[3] In its first report of 1862, the Committee itself noted what had been done to carry out its proposals and concluded 'much has been done and much is in progress'. In a short time a Committee recommendation came to be regarded as binding and the Treasury considered itself obliged to implement it or to present a reasoned statement against it. In return, the Public Accounts Committee became the strongest supporter of Treasury control.

With Gladstone's encouragement and Treasury support and co-operation the Committee was in a strong position, but, in the final analysis, its future would depend largely upon itself. By its work and development it gained their further support and, more than that, established itself as a respected, useful, and permanent body. This work and development is the subject of the next chapter, but its success and the main reasons therefor can be briefly noted here. They were two. First, it established sound practices and procedure which soon became traditional and which are still a feature today. For example, to obtain its information it adopted the practice of calling in the

[1] See Appendix 6 below.
[2] K. B. Smellie, *A Hundred Years of English Government*, p. 258.
[3] H.C. Debates, 11.3.1862, col. 1333.

principal financial officers of the departments to submit them to careful questioning and it, more than any body, built up the position, status, and responsibility of the 'Accounting Officer'. Its reports were sound and valuable documents and, as early as 1862, it proved its worth in investigating not merely routine details but special matters of financial principle.[1] Further, as Gladstone pointed out in 1873, its language was restrained but firm, its manner judicial though not censorious. It also adopted the useful habit of noting what action had been taken on its earlier reports[2] and soon the Treasury began to write minutes on each. Thus the Committee went a long way towards ensuring that notice was taken of its recommendations. This was the more necessary since the House itself, as Lord Robert Montagu said, was and is 'the deaf adder' which 'stoppeth her ears, charm the Committees never so wisely'.[3]

Its success was due, second, to the fact that the work it chose to do was both necessary and within its scope. When it was set up, it took its lead from Sir Francis Baring and the ideas implicit in the Public Monies Committee reports. Its terms of reference were vague. It was directed to examine the accounts, and this could be interpreted variously. From the first the Committee carefully avoided questions involving policy, so justifying its nomination on grounds of financial skill and experience. Its work was done in a judicial atmosphere far removed from political affinities. It worked in the manner of a court on the facts as related in the accounts and on the law as laid down by Parliament and the Treasury. While this was undoubtedly a cause of its success it was also unfortunate, for the Committee tended, as we shall see, like Gladstone, like the Treasury, and like M.P.s generally, to stress regularity as opposed to true economy—the maximum result at the minimum cost. It concentrated on the crime of unauthorized spending rather than the crime of unwise spending. But it was, after all, conceived in the spirit of the time by men who, on the one hand, saw the elementary need for a parliamentary check on accounts to ensure

[1] See, for example, P.A.C. 2 R. 1862, which is concerned with the practice of virement.

[2] See, for example, P.A.C. 1 R. 1862 and 1 R. 1863.

[3] H.C. Debates, 11.3.1862, col. 1326.

honesty and obedience and, on the other hand, tended to divorce unnaturally method from expenditure. As a result, the Committee's work helped to obscure the fact that, though 'the circle of control' was complete it was still only loose and widely drawn, and that between regularity and decisions of high policy there still remained scope for tightening it. The realization that this was the case was not slow to come, however, as the next chapters illustrate.

By 1866 the Committee was well enough established and esteemed to have the Exchequer and Audit Departments Bill referred to it. The Bill which was to have created suitable conditions and a clearly defined task for the Committee and which Disraeli[1] and others said must precede its evolution, was itself examined by that body. By then it had become a permanent part of the financial machinery of the House of Commons.

[1] See, for example, H.C. Debates, 14.2.1859, col. 342.

PART II

THE HISTORY OF CONTROL

CHAPTER III

THE HISTORY OF CONTROL FROM 1861 TO 1888

I

THE story of financial committees from 1861 can be told in four sections. Through them all runs the Public Accounts Committee, which has developed, reached well-defined limits, and lasted unbroken until this day. Beside it other committees appear as temporary experiments. The first period, from 1861 to 1888, is concerned solely with the Accounts Committee, for no other existed. The second period, from 1888 to 1921, saw the short-lived and unsuccessful Estimates Committee (1912–14) and, during and after the First World War, the useful and interesting National Expenditure Committee (1917–20). The third period, from 1921 to 1939, coincides with the existence of the second Estimates Committee, longer lived but accounted hardly more successful than its predecessor. The final period, from 1939, is without doubt the most interesting and probably the most productive. The National Expenditure Committee of 1939–45, with its new techniques and immense capacity for work, opened up fresh possibilities and taught valuable lessons which the present Estimates Committee, the latest of the experiments in this form, seems to have applied to good effect.

This chapter is concerned with the development and consolidation of the Public Accounts Committee in what may be termed its formative years. It is a story in which much detail is included, and necessarily so, for it was with the minutiae of administrative detail that the Committee mainly dealt and it was precisely in the control of detail that the main significance lay. As part of a system devised to control the everyday work of an active and thriving government it developed empirically until, by 1888, it had evolved a smoothly running procedure and was extending its control in new directions. But by 1888, after the comparative stability of the mid-Victorian period, new needs

were beginning to become apparent as new views on spending and control developed and as expenditure began to rise. The year 1888, though an arbitrary date, is the threshold of a new era.

The early work of the Public Accounts Committee could only be incomplete, because it had not yet a full set of appropriation accounts on which to base its investigations. These only became available after the Exchequer and Audit Departments Act was passed in 1866. But despite this limitation it began its work. As the child of the Public Monies Committee it naturally urged that the proposals of that Committee should be carried out, and its first reports contained demands for the early presentation of all appropriation accounts, for an independent Audit Board, and for a full and complete recognition of the principle of 'annuality'. The members expressed 'their hope that another year may not pass without . . . remedy to a system which The House have declared "insufficient, unsatisfactory, and requiring early amendment." '[1]

In 1869 appropriation accounts were presented and audited under the Exchequer and Audit Departments Act for the first time. In 1870 the first complete set of accounts, those for the years 1868-9, were presented and examined, and it was then that the Committee could begin to do its full job.[2]

Theoretically the system was now complete. It consisted of the Comptroller and Auditor General, who audited and scrutinized the accounts, of the Public Accounts Committee, which made further inquiries from departmental officials on doubtful points raised by the Auditor General, reported, and commented, and of the Treasury, which wrote minutes on the reports. But in practice the Committee was as yet far from well equipped. Before any form of useful control could be operative the accounts had to be put into intelligible order and relevant information, both from the accounts themselves and from other sources, had to be organized. Until this was done the Committee could not control, for it would be ignorant of the facts. The machinery could not work without the raw materials. Hence, in the early

[1] P.A.C. 5 R. 1861, p. iv.

[2] 'The year 1868–69 being the first year in which the requirements of "The Exchequer and Audit Departments Act 1866" have . . . been entirely complied with, may be considered as marking the commencement of a new era in our financial history.' (P.A.C. 1 R. 1870. 2.)

years, it was to be expected that 'there was a great deal of work to be done . . . in the way of getting the accounts into good condition: there was a great deal to be learnt by the Departments.'[1]

In this work the Accounts Committee played a leading part. It conceived its first task in this early period to be that of securing the delivery of the appropriation accounts in the right and complete form and on time. The accounts are intended to be, said one report, 'complete and conclusive records of the transactions of each financial year'.[2] If this seems elementary and axiomatic, it should be remembered that it was less than forty years since the first appropriation accounts were presented and that some departments were now submitting them for the first time. And although it was the Treasury on which the Act had laid the responsibility, it fell to the Public Accounts Committee to do a great deal of the work of coercing the departments and of approving the details. It was chiefly a job of laying down the principles and rules of keeping accounts, of insisting on accuracy and strict regularity, on uniformity and completeness. Also, in a system which sacrificed the fullest statement of financial position to speed of presentation, early rendering of accounts was insisted upon. The Act laid down last dates by which accounts must be rendered[3] and the Committee never let any deviation creep in.

Its second task concerned the form of the accounts, which was of the greatest importance to an Accounts Committee. The form was based on the principle, also laid down in the Act,[3] that the department which carried out a service or work was responsible for the finance thereof and must account for it. Sums had to be charged to votes strictly according to this principle and, further, they had to be charged to the right sub-head within a vote on a 'subjective' basis.[4] In the first years especially this involved a good deal of classification of expenditure and of reshuffling of items in votes and sub-heads, particularly as the Committee carried the principle to far limits. Much work of this

[1] H.C. 387 of 1902, Evidence, Q. 907. [2] P.A.C. 2 R. 1893. 51.

[3] Section 22 and Schedule A.

[4] The 'subjective' basis of accounting classifies expenditure under primary account headings, e.g. salaries. It may be contrasted with the 'objective' basis which classifies expenditure according to its object or purpose, e.g. manufacture of coinage. See Cmd. 7969 (1950), paras. 112–16.

sort was necessary in the big defence departments which performed a wide variety of services. Of the items in the reports referring to the Navy Accounts between 1869 and 1888, two-thirds of those to do with accounts and accounting involved these questions of classification of charges.[1] Much importance was also naturally attributed to the form of the estimates, for their form governed the public accounts. For this reason the Committee's right to have a voice in questions concerning the form of the estimates was soon recognized. Proposed changes were submitted to it by the Treasury in 1867 and 1881 and precedents were thus established. And although the Exchequer and Audit Departments Act made it clear that it was the Treasury which was responsible for the form of the estimates, the Committee has always claimed the right to examine all important proposals for change, a claim specifically recognized by the Treasury in 1889 after Committee and parliamentary protests and one which has been maintained ever since.[2]

Perhaps the main achievement of this period was the success which attended the Committee's battle for the information without which control was useless and even impossible. For the first time departments were being forced to explain their actions, and not only was the shock severe but no one knew exactly how far a department ought to go or should be pressed. The practice of responsible government involved finding the exact balance and, in the face of departmental reticence but with strong Treasury support, the Committee made responsibility real.

First, it was interested to ensure that the accounts contained the fullest information. This is the major purpose of accounts. They tell where money has gone and, to some degree, give the results of expenditure. Yet accounts, however clear and ordered, are primarily financial statements; they tell nothing but the truth but not the whole truth. Unless full information going beyond figures is available, intelligent criticism cannot even begin and control will inevitably be haphazard. Hence the complement of

[1] See, for example, P.A.C. 2 R. 1881. 78, where the question was how best to show the naval base of Ascension Island in the accounts. It was decided to treat it as a ship.

[2] See Treasury Minute, 12.1.1889, quoted in *Epitome of the Reports from the Committees of Public Accounts*, H.C. 154 of 1937–8, pp. 212–13. See also H.C. Debates, 28.2.1890, cols. 1519 and 1531.

ordered accounts is full explanation of the figures where that may be necessary. Together with their insistence, as a matter of order, on sums being charged to the appropriate heads, members pressed that sub-heads be clear and precise and that charges be explained. Vague, new heads were not permitted to creep in.[1] The use of explanatory notes and appendixes was encouraged and they are now a feature of the published estimates and accounts.[2] They serve two purposes: they give needed information and they keep the accounts free of bewildering material, uncertified figures, and explanations which would render nugatory the work of making clear and ordered accounts. Such information was particularly required where accounts did not correspond with estimates, where 'extra remuneration' was paid to civil servants, where unusual payments were made, where losses, ledger balances, &c. needed clarification, where, in fact, anything was not obvious in the figures.

In its quest for expert information the Accounts Committee adopted from its first meeting the practice of examining the chief financial officers of the departments, who were later called Accounting Officers. It became the Committee's habit to question them about that part of the Comptroller and Auditor General's reports with which they were concerned. This developed into a yearly examination, an annual ordeal for which Accounting Officers prepared themselves beforehand. It was an investigation into points which the Comptroller and Auditor General, the Treasury, and the departments could not themselves settle and felt it necessary to put up to the Committee. The Accounting Officer and the Auditor General were interrogated and, if necessary, requested to hand in explanatory memoranda. These memoranda, together with the oral evidence, formed the basis on which judgements and recommendations were made.

The chief source of the Committee's information has, however, always been the Comptroller and Auditor General.[3] His

[1] See, for example, P.A.C. 2 R. 1878. 13.

[2] See A. J. V. Durell, *The Principles and Practice of the System of Control over Parliamentary Grants*, p. 435. Colonel Durell was Assistant Accountant General at the War Office.

[3] For a full description of his position and powers, see Chapter VII below.

reports, which the Committee has referred to it by the House, form the starting-point of its inquiries and, in practice, the Committee's investigations have been for the most part limited to the points he raises. He is its chief witness and adviser. Members have, therefore, always been interested in having these reports as full as possible and never more so than in the early formative years. They saw clearly that control presupposed information and held it to be within the scope of their functions both to encourage him to bring up doubtful points, that is, to support a wider audit, and also to defend him and take his part as the servant of Parliament against the departments. Their encouragement was one of the most marked features of this period.

The Auditor General's main functions are defined by statute. His audit is an accountancy audit, an appropriation audit, and an audit of authority, but within the terms of the statute there is wide scope for interpretation and the Committee urged as broad a reading as possible in this all-important initial period, when there were differences of opinion on the meaning of the new Act. These differences arose from the teething troubles of the new system, from the Treasury's early resentment at the new Audit Department's high view of its functions[1] and, perhaps, because of personal differences between Sir William Dunbar, the Comptroller and Auditor General, and the Treasury.[2] The support of the Committee was invaluable in the Auditor General's dealings with the departments. The fact that his limits in practice defined its own led it on to encourage him to report on losses, waste, and extravagance, an extension of his functions not contemplated in the Act. This extension enabled members to widen their own scope and the significant development in this field will be traced and assessed below. The result has been that, though the Auditor General is an officer with duties defined by Parliament, Sir Charles Ryan, who held the post in 1887, was able to say that 'the extent to which his work goes has been really defined by the various decisions of the

[1] See H.C. 387 of 1902, Evidence, Q. 2519.

[2] See, for example, P.A.C. Reports for 1870, Evidence, Qs. 1479 ff. See also P.A.C. Reports for 1873, Evidence, Q. 2120, where the Chancellor of the Exchequer refers to the need for 'some little better understanding between us'.

Public Accounts Committee'.[1] Mr. D. C. Richmond, who held the same post in 1902, confirmed this when he said 'I naturally take my guidance from the Committee of the House of Commons, which I appear before'.[2]

The corollary of this encouragement was that the Accounts Committee tended to champion the Auditor General and to support him regularly and persistently. This was seen especially in the early years against the Treasury and, throughout the period, against departments. The support took two main forms: outspoken approval of his work—'Your Committee avail themselves of this opportunity again to record their sense of the good service the Comptroller and Auditor General has rendered to the public by directing attention to this subject',[3] and strong support for his demands for information from reluctant departments—'Your Committee consider that . . . officers of Departments should be at all times ready to afford information to the Comptroller and Auditor General'.[4] Members took the view that information withheld had to be given in evidence to the Committee anyway, and that time was wasted by refusal to inform the Auditor General. By 1888 it was recognized that if he said documents and information were necessary to his audit, then they should normally be produced, a view strongly advanced by the Treasury in the Minute of 24 November 1881, when it said 'the Comptroller and Auditor General is alone competent to say what information is necessary for the discharge of his statutory functions'.[5]

The importance of this encouragement and support in the development of the position of the Comptroller and Auditor General and, hence, in the growth of parliamentary control, cannot be overstressed. It has been pointed out that there were doubts as to the position of the Audit Department in the system. But further than that, there was even some doubt as to whether the Auditor General and his department should be independent of the executive or whether, if they were, they could function efficiently. Some did not see the Auditor General as a great and

[1] H.C. 120 of 1888, Evidence, Q. 1143.
[2] H.C. 387 of 1902, Evidence, Q. 778.
[3] P.A.C. 2 R. 1876. 23.
[4] P.A.C. 1 R. 1875. 39.
[5] Quoted in *Epitome of the Reports from the Committees of Public Accounts*, H.C. 154 of 1937–8, p. 108.

independent parliamentary officer. Edward Romilly, the chairman of the old Audit Board, wrote:

> Is it in human nature or consistent with political experience that a government should not exert itself to prevent any questionable transaction . . . from being submitted to the criticism of the House of Commons? No Auditor General can suppose that a very strict and rigid performance of his duties is calculated to raise him in the favour of his powerful superiors.[1]

Edward Romilly was an able and experienced man, and though his conception of the position of Parliament's auditor is inaccurate, it cannot be ignored as foolish. It was mainly due to the Public Accounts Committee's conception of his function as 'the acting hand of the Committee' that he became a great parliamentary officer.[2]

Another way of acquiring information and of widening control was to extend the audit to accounts hitherto not included and to direct that new accounts, appropriation accounts and others, be made up and submitted. The terms of reference of the Committee limited it to 'the examination of the accounts showing the appropriation of the sums granted by parliament to meet the public expenditure', but it has always conceived its duties to extend beyond the normal appropriation accounts.[3] It was aided and abetted by the House of Commons which could, and did, refer to it various accounts from time to time. Some were referred by resolution of the House as, for example, the Home Accounts of the Government of India in 1868. Others were added as the result of legislation as, for instance, the Accounts of the Commissioners for Church Temporalities in Ireland, which were referred to the Auditor General and to which the House drew the Committee's attention in 1874. Yet others were added by departmental arrangement. For example, the Treasury added the accounts of the colonies receiving grants in aid.[4] Finally, some were added at the Committee's own

[1] *Correspondence upon the Subject of the Exchequer and Audit Departments Act, 1866*, H.C. 97 of 1867, p. 26.

[2] See the evidence of Sir Charles Ryan in the *First Report from the Select Committee on Army Estimates*, H.C. 120 of 1888, Evidence, Q. 1253.

[3] This extension of its terms of reference was long recognized but not regularized by amending the Standing Order until 1934.

[4] See *Epitome*, H.C. 154 of 1937–8, p. 80.

express request as, for example, the Numbers Vote in the Army (Vote A).[1] These were almost all appropriation accounts and the extension was one of numbers.

Not only were additions made to the number of appropriation accounts to be examined but the method of examining them was developed in a significant manner. The emergence of the 'test' audit brought with it the idea of a check, not so much on every detail as on the efficacy of departmental regulations. This type of audit had been foreshadowed in section 29 of the Exchequer and Audit Departments Act, where the decision was placed with the Treasury. A test examination by the Comptroller and Auditor General of the Customs and Inland Revenue receipts was instituted, but the main problem, as the Accounts Committee saw it, was in regard to the voluminous accounts of the Army and Navy.[2] Since 1866 these accounts had been less minutely checked for Parliament than the accounts of the civil departments. As early as 1868 the Committee reported that the time had 'arrived when the propriety of extending the audit of Naval and Military Accounts . . . should be considered by the Treasury and by Parliament'.[3] It was pressed in report after report and the Treasury acceded to the pressure in 1876 when in a long and reasoned Minute, it requested the Comptroller and Auditor General to conduct a 'test' audit of the Army accounts.[4] This modified examination was to prove of great value to the Committee for, thorough as it wished to be, it saw little possibility of, and no need for, a full detailed audit and, as accounts became more voluminous, only the reliance on such test audits enabled the Audit Department to cope with its job. Moreover, test audits with their inevitable stress on departmental methods drew attention to more profitable lines of inquiry than did the checking of routine details.

Going farther in its quest for the information without which

[1] P.A.C. 2 R. 1878–9. 71.

[2] These were the accounts in Schedule B of the 1866 Act for which the Auditor General could accept, as to their veracity, the certificate of the respective Accountants General. By veracity is meant the checking of vouchers, authority, and accuracy of computation.

[3] P.A.C. R. 1867–8. 4.

[4] Treasury Minute, 20.3.1876, quoted in *Epitome*, H.C. 154 of 1937–8, pp. 56 ff.

it could not control, the Committee considered it within its scope not only to examine accounts but to consider the wider question of principle, that of the advisability of extending parliamentary audit. The additions and modifications outlined above were truly in the spirit of the 1866 Act and the Committee's belief in the appropriation accounts was unbounded. But its information was not to be limited to such accounts. These show only that a sum was spent. Details must be gleaned from elsewhere. The departments themselves do not work on appropriation accounts; they keep many other records, like stores, expense, and manufacturing accounts, which show the existence of stores and the use made of labour, material, &c. To these the Public Accounts Committee turned. Stores represented wealth as much as money and, more important from the Committee's point of view, they represented expenditure which, once made, was unchecked and could be manipulated to help a department balance its budget. Also, stores accounts could provide much needed information to implement the bare appropriation accounts. To a Committee determined to leave no loophole for irresponsible financial transactions and manipulations, stores cried out for audit. But stores audit presented big problems. Colonel Durell thought that this was 'one of the most difficult achievements of financial reform to secure',[1] for the presentation of stores accounts in a form which would make them useful brought big initial complications. It meant that a whole new set of accounts must be regularly made up and presented. There were also physical difficulties. Stores were not easy to check. They were embarrassingly material in form, were not mere figures on paper, and the Audit Department obviously could not check all stores everywhere.

The question of stores audit applied especially to the defence departments, which carried large stocks and reserves and were reluctant to submit to an audit. It was raised in 1878 by the Auditor General and in 1879 the Committee stressed its importance, but felt the time was not yet ripe. The matter recurred in 1880 and 1882, and as it appeared more and more certain that order had been achieved in the appropriation accounts, the Committee pressed this proposal and examined and commented

[1] Durell, op. cit., p. 345.

on each new development. Finally, in 1886 the Treasury issued a minute on the subject.[1] It pointed out the prohibitive cost of a full stores audit and denied the need, views in which the Treasury Officers of Account[2] and the Auditor General concurred. It therefore directed the latter to ascertain and report only whether existing regulations were sound and efficient and whether these regulations were actually enforced. This stores test-type audit was to apply to the Army, Navy, Post Office Telegraph Department, and H.M. Prisons.

An even more significant extension was that to the expense and manufacturing accounts, for whereas stores are wealth in kind, these accounts are, rather, financial records of everyday action. Their chief use is in the information they give of costs of production, construction, and work generally; and they opened up a whole new field for criticism, and criticism of a different sort, of method and technique. Once again departments were reluctant to divulge new information which might lead to their having to submit to new controls. The questions involved were threshed out by the departments and the Committee in the eighteen-eighties. In 1888 and 1889 the Auditor General subjected the Navy expense accounts to a test audit and in the latter year the Army and Navy Audit Act[3] assigned to him permanently the duty of auditing these as well as the Army manufacturing accounts, the accounts of the ordnance factories, and the Army manufacturing establishments. This important extension of the 1866 Act was to produce results which were far-reaching, for it enabled parliamentary investigators to examine departmental conduct in detail.

II

So far, only the Committee's work in organizing information has been sketched. The work described above was of primary

[1] Treasury Minute, 15.11.1886, quoted in *Epitome*, H.C. 154 of 1937–8, pp. 187–90.

[2] The Treasury Officers of Account were officials who task it was to assist, advise, and check the officers who rendered the accounts upon technical points of book-keeping, &c. They also verified cash balances. See Treasury Minute, 14.8.1872, quoted in *Epitome*, pp. 29–30.

[3] 52 and 53 Vict. c. 31.

importance in that it ensured that the Committee had adequate information on which to base its comment. Without the presentation and scrutiny of these regular and ordered accounts and without the fullest information about them it could not begin to enforce the canons of financial control which were deemed so necessary and which were, indeed, the cause of its genesis and the guiding principle of the Exchequer and Audit Departments Act. Thus provided, it could do its work.

What that work was to be was clear. The focus had been directed by the experts of the fifties and sixties to 'the formal regularity of expenditure in accordance with estimate and appropriation'.[1] The machinery was accounting machinery and the operator was an auditor. He was, however, an auditor with a difference. His audit and, hence, the Committee's scrutiny was directed to checking not only *accountancy*, that is, fraud, technical and computative errors, or errors in accounting principle; but also *appropriation*, the strictness of which was considered the measure of parliamentary control; and also *authority*, which the Committee in 1877 regarded as 'the essential part of the new system'.[2] Finally, the representatives of the sovereign legislature wanted in financial affairs what they already had in general administration, clear *responsibility*.

On these four things the Committee concentrated—accountancy, appropriation, authority, and responsibility.

Its efforts to achieve and keep ordered accounts have already been traced. But not only were ordered accounts a means to control, they were an end in themselves. Members fostered and insisted upon regularity of the strictest sort and their work embraced all aspects, even the most technical, of accounting, as well as questions of principle and new suggestions. Their technical knowledge was great, their authority was unquestioned, their tone sure. The chairman told a departmental officer in 1870, 'we expect that these accounts will be rendered in a very much better form another year; I suppose your accountant will have learned his duty by that time, because I think, if the same

[1] E. H. Davenport, *Parliament and the Taxpayer*, p. 107.

[2] P.A.C. R. 1877. 99. By an audit directed towards checking 'authority' is meant a check to ensure that only those departments and men who are authorized to spend funds do so and that no one acts *ultra vires*.

remarks are made in the Report of the Comptroller and Audit General another year, the Committee will find it their duty make a very severe Report to the House of Commons'.[1] Th result of this work can be seen generally in the Civil Service this day. The traditions that were then growing up we strengthened by control of this nature and they hardened in th period. They were traditions of scrupulous honesty and metic lous accuracy, of formality and regularity. The measure success that was achieved can be seen in the ordered accoun of the eighteen-eighties. Reports became long and detailed the Committee, its position assured and its first principles la down and respected, laboured in a welter of detail to obta perfect accounts and began to widen its scope to new accoun and new objectives. Its success is recorded in the Treasu Minutes. A Minute of 1876 recorded their Lordships' view th 'even many of those who have studied such matters are hard aware of the revolution in the public accounts . . . every irregu larity, which in former days would have been judged and buri within the walls of a Department, is examined and reporte on.'[2] By 1886 they thought that the 'general order and regulari which have now been established throughout the service in r gard to cash accounts' made it possible to advance to the mo difficult problems of stores accounting.[3]

The battle for strict appropriation and, with it, detailed ar very accurate estimating, the second objective of the parli mentary auditor, was a sterner fight. In the first place, stri appropriation hampered a department's freedom of action an in the second, it necessitated estimating expenses to a degr hardly practicable for departments with small and relative unimportant financial staffs and half-developed financial tec niques. And while, on the one hand, financial skill was improvi and there was a growing awareness of the financial results action, on the other hand, expenditure was rising and wa therefore, less easy to estimate so accurately. The alarums an excursions consequent upon complicated foreign commitmen made the defence departments' task in this respect even mo

[1] P.A.C. 1 R. 1870, Evidence, Q. 1168.
[2] Quoted in *Epitome*, H.C. 154 of 1937–8, p. 57.
[3] Ibid., p. 190.

difficult. Finally, the Public Accounts Committee, with Parliament's full support, took the narrowest view of appropriation.

In 1867 the Committee approved the Treasury plan of the form of estimates and in this form (of votes and sub-heads, &c.) the departments were required to submit them. Variations between estimates and actual expenditure had to be explained, and the Committee took the view that a discrepancy was prima facie undesirable. Full details of variations were called for and the interrogation was never a formality. When, in the eighties, the Admiralty attempted to make it so, the Treasury replied by withholding its sanction from expenditure in order to bring the matter directly before the Committee for judgement.[1] Further, the Committee took the view that any sort of deviation from the annual supply system was undesirable and only to be permitted in unusual circumstances and according to strict, safeguarding rules. Its recommendations, enshrined in Treasury Minutes, made an inflexible system even more rigid. That this attitude was in tune with contemporary opinion is undoubted. For did not the annual Appropriation Acts, reinforced by the Exchequer and Audit Departments Act and the machinery it created, seem to invite such a view? Further, was not the system one of jealous distrust of an executive ever ready to spend the country's money, and was not the Committee the guardian against this? Above all, it was this kind of discrepancy which, more easily than any other, came under the auditor's notice. Unbalanced accounts glared, and this was the type of matter the Comptroller and Auditor General was bound by statute to report.

True, the system allowed some flexibility. The power of virement, or transfer, existed; but while members had to concede that it was sometimes necessary, it was made subject to rules of Treasury sanction and constant supervision in order to secure the full knowledge of Parliament.[2] Indeed, the feeling cannot be escaped that they were ever reluctant even to concede what they did, and this is confirmed by their attitude to 'excesses'.[3]

[1] See P.A.C. 3 R. 1889. 1–13. [2] See P.A.C. 2 R. 1862.

[3] An 'excess' is the amount of expenditure incurred on a vote by a department in excess of the sum granted by the House. It requires a special 'Excess Vote' to make it legal.

Here again they had to admit that an excess was often reasonable and that the only needs were to make it public and to justify it. They began the valuable practice of examining excess votes before the House was called on to approve them, and an experienced public servant, Colonel Durell, asserted that the 'known fact that the committee does not deal leniently with excesses, exercises the strongest deterrent effect on the departments'.[1] In the same spirit, the Committee examined the use in emergencies of votes of credit and, for the same reasons, preferred the use of supplementary estimates which, from 1880 to 1914, superseded them. Further, it condemned the practice by which departments, and especially the Admiralty, made large payments at the end of the financial year, a practice which the Committee suspected was a way of avoiding surrender of any surplus. Conversely, it condemned the habit of deferring matured charges to avoid an excess.[2] This fear that departments spent surpluses unnecessarily to avoid surrender or, conversely, tried in an irregular fashion to cover up an excess, was also one of the reasons that led the Committee to press so strongly for stores audit.

Since the annual appropriations are designed to supply departments with the funds they declare they need, the Public Accounts Committee was especially concerned with any source of supply outside the appropriation grants. The question of 'extra receipts', those funds which accrue to departments in the course of their business, engaged its attention from 1865 onwards. It clearly regretted that the principle of the Act, that all funds must go to the Exchequer, could not be conveniently applied in all cases, for exceptions could lead to spending without parliamentary sanction. On the other hand, if extra receipts went through the Exchequer they had the effect of swelling the accounts and gave a false impression. In its third report of 1881, after many years of consideration and comment, the Committee reported upon a Treasury scheme for Army and Navy extra receipts and in 1891 the question was settled. As in the case of virement, the Committee was concerned, first, to limit the

[1] Durell, op. cit., p. 117.

[2] P.A.C. R. 1877. 91. 'The irregularity [of having incurred an excess] would be increased rather than diminished by not defraying it.'

practice of using receipts as appropriations in aid and, second, to hedge it about with the strictest rules, designed to make their use clearly known to Parliament and to ensure that in any event the department did not spend more than the year's grant.

On all these practices the Comptroller and Auditor General reported and the Committee commented. Mainly it was detailed work, work 'of a dry and repulsive kind' according to Mr. Gladstone.[1] But its importance was clearly shown in the Post Office 'scandals' of 1873, when it was revealed that Mr. Scudamore, the Second Secretary and an extremely active and competent civil servant, had spent, and to good effect, funds amounting to some £890,000 without Parliament's consent or knowledge in a way 'destructive to all control by Parliament or the Executive Government over public expenditure'. The Committee investigated and produced an excellent and reasoned report which was debated by the Commons and which drew from Mr. Gladstone a tribute to 'the judicial conduct and language of the Committee'.[2] It did its work exhaustively and its success was considerable. By 1888 it had caused to be worked out codes of regulations to cover virement, the accounting of votes of credit, excesses, and appropriations in aid; it had made clear that the prevention and investigation of unsanctioned expenditure was its special business; and it had so far impressed departments with its spirit that, since that time, the problems have recurred mostly only as merely technical points. Reports of the eighteen-eighties show the measure of success especially in the matter of estimating, for in those years excesses became fewer and fewer until, on the expenditure of 1885–6, no excess vote at all was required for the first time since 1866 and all felt able to congratulate themselves.[3]

[1] H.C. Debates, 18.4.1861, col. 774.

[2] See P.A.C. 2 R. 1873 and H.C. Debates, 29.7.1873, cols. 1189 ff. Frank Ives Scudamore was a famous Post Office reformer and was responsible for the Post Office Savings Bank. His impatience caused him to go too far. The Public Accounts Committee recognized his services but condemned his methods in this case. He resigned shortly afterwards and went to reform the Turkish Post Office. He soon resigned in disgust and retired to a small town in Asia Minor. See *D.N.B.*, vol. li, pp. 153–4.

[3] This was in the face of rising expenditure. Annual expenditure was

The third matter to which the Comptroller and Auditor General directed his audit was authority. The Public Accounts Committee became the great tribunal concerned with the legality of Treasury and departmental action. There were three kinds of rules: Parliament's, the Treasury's, and the departments'. Members of the Committee conceived it within their scope to enforce all three. Clearly they were intimately concerned with the first. They existed to see that Parliament's wishes were carried out, and we have seen their rigid insistence on strict appropriation. But Parliament mainly willed ends, the destination of money, and, for the most part, the scrutiny directed towards appropriation covered Parliament's requirements. Where it did see fit to issue instructions on ways and means, there was no doubt that the Committee could and would deal with breaches. Its constant demands that accounts be rendered on time are clear examples. More frequent were cases where there was some doubt or dispute, and here the Committee clearly established the right to judge and to have its judgements implemented. For example, it laid down important rules about the comparative importance of statutory provisions and contrary provisions in the Appropriation Acts. It claimed not only to examine and report, but to interpret and judge points of constitutional law and, further, to have its judgements respected. And it was here particularly that it checked its ally, the Treasury, just as it would any other department.[1]

The fact that Parliament usually defines only ends does not imply that departments are, therefore, free to choose their means. The Treasury holds a central supervising position, difficult to define but clearly recognized and fostered by Parliament. And

steadily approaching £90m. The following table illustrates the accuracy of departmental estimating achieved in these years.

Year	*No. of excess votes*	*Amount involved (£)*
1885–6	nil	nil
1886–7	2	3,309
1887–8	3	10,970
1888–9	2	8,052
1889–90	3	5,885

See P.A.C. 2 R. 1891. 2.

[1] See, for example, P.A.C. R. 1882. 16.

since efficiency in the nation's affairs cannot normally be measured in terms of profits gained, but is seen in welfare which is wellnigh impossible to measure or define, the complicated business of the state is done according to rules. It falls to the Treasury to make many of these rules, which are of a supra-departmental level. The period under review was one of the strongest Treasury control. This control was an accepted principle and the Exchequer and Audit Departments Act specifically directed the Auditor General that, whenever he 'shall be required by the Treasury to ascertain whether the expenditure included or to be included in an appropriation account . . . is supported by the authority of the Treasury', he 'shall examine such expenditure with that object'.[1] The greater part of the Committee's time was, in fact, spent in examining breaches of authority where departments did not comply with Treasury rules. These rules covered the whole range of departmental activity. Treasury sanction was needed for any deviation from the estimates,[2] to start new works and services not covered by the Appropriation Act, to write off losses, to waive claims, and to include unusual charges. Treasury rules also covered, to an ever-increasing degree, establishment and the wide range of questions connected therewith. As it became the directing and governing department for all matters concerning the Civil Service, its control, which made for uniformity, was reflected through Orders in Council such as that of 4 June 1870 and those following the reports of the Playfair and Ridley Commissions. The Committee found itself called on to interpret and apply these rules, and it dealt, for example, with many cases of men employed without the Civil Service certificates, which became necessary in 1870, of rates of pay exceeded, and of Orders in Council not observed. It also considered anomalies and the whole crop of border-line cases needing special treatment which occurred at each new ruling.[3] Moreover, it not only interpreted

[1] Section 27. Further, it may be noted that the Treasury has power to direct the Auditor General to examine other accounts.

[2] With relaxations in the case of defence departments, where virement is allowed.

[3] It dealt, too, with cases where the rules could not apply, e.g. in the Post Office, where conditions of work and types of job could not really be fitted into the general scheme.

regulations, but also laid down principles on which new regulations were made, and in this way it supplemented and filled out the Orders in Council. Its recommendations came to be regarded as the rules governing cases and its decisions of this sort, together with the rules of appropriation and financial procedure, are enshrined in the *Epitome*, the volume of extracts from reports which are of permanent value because they still apply.[1]

The rules departments make exist for their own convenience and are their own affair, but the notice of the Committee could be drawn to them in two different ways. If an irregularity disclosed either broken or insufficient rules, the Committee would comment, advise, and admonish. Also, where the Comptroller and Auditor General conducted investigations of the kind laid down for stores audit, he was concerned to see that rules were adequate and that they were kept. For these reasons the Committee was led, as we shall see, to examine and probe departmental affairs and arrangements in great detail.

The fourth concern of the Comptroller and Auditor General was responsibility. Section 22 of the Exchequer and Audit Departments Act provided that 'the department charged with the expenditure of any vote under the authority of the Treasury shall prepare the appropriation account thereof'. Section 26 of the Act provided that accounts 'shall be signed by such departments'. The Auditor General and the Committee soon found that the placing of responsibility was as difficult as it was necessary. It was not easy to hold a department responsible. Responsibility, especially financial responsibility, must be personal and clearly defined. The Act had only gone as far as defining 'department' as 'any public officer or officers to whom that duty may be assigned by the Treasury'. In 1872 the Committee raised the matter at the request of the Auditor General, and the Treasury created in each department an 'Accounting Officer'.[2] From that time the Committee has constantly reverted to the subject. It laid down the limit of their responsibility, stressed their importance and status, supported them in their departments,[3]

[1] *Epitome of the Reports from the Committees of Public Accounts 1857 to 1937*, H.C. 154 of 1937–8.

[2] Treasury Minute, 14.8.1872. The relevant section quoted in *Epitome*, pp. 30 ff.

[3] See P.A.C. 1 R. 1883. 17–20.

and defined the limited responsibility of political heads of departments in financial matters.[1] Their development has probably been one of the most important achievements of the Committee and they have been its children. In the Accounting Officer members saw primarily an officer with the direct responsibility for which they were seeking, but they saw also his possibilities as a force making for thrift, and towards the end of the period they came to regard him as the man who could most clearly put the financial effects of policy to the departmental heads. He could effect the synthesis of finance and administration which was so sadly lacking. They were concerned at every development and threat, for they considered that 'the position of these officers is the foundation of the financial system of the country'.[2]

The audit carried out by the Comptroller and Auditor General, though directed primarily to the four points described above, is and always has been wider. He has what may be called a discretionary power of review, well recognized but not easily defined. Mr. William Blain, a Treasury official, told the Select Committee on National Expenditure in 1902 that this was not specifically provided for in the Exchequer and Audit Departments Act, but that it had been exercised since 1866 nevertheless, and this view was confirmed by Lord Welby and Mr. D. C. Richmond, the then Auditor General, who added that it had always been encouraged by the Public Accounts Committee.[3] The importance of this discretionary power was very great, for it led to a wider conception of the Auditor General's functions than might otherwise have been the case. Encouraged and supported by the Committee to consider himself not merely a parliamentary auditor in the narrow sense, but the source of information for Parliament and an officer with a solemn duty, he did not confine himself to the letter of the law. He went wider than Gladstone had intended when he described audit as 'an operation to ensure truth and accuracy'. Yet the extension was a natural one and involved no big steps.

This extension arose out of the normal scrutiny of accounts, for losses, frauds, unusual charges, and outstanding claims all appeared on the face of the accounts, had to have Treasury

[1] See P.A.C. 2 R. 1873.
[2] P.A.C. 4 R. 1920. 9.
[3] H.C. 387 of 1902, Evidence, Qs. 63–67, 837, 842, and 2519.

sanction, and needed explaining. Inquiries of this nature led to investigation of the circumstances under which such irregularities occurred and, thus, directly to a consideration of machinery and means, departmental methods and action. Further, Committee members were not bound as the Auditor General at first appeared to be. They were Parliament's chosen scrutineers of public expenditure and they were steeped in the Gladstonian tradition of parsimony. The whole machinery of control—the Act, the accounts, the Auditor, and the Committee—was directed towards regularity and method. Waste was both irregular and unmethodical. Gladstone had once ordered the members of his Ionian Island mission to use the same labels when returning their bags and had appealed to the Foreign Office to economize on stationery. It was, therefore, not surprising that the Public Accounts Committee thoroughly investigated the circumstances of the frauds committed by Mr. Simkins of the Science and Art Department, Kensington,[1] and censured the Secretary of State for War for leniency in the matter of granting pensions in hard cases.[2] It is no wonder that, going farther, it commented adversely on a perfectly legitimate dinner for the Commissioners of Northern Lighthouses because of the immoderate cost.[3]

The Committee fought waste wherever the Auditor General could turn it up and members applauded his efforts and 'recorded their sense of the good service' he 'has rendered to the public by directing attention to this subject'. Not only did they not find any case too small, even down to directing a Colonel Synge to refund money paid as ransom to rescue him in Turkey,[4] and not only did they require the Auditor General to report especially on frauds, but they also pressed for the fullest information on the circumstances of such incidents and the state of affairs that could lead to them. In the course of their crusade they continually went beyond examining cases of waste due to broken rules to investigating cases where the departments had acted *intra vires* but unwisely.

[1] See P.A.C. 2 R. 1872. 44–50. [2] See P.A.C. 2 R. 1886. 68–69.

[3] £179 for forty-seven people. The dinner cost £70. 10s. and they consumed ninety-six bottles of wine, besides brandy and whisky. See P.A.C. R. 1887. 32.

[4] P.A.C. 2 R. 1881. 31.

Thus, by a natural growth of their functions, the Committee and the Comptroller and Auditor General were being led to a wider investigation of departmental action and to questions of economy and efficiency. This was a field left uncovered by the system set up by Gladstone, but the step seemed a small and obvious one.

The extent to which the Committee could go depended on to what lengths the Auditor General could stretch the meaning of the words 'documents relating to the accounts' to which, by section 28 of the Act, he had access. By the end of this period (1888) it was clear that he could go to far and undefined limits. The Treasury Minute of 10 January 1889 said, 'if he reports on a matter of administration from the point of view of its effects on the public purse, it will be for the purpose of bringing before Parliament something which would otherwise pass unnoticed. It is impossible to deny that it is always his right, and will often be his duty, to take this step, but it is equally obvious that the occasion and manner of such report must be matters of discretion'. It was also clear from the particular case which occasioned that Minute,[1] that he could demand such departmental documents as rejected contract tenders and, more, that he could inquire the reason for a department not having accepted the lowest tender, provided the demand was purely for his and Parliament's information. But that information went into a report and the Accounts Committee was not so limited. Thus the door was being opened for Parliamentary comment on such departmental affairs as contracts policy. Moreover, it was well-informed comment and comment with a sting, for the Committee's reports led to action carried out under pressure. By the end of this period circumstances were combining to make further extension inevitable, and this development was to prove of the greatest significance.

The year 1888 is a convenient place to pause. Although there were no sudden and startling changes apparent either in the situation or in the Committee's work, a combination of circumstances was occurring which modified its position.

First, it was apparent by 1888 that the Committee had

[1] See P.A.C. 2 R. 1888. 71–72 and the Treasury Minute thereon, quoted in *Epitome*, p. 207.

succeeded in its primary task. Clean accounts and close estimating were features of the eighties, and the claim of Parliament to have expenditure accounted for and, if necessary, explained in detail, had been realized. Added to this, new accounts—stores, expense, and manufacturing—were now being presented and examined for the first time. They brought new problems but, more significant, opened up new possibilities, and they marked a step in the increased scope of parliamentary control. In 1890 the Comptroller and Auditor General pointed out

> that the costs results set out in the 'Production Statement' [of the Ordnance Factory accounts] are the point to which his audit is ultimately directed, and that if these results are proved to be substantially correct, a standard is established by which Parliament might hope by comparative test with outside prices, to judge of the economical working of the Army Manufacturing Establishments.[1]

It seemed, too, that this was a strong and successful Committee with a tendency to extend its functions. This is not an easy point to assess, depending as it often did on the personality of a chairman, but it seems to have been a most consistent feature. Looking back, in 1912 Lloyd George said, 'What has happened in the case of the Public Accounts Committee is . . . the natural tendency of a committee of this sort to enlarge its own functions'.[2]

Thus the development of the Committee looked healthy and the extension of its functions, though as yet small, was significant. What seemed to ensure its success more than anything, however, was the fact that it had created efficient machinery for control which was adapted according to needs and was not formally written down or prescribed in an immutable form until atrophy overtook it. But its success would depend upon its continued ability to adapt itself to satisfy the needs of the situation. Further, it would depend upon the recognition of this by the House. Thus it is necessary to examine the circumstances surrounding the Committee and to review the changing situation which was leading to modifications in the attitude to spending.

[1] P.A.C. 5 R. 1890. 11.
[2] H.C. Debates, 17.4.1912, col. 372.

III

A new situation was developing and it had as its keynote the disposition to spend and, consequently, higher expenditure. It is necessary here to explain it in some detail for it represented a major change and profoundly altered views about the control of expenditure. Writing at the turn of the century Dicey, in his *Lectures on the Relation Between Law and Opinion in England during the Nineteenth Century*, traced the growth of what he called 'socialism' or 'collectivism' and attempted to assess the causes and to mark the change. 'During the era of Benthamism "peace and retrenchment" were the watchwords of all serious statesmen', he wrote. 'This formula has now fallen out of remembrance'.[1] Men may, he thought, object to this or that expenditure, but they did not object to spending as such. He pointed to the obvious 'increase in the weight of taxation, which is apparently the usual, if not the invariable, concomitant of a socialistic policy'.[2]

The impetus to spending rose in two fields, those of social services, using that term in a wide sense, and military and naval expenditure. In the first it came about through a variety of causes, not the least of which were the Reform Acts, increasing prosperity, and the growing realization of social needs. The influence of public opinion affected not only governments generally in their desire to meet demands, but Chancellors of the Exchequer and the Treasury in their ability to resist them. Lord Welby told the National Expenditure Committee of 1902 that,

> comparing early days, say in the sixties, with later days, one saw a distinct difference in public opinion; . . . to put it very roughly—with the eighties, public opinion has changed, and it no longer puts much stress upon economy; that change at once finds its reflection in the House of Commons, and I should say that from that time the wind was in the sails of the spending Departments, and . . . the effective power of control in the Chancellor of the Exchequer proportionately diminished. That had an effect . . . throughout the service even in administration.[3]

[1] pp. 407–8.
[2] Ibid., p. 301, n. 1.
[3] H.C. 387 of 1902, Evidence, Q. 2522.

Dicey supports this. 'Socialistic ideas were . . . in no way a part of dominant legislative opinion earlier than 1865, and their influence on legislation did not become perceptible till some years later, say till 1868 or 1870, or dominant till say 1880'.[1] The change may be marked by such legislative milestones as the Education Acts of 1870, 1876, and 1880; the setting up of the Local Government Board in 1871; the Public Health Act of 1875; Northcote's budget of 1874, with its £1¼m. to aid rates; and Goschen's scheme of 1888. Not only were new services being opened up, but the existing ones were becoming more complex while, at the same time, the move towards a more efficient state with an organized Civil Service and inspectorate was receiving the impetus which seemed to come (as it did after 1832) from new Reform Acts. The financial effect of these changes was an inevitable rise in expenditure. The cost of the civil services had, in fact, risen slowly throughout the century. It was checked during Gladstone's Chancellorship in the eighteen-sixties, when he budgeted for about £7½m., but from 1867 it climbed steadily and remorselessly upwards to £18m. in 1888, the rise becoming ever steeper.

At the same time a new conception of Britain's place overseas was coming to be generally held. The nation, which had thrilled to Palmerston's foreign policy in the thirties and forties and was easily panicked in 1860, was now becoming more and more aware of the value of the colonial empire. The early Victorian view, like that of Sir George Cornewall Lewis in the forties, that the empire was a burden, was dying. The need to expand to keep pace with the development of trade was combined with the exciting conception of the empire builders and was intensified by 'the triple drama of the continent of Africa' in the eighteen-eighties. Point was added by the expansion of Russia, France, and Germany, by the shifting balance of power, and by their challenge to British sea-power. This last factor was perhaps the most crucial. In face of it, 'the voice of mid-Victorian finance' was silenced for good.[2] The budget of 1878–9, with its £16m. for the Army and £11m. for the Navy, was for Gladstone 'the painful budget'. But he was unable to roll back

[1] Dicey, op. cit., p. 66.

[2] K. B. Smellie, *A Hundred Years of English Government*, p. 180.

the expenditure in the early eighties as he did in the sixties. By the end of the period, too, the need to reform the Army was being freely admitted, while technical developments in shipbuilding were being made so rapidly that new and complicated ships were built only to be quickly outmoded in the contest for more and better battleships.

The story of Lord Randolph Churchill in the years 1886 to 1888 gives a clear indication of the temper of the times.[1] His resignation in December 1886 came after a period of growing disagreement in the Cabinet and the direct cause was the expenditure on armaments which he, as Chancellor of the Exchequer, would not sanction. On his resignation, Labouchère wrote to him that 'there is a strong public opinion, even amongst Liberals, for an expenditure on armaments',[2] and Churchill's policy of less spending indeed found no great support. But the charges of waste and inefficiency which he also made were listened to eagerly and led to the Select Committee on Army and Navy Estimates and to the Hartington Commission. What happened to Lord Randolph Churchill is instructive. Starting with a desire to 'curb expenditure' he, and others, asked for a committee. Charges of waste and inefficiency were made and proved and the desire to curb became a desire to reform. Inevitably, this meant to spend more. The change of approach and the results of the change are clear. To start with a prejudice against spending was to take a narrow and unconstructive view. The change was an expensive but a healthy one. Members were becoming seekers after efficiency rather than savers.

But this change of attitude, which represented a move away from Gladstonian views, by no means implied that members were also casting doubtful eyes at the system of control for which he was so largely responsible. This system had long been regarded as complete. An acute observer like Alpheus Todd, in 1867, described the setting up of the Accounts Committee as 'the crowning act whereby the House of Commons has been enabled to exercise a constitutional control over the public

[1] The story is clearly told and at some length in W. S. Churchill, *Lord Randolph Churchill*, chaps. xv–xviii.

[2] Ibid., vol. ii, p. 254, quoting a letter from Labouchère to Churchill of 23 Dec. 1886.

expenditure',[1] while Reginald Palgrave, in 1876, thought its existence justified 'the assertion . . . that the House of Commons exercises a satisfactory and vigilant control over the public expenditure'.[2]

On the other hand, increased pressure for spending meant more parliamentary business, necessitating changes in procedure. They were directed towards vesting the government with more time and power. Less and less time was becoming available to members. For this reason, plus the fact that members were less inclined to question the money estimates than to advocate further spending, the debates in Committee of Supply (which were becoming so long as to be a problem) were changing in character. A Select Committee on Estimates Procedure set up in 1888 to examine the problem of the overlong supply debates noted this change and reported that there 'can be no doubt that the opportunity which is afforded by the annual discussion on the Estimates of raising many questions of policy and administration . . . is a valuable and useful privilege'.[3] At the same time it was forced to admit that the House was now no longer performing one of its functions—that of examining the estimates. Many witnesses said that the time had come to set up a select committee to examine the estimates in preparation for the overworked House, which could not itself do the job. But the Estimates Procedure Committee was hesitant and recommended, as a tentative experiment, only the reference of small and unimportant estimates to a standing committee.[4]

The truth was that most members were reluctant to commit the examination of future or current expenditure to a committee because it seemed to threaten the responsibility of ministers, a responsibility which was thought to be to the House alone.[5] The way to check the government's actions was to check its past deeds by audit and in the Accounts Committee. Yet the flaw

[1] A. Todd, *On Parliamentary Government in England*, 1st ed., 1867, vol. i, p. 588.

[2] *Quarterly Review*, vol. 141 (1876), p. 231.

[3] *Report of the Select Committee on Estimates Procedure* (*Grants of Supply*), H.C. 281 of 1888, p. iii.

[4] Ibid., p. iv.

[5] The Estimates Committees of 1887 and 1888 were clearly temporary expedients and were the result of political differences. They could and did consider policy.

in that argument was plain enough. The House was not, in fact, making a reality of responsibility so far as the estimates were concerned. The Select Committee on Estimates Procedure made the point clearly. The rash of committees in 1887 and 1888 to examine sections of the estimates, political in origin though they were, showed the kind of work that might be done and, in the next twenty years, the character of supply debates was to prove to even the most hesitating member that the House did not consider the estimates adequately. By 1902 the situation was serious enough to warrant a select committee to examine this very problem.[1]

At the same time some experts, that is, some civil servants and expert members of the House of Commons, were coming to realize two facts of even greater importance so far as the principles of control were concerned. First, they were beginning to see that the real need was for true economy in the departments and that that meant efficient performance of the service decided upon and not mere parsimony; further, that to achieve it a change of spirit must be effected in both departments and the controlling agencies. Second, to secure such control directed towards economy, new sorts of information must be given and a new approach to control must be made, based not on the appropriation accounts, a scrutiny of sums spent, but on the investigation of departmental action and system, a scrutiny of method. This realization was of fundamental importance for it modified profoundly the mid-Victorian attitude on which the existing system was based.

The first fact implied a more elevated status for the finance and accounts branches and the union of finance and administration.[2] It was the point to which the Accounts Committee's support of the Accounting Officer was directed. The second, the need for new sorts of information, was also becoming clear through the work of the Accounts Committee, which was encouraging the Comptroller and Auditor General to seek out waste and was more and more tending to inquire into the methods and organization which allowed such extravagance.

[1] The Select Committee on National Expenditure of 1902–3.

[2] See the first report of a departmental committee 'to enquire into the arrangements in force for the conduct of business in the Army', C. 54 (1870).

From here it was but a short step to the realization that (policy aside) it was method that made the difference between thrift and extravagance, between efficiency and muddle. The Public Accounts Committee was advancing to the view empirically. M.P.s generally were not yet aware of it, although they had become reformers rather than savers by this time. The lesson was only slowly learnt, though the years that followed made it plain enough.

It may be said, then, that in 1888 Parliament was satisfied generally with the system evolved in the eighteen-sixties. But with regularity assured, though only at the cost of constant vigilance, the fine aims of the men of 1860 now seemed elementary, and experience was beginning to show (though the lesson was not generally learnt yet) that control ought to be directed to more significant points. Higher expenditure made the need the greater. Whether the Public Accounts Committee could extend its functions widely enough to cover it remained to be seen. In 1888, as it began to tackle new stores and manufacturing accounts, the problem of examining the estimates had loomed over the horizon. Whether and how wider control was to be exercised had still to be decided.

CHAPTER IV

THE HISTORY OF CONTROL FROM 1888 TO 1921

I

THE period 1888 to 1921, like 1861 to 1888, is a neat and convenient whole. The strains of war, the minor South African War and the major First World War, hastened the changes outlined in the last chapter, revealed the faults and gaps in a system designed for peace and a manageable £70m. worth of expenditure, and led to much inquiry and many attempts to solve the problems of control.

Through it all, the Public Accounts Committee worked on steadily though rather harder as the accounts became more voluminous.[1] With the main interest centred in the extension of its work and attention drawn towards the fringes of its jurisdiction, it is easy to forget this continuity and the main task it performed, that of checking accounts. It was, and is, an accounts committee directing its attention to strict appropriation, accuracy, authority, and responsibility, and this remained its chief function. It could say in 1899, just as in 1869, 'promptness in accounting is second in importance only to accuracy'.[2] The success of its early work remained apparent until about 1900, before the strain of war and vigorous rearmament brought new problems and revealed new needs. Few important basic questions of regularity arose, sometimes few points of any sort.[3] In 1896, when Sir Charles Ryan, the Auditor General, retired, the Committee referred to the improved system seen in fewer 'excesses', accurate appropriation, exact estimating, and 'a remarkable diminution of controversy on first principles'. Likewise, the Treasury was also audibly satisfied 'at the remarkable improvement which has gradually been effected in the system of Public

[1] The number of sittings in a year rose from about ten or twelve to about thirty by 1921.

[2] P.A.C. 4 R. 1899. 11.

[3] For example, on the Civil Service and Revenue Accounts of 1896–7, involving 117 votes and £36m., only two points of any sort occurred.

Accounts' due, their Lordships felt, 'in no small part to the labours of the Committee as well as to the constant vigilance of the Comptroller and Auditor General'.[1] The price of this accuracy was continual work, and this was not wanting.

But perhaps too much stress was being laid by the Committee and the Treasury on accuracy of accounting and niceness of estimating. Important as they were, they tended to obscure the hitherto barely visible field of administrative action and methods. They gave the impression that all was well, an impression not borne out by the examples of waste uncovered from time to time and shattered by the revelations of incompetence and foolish extravagance brought up by the South African War. From this point of view, the Committee cannot escape the charge that it helped divert attention from what was more and more coming to be the chief problem. Also, the importance placed on strict accounting and estimating led to undesirable practices to avoid, on the one hand, surrendering any surplus and, on the other, incurring an excess vote with its consequent inquiry and possible criticism. The Committee spent much time between 1888 and 1900 trying to stamp them out. The result was to cause resentment in the defence departments. In 1892 the Secretary for War recorded his 'conviction that the persistent attempt to force the administration of the Army into mechanical consistency with minute rules which . . . involve perpetual reference to the Treasury on petty matters . . . is not likely to lead to either economy or efficiency'.[2] Loud and long were the Navy's similar and legitimate complaints that ship-building could not be accurately estimated in programme lengths of 365 days. While it cannot be denied that departmental financial staffs were still small and subordinate and that service chiefs were reluctant to bow to any control, yet it still remains true that the Committee's attitude helped to prolong the antagonism of the spending departments to control.

Just as the Committee worked until 1888 to get the appropriation accounts into order and dealt with petty details of irregularity, inaccuracy, and slackness that examination re-

[1] Treasury Minute, 17.10.1898, printed as an appendix to P.A.C. Reports for 1899.

[2] P.A.C. 2 R. 1892, Evidence, App. 5.

vealed, so in this period it did the same for the new accounts which came under its scrutiny at the end of the eighteen-eighties —the Army factory accounts, Naval and Army stores accounts, dockyard and victualling yard accounts. They brought with them problems of stock-taking and stores, of production costs, and capital accounts. As with the appropriation accounts, regularity was a basic necessity before any useful control could be established, although Colonel Durell thought that the importance of stores accounting was probably not fully appreciated by departments at this time,[1] a view confirmed by the Auditor General.[2] The story is a familiar one—initial delays, unsatisfactory accounts, and hard detailed work by the Committee, although attention was directed rather towards systems, in accordance with the Treasury Minute,[3] than towards minute details and accurate accounts. The work was made more difficult by the fact that before stores accounts could be of any use, stocks had to be assessed. Stock-taking in most departments, even at this date, was quite insufficient and often based on wrong principles, and in 1894 the Committee had to take special evidence on the subject, in the course of which it was revealed that the Admiralty had just found £6,000 worth of coal at Portsmouth, of which it had 'no cognizance'.[4] Stock-taking questions occurred throughout the reports until about 1900, as the Auditor General turned from home dockyards to foreign yards and stores and to ships' stores. They recurred from 1902 onwards, as the difficulties of the South African War led to a failure in the Army's none too efficient system. Muddles and large deficiencies occupied members until 1910, though the bulk of the problem went to the Royal Commission on War Stores in South Africa, set up to deal with charges arising mainly out of the Committee's work.[5] By 1916 Colonel Durell was able to say that the work of the Accounts Committee had 'tended to secure to Parliament a control over the stores approaching, if not equal to, its control over the cash'.[6]

[1] A. J. V. Durell, *Parliamentary Grants*, p. 213.
[2] P.A.C. 4 R. 1894. 33–35.
[3] Treasury Minute, 15.11.1886, quoted in *Epitome*, pp. 187 ff.
[4] P.A.C. 4 R. 1894. 32.
[5] See Cd. 3127, Cd. 3128, and Cd. 3129 (1906).
[6] Durell, op. cit., p. 212.

Questions of stocks and stores were, however, matters that could in time be settled by using right methods and by achieving efficient regularity on already known principles. More complicated and vital for the future were the questions raised by the financing of state manufacturing concerns and the growth of loan fund expenditure. These were the peculiarly twentieth-century problems of capital expenditure. As regards the first, the questions of commercial accounting which it brought up arose mainly with the Army ordnance factories. The Accounts Committee quickly and clearly established its position as the body to which such questions should be referred. It supervised the setting up of the accounts on normal commercial lines and reluctantly approved the scheme for a 'suspense account'[1] to provide for capital expenditure and, throughout the reorganization from 1889 to 1896, it examined and commented. With the coming of the Post Office commercial accounts in 1914 and trading accounts during the war, the necessity for commercial accounting was recognized, albeit with some suspicion, and the Committee long remained hostile to the practices it made necessary.

The second question of capital expenditure arose with the increased defence charges of the last years of the nineteenth century and the first years of the twentieth. The practice grew up of meeting some of it, not out of annual supply but out of loan funds authorized by statute and, therefore, not subject to normal annual review in the House. Such acts were the Naval Defence and the Imperial Defence Acts, while later, civil works were financed in this way and the big government building schemes to house the growing Civil Service were provided for by such measures as the Public Works (Acquisition of Sites, Whitehall) Act of 1897. The accounts of the funds so created were subject to audit and scrutiny on behalf of Parliament, and this form of finance appeared necessary to the type of project involved. In these cases accurate estimating, 'the pedantry of finance', as Lord Northbrook called it, was impossible. But the canons of 1860 died hard and the Committee led the opposition

[1] A 'suspense account' is an account of funds not surrendered to the Exchequer but held by a department for some reason or other. In theory it is contrary to the dearest principles of British public finance.

to this method. A question of policy it may have been, but finance it certainly was, and therefore the strong members of the decade 1895 to 1905 felt it within their powers to comment freely. Eventually, taking their stand on the ground that such works escaped not only control but were often modified unbeknown to Parliament, they criticized openly, saying they entertained 'serious doubts' about this financial method.[1] When, in 1906, Mr. Asquith announced a change of policy on loan expenditure, he could not have been unaffected by the repeated judgement of the Accounts Committee.[2]

The chief development in the sphere of accounting was the evolution of trading accounts which, though they were used before 1914, first became of importance during the war to record the activities of the commissions and executive controls set up to supply food and material, to restrict enemy supplies, to encourage food production, and to maintain shipping and freight facilities. By 1921 the Public Accounts Committee had managed to get these accounts presented in a uniform manner in one volume. It said it regarded 'the institution and business-like compilation of these Trading Accounts as of the greatest importance in affording an effective instrument to bring about economies',[3] though it recognized that they involved 'principles entirely different from the traditional cash accounting'.[4] The Exchequer and Audit Departments Act, 1921 (Section 5), included trading accounts amongst those to be prepared by departments and audited by the Auditor General, and thus they achieved statutory recognition.

Looked at generally, the Committee's formal accounting work underwent a major change in this period. The uselessness of complete automatic checking of the accounts on behalf of Parliament, which was coming to be recognized before 1888, was finally acknowledged openly and the practice was modified.

It has been pointed out that the practice of test audit, the realization of the importance of method and system, and the growing concern with waste, were beginning, by the decade 1880 to 1890, to cause the Auditor General and the Committee

[1] P.A.C. 1 R. 1904. 10. See also 1 R. 1905. 29.
[2] See H.C. Debates, 30.4.1906, col. 291.
[3] P.A.C. 3 R. 1921. 43.
[4] Ibid., para. 125.

to adopt a new approach. Also, the survey of the Committee's work in accounting just sketched shows the reduction to order of new accounts leading to wider interests and the examination of problems of financing capital and trading ventures, which were all part of a move towards the consideration of broader issues. Finally, the First World War, which compelled spending on an unprecedented and unexpected scale, led to serious modifications. Expenditure increased some sixteen times, from rather under £200m. in 1913–14 to over £3,000m. in 1918–19, and settled down at about £800m., some four times that of 1913–14, in the nineteen-twenties. New departments sprang up quickly, their functions ill-defined and their organization hastily planned. Man-power difficulties and pressure of work led to the abandonment of many stores, manufacturing, dockyard, and expense accounts, and the Auditor General reported in 1918 that he was only able to carry on 'by dealing with a very light hand with Civil Service normal expenditure'. The defence departments presented no estimates and vote of credit expenditure was but loosely controlled by the Treasury. The result of all these changes was to turn the Committee's attention away from the impossible task of detailed checking to general observations, to the consideration of matters of principle, and to ensuring only that the methods used and the departmental checks on those methods were sufficient. Though circumstances made this modification imperative in any case, it was only now becoming practicable because of the growth of departmental financial staffs and a clearly defined financial organization in departments and the Treasury. Now, detailed points could be settled at departmental level on lines and rules clearly laid down.[1] The Audit Department could concentrate on more significant points. Thus the executive was doing its own routine checking and, now that it was properly controlled, 'administrative audit', the bogey of the men of 1860, was a useful process.

The same process was also visible, though less obvious, in the sphere of establishments. Whereas in its first years the Committee was concerned with many questions pertaining to the Civil Service and the interpretation of Orders in Council, the clearer recognition of and insistence on Treasury responsibility

[1] Many of them by the Accounts Committee.

for the Civil Service[1] and the growth of establishment staffs, after the Bradbury Report of 1919, had the same effect of transferring to the administration the detailed work of controlling its own staff. Major changes brought, as they always had, a crop of cases for a few years, but apart from this the Committee ceased to do much detailed establishment work after 1919.

The movement towards less detailed and automatic checking had, of course, started with the first test audit in the seventies, but the process was speeded up in this period. In 1899 the Treasury added the appropriation accounts of the Revenue Departments to 'Schedule B' at the request of the Auditor General and with the concurrence of the Committee.[2] The reasons were plainly stated to be bulk of work and the fact that departments now had their own financial staffs. During the First World War the Auditor General admitted carrying the test principle farther through force of circumstances. In 1913 he had urged the Treasury to propose some change in his statutory duties, which he considered were obsolete, but the war delayed action though it made the need clearer. In 1921 the changed position and new conception of control were given statutory recognition in the important Exchequer and Audit Departments Act,[3] in which Parliament amended the earlier Act to relieve the Auditor General from useless routine work and to leave him a good deal of discretion. This Act marked the formal end of the system of strict accounting postulated by the mid-Victorians and which was now being characterized as suitable only for more primitive systems. The Auditor General at that time, Sir Henry Gibson, testified that 'the Clause requiring this detailed audit . . . was incorporated in the Act 56 years ago when the system of accounting . . . was embryonic'.[4]

As the new Act marked the formal end of automatic audit, so, more positively, it implied the recognition of the value of checking the merit and wisdom of expenditure. It will be

[1] Confirmed in the Orders in Council of 1910 and 1920.

[2] See Treasury Minute, 27.3.1899, quoted in *Epitome*, pp. 423–5. 'Schedule B' is a schedule to the Exchequer and Audit Departments Act, 1866, in which are set forth the accounts it is not necessary to check in minute detail.

[3] 11 and 12 Geo. V, c. 52.

[4] P.A.C. Special Report 1921, Evidence, Q. 5618.

remembered from the last chapter that, encouraged by the Committee, the Comptroller and Auditor General developed a 'discretionary' audit directed towards discovering waste and matters beyond accounting which, though *intra vires*, were apparently unwise or extravagant. During the years covered in this chapter (1888–1921) the Committee concentrated on questions of this nature. Almost all the cases which occurred were, of course, revealed by the Auditor General, who was developing into a kind of detective examiner of expenditure now that he enjoyed the advantages of more and fuller accounts and the greater skill which came with experience. The Committee itself had a growing knowledge that behind the accounts lay a wide field for investigation. It was, moreover, successful, keen, and experienced. This was the age of Thomas Gibson Bowles, who was a member from 1895–1905;[1] of Arthur O'Connor, who sat for eighteen years and was chairman for six; of Sir Robert Williams, who sat for seventeen years, ten of them as chairman; of Leif Jones and Sir Frederick Banbury, afterwards Lord Banbury. It was a period when, perhaps more than at any other time, members returned year after year to sit on the Committee and acquired in consequence a wide knowledge of the accounts and the financial problems of the time.

It was this aspect of the Committee's work that was most carefully brought out in the evidence to the National Expenditure Committee of 1902–3.[2] To this Committee Mr. Gibson Bowles, borrowing a neat phrase from Hallam, uttered the much-quoted remark that 'the functions of the Public Accounts Committee extend beyond the formality of the expenditure, to its wisdom, faithfulness and economy'.[3] The Auditor General, Mr. D. C. Richmond, said that he conceived questions of this nature to be within his duty, though because 'there might be some-

[1] Mr. (later Sir) Thomas Gibson Bowles (1842–1922) is perhaps best known for *Bowles* v. *Bank of England*, [1913] 1 Ch., a successful action which resulted in speedy legislation to make legal the early collection of taxes. He was the epitome of a nineteenth-century Public Accounts Committee member for he was 'a vigilant guardian of the national purse' and had a great knowledge of public finance and of the details of the financial procedure of government departments. See *D.N.B., 1922–30*, pp. 98–99.

[2] See H.C. 387 of 1902 and H.C. 242 of 1903. It should be remembered that this was, in fact, a select committee on procedure.

[3] H.C. 387 of 1902, Evidence, Q. 1017.

thing hidden under the account' which he could not detect, he could not guarantee to turn up every case.[1] He pointed out that he was neither a cost accountant nor an efficiency expert, even if his men acquired in time a working knowledge of costs and methods, and he stressed that though the machinery was not built for the job it could nevertheless achieve some success. With the encouragement of Parliament, he had begun to make a feature of this work.

A review of the reports shows that their chief feature was this question of waste arising out of irregularity or, less simply, out of unwise, extravagant, but otherwise legal action. Mr. E. H. Davenport, writing in 1917, confirmed this,[2] and the Auditor General in his *Memorandum* on the fiftieth anniversary of the Exchequer and Audit Departments Act pointed this out as the chief development during the period.[3] Many, in fact most, of these questions arose with the biggest spenders, the defence departments. They were sometimes small, isolated cases, sometimes a whole crop revealing a fault in the system or method employed. The South African War offered a fruitful field for work of this sort and, at the same time, there was a good deal of publicity, partly due to the scandals the Accounts Committee turned up, partly to the growing interest in and dissatisfaction with the financial control of the war, and partly to the National Expenditure Committee of 1902–3. In 1902 the Accounts Committee revealed chaotic accounting, expensive delays, and wasteful equipping in South Africa, and its annual reports added fuel to the mounting indignation which led to widespread investigation and reforms. Year after year until 1910 it worked to restore order from the chaos caused by the war. Much of what it revealed in the early stages, especially about contracts and high prices, it left to the Royal Commission on War Stores which an outraged public opinion demanded. In its third report of 1905, a special report on the Army stores accounts, the Committee showed its capabilities, and this is one of the best examples of its work, dealing as it does with such topics as losses on jam contracts due to underweight, Machonochies' defective 'M. and

[1] Ibid., Q. 830. [2] *Parliament and the Tax Payer*, p. 170.

[3] Cd. 8337 (1916). This is a good short summary of the work of the Audit Department and the Committee up to 1916.

V.' rations, deficiencies in stores in South Africa, Army contracts, and the administrative organization of the War Office. The interest aroused was evidenced by the fact that this was the first report to be debated in the House since 1873. When it was considered, members from all sides praised what Mr. Winston Churchill called 'the unique value of the Reports'.[1] True, in many ways it seemed that some of this work was petty and sensational. The sums involved were sometimes small, yet they could not be ignored for they were, none the less, the symptoms of inefficiency. Moreover, the deterrent effect was very high and civil servants, while pointing to the danger of the Committee becoming what Sir Edward Hamilton called a 'fishing Committee',[2] testified to its worth in this respect. The National Expenditure Committee of 1902–3 summed it up in its report by saying, 'Every Witness bore testimony to the increasing value of this Committee as a check on wasteful expenditure'.[3]

But what the Expenditure Committee's report did not reveal so clearly was that this work on waste and extravagance was leading the Accounts Committee to a further extension into the realm of organization and methods in the widest sense—questions about departmental organization, distribution of functions, size and arrangement of departments and staffs, co-ordination, and the complexities of contracts policy and procedure. Such an extension was inevitable for there lurked the real causes of waste and inefficiency.

It led also to a new approach. The method of piecemeal attack on details of accounting tended gradually to be replaced by a broader approach based, first, on the notion that economy means efficiency of method, personnel, and organization and, second, on the knowledge gained by experience that at the back of cases of waste and unwise spending often lay a fault in the methods used and the safeguards imposed. That this extension was not pointed out by contemporary observers makes caution necessary not to overestimate it, though looking back it seems to be of the greatest significance. The Comptroller and Auditor

[1] H.C. Debates, 26.7.1905, col. 442.

[2] H.C. 387 of 1902, Evidence, Q. 2102. Sir Edward Hamilton was Financial Permanent Secretary to the Treasury.

[3] H.C. 242 of 1903, p. v.

General in his *Memorandum* of 1916 pointed out that latterly the Committee was becoming more and more concerned with contracts and prices but even he did not say that, by that time, the tendency was to think in wider terms and over-all needs, nor did he note particularly the general reviews which the Committee sometimes made of departmental organization.

The need for this attention to questions of efficiency was pressing. There was, even yet, very little work done of the type we now call 'O. and M.'. The growth of the Civil Service had been empirical and was, during the war, haphazard and thoughtless. The departments paid little heed to 'O. and M.' problems beyond formal questions of pay, pensions, and establishments, but since they conceived these to be their own business the Audit Department and the Accounts Committee had perforce to move with caution and were loath to go beyond judgements on the immediate cases at issue and a few general criticisms. Such questions as contracts and the like were delicate affairs involving departmental discretion and, at the beginning of this period (1888), it was only with reluctance that departments gave information at all.

This extension may be considered under two heads—organization and contracts. Questions of organization usually arose, as they must in this Committee, with some specific case, but during the 1914–18 War the Committee found occasion to review departments as a whole. It was led to do so for a variety of reasons. With no estimates and with votes of credit, much detailed work had necessarily to be given up. New departments had not a rigid vote and sub-head pattern to which they must adhere and the Accounts Committee was thus driven to generalities and different types of inquiry. Departments were set up rapidly and with little thought, their limits ill-defined, their internal and external relations not worked out. The Ministry of Munitions, set up by Lloyd George and Christopher Addison amidst loud applause, with business men in key positions, was totally lacking in its early years in any sort of real co-operation between the various branches, and financial control was virtually non-existent.[1] War or no war, to the Accounts Committee these facts

[1] See P.A.C. R. 1917–18. 47–60 and R. 1918. 21–56. See also N.E.C. 1 R. 1917–18. 23–38 and 1 R. 1918.

cried out for stern action and, in any case, by 1917 parliamentary opinion generally was calling for the reimposition of control.[1]

Hence the Committee found it desirable to make wide investigations into the Army and Navy supply systems and into the financial control exercised in the Air Ministry and, in 1917 and 1918, it considered the Ministry of Munitions as a whole, reviewing it from all aspects. In 1917, taking evidence for four out of their precious thirty days, members learned about the whole organization of the department, and their report dealt not only with its accounts but with its origin and growth, appointments and salaries, the scope and financial results of its work, its factory-building schemes, its contract policy, its costing system, and its co-ordinating machinery.[2] Such a survey as this was no mere post-mortem examination of accounts; it concerned current administration and work, and, though exceptional, it epitomized the growing interest in wider and more vital aspects than accounts.

The growing concern with contracts pointed in the same direction. In 1888 the Committee had just begun to regard contract questions as within its scope. Until this time they had been regarded as purely administrative matters, but the Audit Department had gradually won access to documents relating to them. There is no doubt that its interest was, at first, purely to prevent illegality, and along this line the attack was commenced. The defence departments were especially concerned. Year after year the Navy was called upon to explain questions of extra-legal advances to contractors, waived claims, high payments to contractors at the end of the year, and contracts given without tender, all matters of legality. From there an advance was made to examining contract forms and the bases on which prices were fixed, it being admitted by the Committee in 1894 that 'in these . . . cases there is no question of regularity or legality. . . . The question is one only of administrative discretion.'[3] When the ship-building programme got under way in the nineties, this type of work increased and the Committee's inquiries became more and more pertinent as the departments failed to appreciate the constitutional need to keep Parliament at least informed of

[1] See H.C. Debates, 27.3.1917, cols. 318 ff., and 6.7.1917, col. 1493.
[2] P.A.C. R. 1917–18.
[3] P.A.C. 2 R. 1894. 49.

their actions.[1] The reports are full of complaints such as this, that 'the work of your Committee will be to a large extent useless, if by the excuse of "a change of policy", any Department can shake itself clear of Parliamentary control'.[2] An even more significant line of approach was that of comparative costs. In 1895 the Auditor General's questions about the difference between ship-building costs in Admiralty as opposed to private yards were met with a refusal to give information,[3] but by 1914 the Committee had established a clear right to question them, and the ordnance factories costing system had, under its surveillance, become a valuable source of accurate information. For example, the third report of 1902 contains a reference to a contract with Vickers for Maxim guns at 105 shillings each when the state's ordnance factories could produce them at fifty shillings.

By the time of the South African War there were clear indications of what were to be among the chief expenditure problems of the twentieth century, the problems of the state's relations with private monopolies, and of how to avoid wasteful spending when emergency conditions brought the necessity for speed and uncertainty as to costs and rates of production. These were both problems arising out of conditions where competition, with its rough-and-ready efficiency and economy, was no longer operative, and they showed themselves particularly over questions of contracts. The South African War first pointed the problems and the Great War revealed them with all their complications and difficulties. The Accounts Committee plunged into the sea of industrial relations. After the South African War it was to be found condemning the vicious 'dual' system of contracts and, as early as 1903, it recorded its conviction that the now notorious costs-plus-percentage type of contract was essentially wasteful. During the First World War it devoted its main energies to contract questions. It investigated individual cases which involved it in publicity and recrimination and it pronounced on the merits of the various contract forms. It went even farther when it tackled the problem of contractors' profits, which was becoming urgent now that competition was inopera-

[1] See, for example, ibid., paras. 81–82.

[2] P.A.C. 1 R. 1906. 9.

[3] P.A.C. 3 R. 1895. 32 ff.

tive. It inquired into departmental action to restrict profits and to lay down maximum profit rates. It encouraged and, when necessary, coerced departments into using their full powers of access to companies' books.[1] It insisted on costings wherever possible and reviewed progress in setting up costing systems. It did valuable work in helping to redress the balance at a period when the primary consideration was to 'get the stuff' regardless of price and when the Supreme War Cabinet was thinking in terms of tens of millions of pounds, if of money at all. By the end of the war it was working to a well defined policy. That it was going to the very limits of its powers and farther than its traditions was clear both to Committee members, who more than once wondered how far they should go,[2] and to the protesting departments who, like the Lords of the Admiralty, objected to interrogation on administrative matters 'which, subject to correction, My Lords understand were outside the immediate purview of the Committee'.[3]

The place which these extensions took in the work of the Committee, though important and significant, must not be overrated. For tied as members were to the accounts, they could not stray far afield or for long. The tendency to make wide surveys was accelerated by the peculiar conditions which obtained in the period of tension leading up to 1914 and in the subsequent war. With the return of peace and more normal conditions and with the advent of a period of 'retrenchment' and a demand for cuts, however niggling, members' attention tended to return to the accounts, which were again presented in full.

Also, by the end of this period, certain limitations were clearly apparent. They did not arise from the constitutional right of the Committee to inquire more widely, though there is no doubt that had it continued and extended this type of work it would have raised the difficult problems which the work of active Estimates and Expenditure Committees subsequently threw up. Nor did members lack the knowledge to conduct some sort of wide inquiry if the chairman considered it within the

[1] Powers given under D.O.R.A. See 3 R. 1919. 29 for an example.
[2] See P.A.C. Reports for 1919, Evidence, Q. 4417.
[3] P.A.C. R. 1917–18, Evidence, App. 7, p. 211.

terms of reference. The limitations were connected rather with the Committee's procedure, its sources of information, and difficulties of time and approach. The procedure was traditional, having been laid down in the first years when routine checking was the Committee's main function, a judicial mien its chief attribute, and financial officers the sole necessary witnesses. Now that it was considering wider questions of merit, organization, and especially contracts and relations with industry, it was very difficult and, in fact, proved impossible to stick to the routine procedure of examining only departmental officers and an occasional minister and of retaining anonymity in reports. Beginning in 1901, when Mr. Gibson Bowles suggested that a J. F. Hope, Esq. be invited to give evidence to support allegations he had made, there are examples of outside witnesses being invited to testify on their own behalf. Both in 1905 and 1919, representatives of firms were called.[1] The cloak of anonymity was also occasionally dropped both in the South African and the 1914–18 War, when firms were mentioned by name and sometimes censured in reports.

Yet it was clear that these were exceptions and were regarded as such. In the debate of 24 October 1916,[2] and in reports, it was made perfectly clear that the Committee did not normally call third parties, though there were suggestions that it should. These were based on the plea of *audi alteram partem* and were answered by Mr. Leif Jones with the assertion that 'We [the Committee] are not a court of justice'.[3] But it was exactly the Committee's success in achieving the impartiality of a court that seemed to make it necessary. It was difficult to see how the Committee was going to retain its position as the judge of departmental action if, in face of modern developments which brought the state more and more into contact with industry, it still declined to hear all sides and all information and was limited to criticizing only the departments. On the other hand, if it did offer to hear outside evidence and subsequently to judge and report, then it would in fairness have to hear all sides, its work would be much publicized, and it would become involved

[1] See 3 R. 1905, Evidence, Q. 4566, and 3 R. 1919, Evidence, Q. 4415.
[2] Cols. 1005 ff.
[3] Col. 1036.

in the morass of charge and counter-charge which is the feature of inquiries of this nature.

Furthermore, it would have to solve its time difficulties, for as it worked then and now, it had no time to hear involved charges and long defences. It conceived its task as that of examining all the increasing number of accounts every year and it had to do so between February or March and the recess. When expenditure was £70m. in 1870, it had found work for ten or a dozen sittings and by 1924, when the expenditure was £800m., it was sitting thirty or more times, that is, twice a week through a large part of the session, and there was often a big rush to get through the accounts.[1] With the return to peace conditions the Committee resumed its examination of detailed appropriation accounts representing expenditure some four times as large as that in 1913, to say nothing of the trading accounts and a growing number of new accounts added by the House. The remedies lay in its own hands, to ask the House to change its terms of reference and powers so that it might sit when it wished and divide, as did the National Expenditure Committee,[2] into sub-committees, increasing its numbers if necessary. But its traditions were the source of its prestige and power and they died hard.

It seemed similarly bound as far as information was concerned. Its basis and starting-point were the accounts, and it may be doubted whether they were the best source of the questions to which, by common consent, attention was now being directed. A period of criticism culminated in the National Expenditure Committee's seventh report of 1918,[3] which commented severely on the form of the nation's accounts and made proposals for a new set to aid the administration to attain economy and the legislature to check it. The skill and experience of the Audit Department made up to a certain extent for the form of the accounts, but the Auditor General was not slow to point out his limitations,[4] and his status with the departments depended upon his discretion as an auditor.

[1] For example, in 1921 there were thirty-five meetings; in 1924, thirty-one.

[2] See below, pp. 95–96.

[3] *Form of Public Accounts*, H.C. 98 of 1918.

[4] See Mr. Richmond's evidence to the National Expenditure Committee, H.C. 387 of 1902, Evidence, Qs. 824–33.

Finally, approaching the accounts as it did via the Auditor General's report, the Committee worked in a piecemeal fashion, taking point after point as they occurred. Discussion could and did arise suddenly and unexpectedly to take up the valuable time of the whole Committee, despite the chairman's preparation of a programme of work. Moreover, it could rarely adopt the 'problem', as opposed to the 'accounts', approach from the start of its inquiries and Mr. Herbert (now Lord) Samuel echoed the view of many when he pointed to this as a fault.[1] True, when problems appeared, as they often did through the occurrence of a number of similar cases, they were considered from a broader viewpoint, and the Committee's own experience pointed to the need for this wider approach as the most valuable and, with vast expenditure, the only possible method of attack. In practice, however, it rarely went farther than department-wide inquiries.

Thus, the Committee was faced with problems of time and procedure which threatened either to make it ineffective as an instrument of economy or to change its character. War pointed them more sharply but they were, none the less, present in peace.

The heavy expenditure and the difficulties arising out of the state's relations with industry, which had led to the development of the 'discretionary' audit and to the extension of the work done by the Accounts Committee and which had brought that body up to its limits in its present form, had also extensive effects on opinion concerning control. From about 1900 further needs were diagnosed, old machinery criticized, and new experiments tried in a spate of thought and discussion only paralleled by the men of 1855 to 1865.

It will be remembered that by 1888 the experts had begun to realize the needs of the new situation which was developing—that there must be a change of approach in the departments and controlling agencies, and that the more profitable line was to concentrate on system and method rather than on purely financial results, which are only their reflection. The attitude of the Commons generally was a changing one. It was no longer the negative but satisfied approach of the sixties. Experience of higher expenditure was leading the House to question the efficacy of its control. At first, members' views were nebulous

[1] H.C. Debates, 6.7.1917, col. 1553.

and tended to be confined to a general lament for lost control and the need for more, a healthy phenomenon common to every generation of M.P.s, but one to which point was added at this time by the political circumstances and a crowded timetable necessitating procedure changes. Questions of expenditure obtained more publicity and were more thought about, especially with an active Accounts Committee doing work which was increasingly topical, and it is not surprising, therefore, that the demand became general that the Committee's reports be debated. Debates took place in 1905, 1907, 1908, 1910, and 1916, by which time the sad truth was apparent that members were only really interested if the reports contained references to topical questions. If they did not, debates were likely to be scrappy affairs on a Friday in July, what Mr. Winston Churchill called 'a pleasant interlude amidst the hard, political times through which they were passing'.[1] However, they did have the effect of focusing attention on the problems of control in general and the Accounts Committee in particular, and they added to the volume of comment and complaint on the subject.

II

Comment, whether general on the insufficiency of supply procedure in the House or more particular on the merits of committee control, led eventually to the same point. It centred on controversy over the desirability or otherwise of an *estimates committee*. Attention had been drawn to the subject by the experiments of 1887–8,[2] by the changing character of debate in Committee of Supply and the supply procedure changes. In 1896 supply days were limited to twenty, with a possible extra three, and in 1902 Mr. Balfour made this a permanent rule in Standing Order No. 14. The spotlight was thrown directly on the control of expenditure by the National Expenditure Committee of 1902–3, to which the House put the problem fully and succinctly. It was directed 'to inquire whether any plan can be advantageously adopted for enabling the House, by Select Committee or otherwise, more effectively to make an examination not involving criticisms of policy, into the details

[1] H.C. Debates, 26.7.1905, col. 441.

[2] The committees of these years were isolated investigations set up with special motives as a result of political differences.

of National Expenditure'. It heard general praise for the Accounts Committee and conflicting evidence as to how far that body could go into 'the merit of expenditure' and it revealed a sharp division of opinion on the desirability of an estimates committee as a permanent piece of machinery. Its report recognized the value of the Auditor General and the Accounts Committee, its praise marking perhaps the high watermark of that body's prestige, but it also recommended an estimates committee to examine one class of the estimates each year.[1] Thus, though it did not say so, it implied that, for all its praise, it considered the Accounts Committee to have a limited function and did not regard it as sufficient by itself to control 'the details of National Expenditure'.

The debates in the years that followed took their tone from this report. They revealed that members realized that 'economy and efficiency is always linked hand in hand. If you go to any business, you will find, without any niggardliness . . . that economy in practice is carried out—economy of machinery and economy of staff, coupled always with efficiency'.[2] They revealed also that members admired the Accounts Committee, but thought it was limited. Mr. Winston Churchill analysed the problem as he saw it thus; financial questions were divided into three types—policy, merit, and audit. The first was for the Cabinet, the third for the Accounts Committee. 'But between these two, there was a lacuna or middle ground, which, for want of a better term, he called the merit of expenditure, and upon that no control adequately or effectively operated.'[3] This fairly represented the views of many members who were dissatisfied. But they were perhaps not fully aware of the difficulties, for the Expenditure Committee had not pointed out that this field was the one in which the departments worked and that control by the legislature was constitutionally and technically difficult to set up. It had not made clear that to control at this stage was a delicate matter of aiming at economy, while not impairing the

[1] This recommendation was by no means unanimous. The clause proposing an estimates committee was an amendment by Mr. Winston Churchill carried against the chairman by a majority of one. See H.C. Debates, 17.4.1912, col. 393.

[2] Mr. Thomas Lough, H.C. Debates, 17.4.1912, col. 388.

[3] H.C. Debates, 26.7.1905, col. 1443.

departments' legitimate freedom of action. Neither had it stressed sufficiently that the primary cause of the much-condemned waste was, as the Accounts Committee was finding out, lack of organization and wrong methods, and that it was to these points rather than to details of money estimates or accounts that control should be directed. Most important, it was not clearly realized that it must be the job of the government and the administration themselves to achieve and maintain efficiency and that it was for the House only to review progress, or lack of it, to judge results achieved and not to do the job itself. But many saw only that there was an obvious gap which they thought must be filled by the House, and they charged the Accounts Committee with operating only a post-mortem control with no power actually to prevent unwise spending. They thought that the time to effect economies was before the expenditure was incurred, that is at the estimates stage, and that the most efficient instrument for doing it was a House of Commons committee, in fact an estimates committee.

The demand grew from 1903 to 1912 when, as the result of a 'very powerful memorial from all quarters of the House', the Government agreed to set up an annual committee to examine the estimates.[1] Some members hoped for a committee to embarrass the Government as in 1887 and 1888, but when he introduced the resolution, Mr. Lloyd George made it clear that the new body would work within the limits of policy.

This first permanent Estimates Committee was appointed in February or March and reported as it completed its work. It numbered fifteen members who were perhaps not so distinguished as the Accounts Committee, but their chairman was Sir Frederick Banbury who was well known as holding older, sterner views, unfavourable to lavish spending.[2] The suggestion

[1] See H.C. Debates, 17.4.1912, col. 360.

[2] Sir Frederick George Banbury, later first Baron Banbury (1850–1936), was a stockbroker and business man. He entered the House in 1892 and represented the City of London from 1906 until he became a peer in 1924. 'He made for himself a unique position as an opponent of legislation which appeared to him unnecessary and of change which he did not regard as progress. This was facilitated by his ability to talk at any length at any moment on any subject.' He was an especially able critic of financial matters of which he had a great technical knowledge. See *D.N.B., 1931–40*, pp. 38–39. See also below, pp. 102, 124, and 125–7.

made by the 1902–3 Expenditure Committee, for liason with the Accounts Committee by overlapping membership, was not fully carried out. In 1912 the Committee included only two Accounts Committee members and two ex-members. Unlike that Committee, the Estimates Committee had no preparatory work done for it since it had no staff except its clerk. It sat as one body, calling witnesses as required, and the procedure soon grew to be that the Accounting Officer of the department under review and a Treasury officer concerned with that department attended regularly, other departmental officers as required. Although it had no formal power to do so, in 1914 it made one unofficial visit.[1] The Treasury wrote minutes on each report but they seem to lack the deference shown to Accounts Committee reports.

The results of inexperience, the vague terms of reference, and the lack of staff and preparation were reflected in the work of the new body. It took the estimates of one department each year,[2] a quite inadequate proportion of the whole, and went through them vote by vote, item by item, hoping to 'effect economies'.[3] This procedure was crude in the extreme. Without previous preparation, without experience or aid, members attempted to criticize the complicated plans which a department and the Treasury had taken more than one year to hammer out as the minimum requirements of the service, and to which they were committed. It is not surprising, therefore, that reports were undistinguished. In its efforts to achieve economies, the Committee inquired into the method of preparation of estimates, but though this appeared to be a profitable line of inquiry, its conclusions were rejected by the Treasury and the departments concerned.[4] Its only other large-scale investigation was into contracts made by the state with industries in which there was only limited competition. Its work on this subject, however, was more educative than anything else. Otherwise its recommendations were mainly on petty points of detail.

In 1914 the experiment was brought to an end by the war.

[1] See H.C. 189—I of 1945–6, Evidence, Q. 4526.

[2] In session 1912–13, Office of Works; in 1913 the Navy; in 1914 the Army.

[3] See E.C. R. 1912–13, Evidence, Q. 182.

[4] See E.C. R. 1913, App. 1, for the Treasury's flat refusal to accept the Committee's conclusions.

It was incomplete and the Committee had had little time to learn its job. There were signs that it was beginning to view its functions as those of an expenditure committee of the later war-time varieties, as its work in 1913 on contracts showed. It soon saw the importance of checking the means by which departments arrived at their estimates and of their methods and organization, but it never escaped from the blinding morass of the volumes of estimates. With no expert staff to do preparatory work, with a useless form of attack, which made its investigations a hit and miss affair, and depending as it did on interested witnesses, it could not hope to do much. Even if it did report important conclusions, there was no machinery by which the House could use its reports, and action therefore depended upon the Treasury and on departments committed to the very things that it was trying to change.

In its short life the Estimates Committee seems to have convinced contemporaries of its failure. Colonel Durell thought it could do little not done by the Accounts Committee,[1] while Mr. E. H. Davenport wrote that it was 'generally recognized that the Estimates Committee has been a failure'.[2] On the other hand, this short experience did not convince the majority of those interested that any estimates committee would inevitably fail. Indeed, the inquiries of the National Expenditure Committee in 1918 revealed that most witnesses were still in favour of some sort of body to examine estimates.[3] Reviewing this experiment of 1912–14, it diagnosed the faults of the old and prescribed remedies for a new committee. To cope with the large amount of work involved, it recommended two or more bodies. To overcome the difficulty of finding useful lines of inquiry in the estimates as they stood, it prescribed a new form of estimates and accounts, including 'unit' costs, for easy comparison. For expert preparatory work it recommended an 'Examiner of Estimates'. Finally, it provided for liaison with the Public Accounts Committee and for debates on committee reports.

The more fundamental difficulties it ignored, though the experience of these three years seemed to suggest them. The specific plans of the government were difficult to attack and ought

[1] *Parliamentary Grants*, pp. 142–54.
[2] *Parliament and the Tax Payer*, p. 141.
[3] See N.E.C. 9 R. 1918, App.

not to be changed. A more fruitful field lay, first, in the administration's system and methods, and, second, in its current expenditure, for work that was in progress could properly be reviewed if it were possible to do so. Again, the Committee came in at too late a stage to review estimates, for by then they were already cut and dried. Yet earlier parliamentary review was an impossibility. Finally, it was already clear that the struggle for efficiency could only be won if all pulled the same way. Much of the success of the Accounts Committee was due to the identity of interests between the Treasury, financial sections of departments, and the Committee itself. The approach via the estimates, the government's plans, meant inevitably that one side would defend, the other attack. On the side of the defence lay all the advantages.

III

The prevailing mood in the first two years of the First World War was not conducive to any sort of financial control. 'War', said Alistair Cooke, 'is an alarm bell which demands production before planning'.[1] Even the Accounts Committee 'somewhat expedited' its inquiries. But by 1916 the tide was turning. Production was swinging into full stride and so was expenditure. By October 1916 some members, influenced by the success of the two Cabinet Committees on Army and Navy Expenditure under Mr. Herbert Samuel (now Lord Samuel) and Mr. Walter Long, were demanding other such committees, whose job it would be to check wasteful methods and unplanned expansion.[2] By 1917 there was a widespread feeling that relaxed Treasury control had led to completely unchecked spending and wild stories were circulating. Even if such stories could be ignored, it was not possible for members to close their eyes to an expenditure of £7½m. per day, and they added to their expressions of fear complaints that they were not given even the barest information.

Out of this discontent arose the demand for a National Expenditure Committee. In its broad outlines it was nothing new. Expenditure committees of one sort or another littered the nineteenth century, but they were all of the occasional variety.

[1] Alistair Cooke in a broadcast, 4 Sept. 1947.

[2] See H.C. Debates, 24.10.1916, cols. 1060 and 1065.

More immediately, this demand arose from two sources. First, the two Cabinet Committees on Admiralty and War Office Expenditure had achieved a notable success and they had done so by maintaining amicable relations with the Government and the departments. Members believed it was possible to extend this type of committee. Second, Sir Charles Harris told the Accounts Committee in 1925 that the idea of an Expenditure Committee originated in conversation between certain M.P.s, including Sir Robert Williams, the Accounts Committee chairman, and Sir Godfrey Collins and officials like Sir Henry Gibson, the Auditor General, and Sir Charles Harris himself, who were 'impressed by the uncontrolled extravagance proceeding in all directions'.[1] The idea found strong support when it was introduced in a debate in March 1917 by Sir Godfrey Collins,[2] and, finally, the proposals of the now substantial group were submitted in writing to the Chancellor of the Exchequer. On 6 July 1917, a motion for a committee to review expenditure was introduced in the name of members from all sides of the House.[3] The ensuing debate made it clear that the objection was not so much to spending, though a current of alarm ran through the speeches nevertheless, as to suspected waste, to knowledge that the Treasury and ministers were powerless to control much of the spending and to the ignorance in which the House was kept. Mr. Herbert Samuel outlined a plan for a National Expenditure Committee divided into sub-committees to sit in the departments, and to obtain its original lines of information from M.P.s and others.

Mr. Bonar Law in his normal affable manner acquiesced. He said afterwards that he had made a 'parliamentary bargain'.[4] The Committee was to have wide terms of reference on condition that its attitude would be that of a constructive, not a destructive, critic. He agreed to a continuous committee on the lines laid down by Mr. Herbert Samuel, not only to review national expenditure, but also with a specific direction to make

[1] P.A.C. R. 1924–5, Evidence, App. 33, para. 1. Sir Charles Harris was Accounting Officer in the War Office. He was a very able civil servant with a wide knowledge of accounting in the public service. See below, p. 117.

[2] H.C. Debates, 27.3.1917, cols. 318 ff.

[3] H.C. Debates, 6.7.1917, col. 1493.

[4] H.C. Debates, 29.1.1918, col. 1493.

recommendations on the form of the public accounts and the procedure of the House in Supply. Further, the Committee was directed 'to make recommendations in regard to . . . the system of control within the departments and by the Treasury', which made clear the belief that it was to this point that many faults could trace their origin and to this point that a committee should turn its attention. A feature of the Committee's powers was the provision for the appointment from outside its own body 'of such additional persons as it may think fit to serve on any sub-committee'. This was clearly intended to provide for professional assistance on questions concerning the form of accounts. The large number of members (twenty-six) gave ample scope for division into sub-committees.

Though its functions were amply stated and its procedure partly provided for, the Committee was left to work out its own line with regard to sources of information and relations with departments and the Treasury. If it was to succeed, it had to devise a method of examining 'current expenditure' while still retaining the goodwill of the Government and departments. Unlike other financial committees, it had no starting-point in the estimates or accounts. But this was, perhaps, not a bad thing provided some means could be found of obtaining the initial 'lines' and the necessary information.

The National Expenditure Committee sat from August 1917 until the end of 1920, but it is difficult to come to any definite conclusions on procedure, organization, and work as a whole, for three reasons. In the first place, rather more than a year of its work was done during the war, and the rest of it in the muddled period of transition back to peace. Second, the election of 1918, which brought in a new House at the beginning of 1919, caused a big change in personnel and brought a new chairman. Last, until 1919 the Committee was regarded with favour by the Government; after that time, under the chairmanship of Sir Frederick Banbury, it forfeited that goodwill, and the two periods are thus very different in atmosphere.

With Mr. Herbert Samuel in the chair, the form the Committee took naturally followed that outlined in his speech. It split into sub-committees reporting their findings from time to time to the main body, which considered and adopted their

draft reports.[1] Each sub-committee was assigned a group of departments to investigate. The division was originally made on a more or less functional basis, but by 1920 it was difficult to see what principle, if any, governed the allocation. At first there were six sub-committees investigating expenditure plus one on procedure and one on the form of the accounts; but in 1919 there were four in all, and in 1920 only three. The reasons for this are not clear. It may have been that with the end of the war there were fewer departments for review, since the departments which cried out for investigation, the war-time creations, were winding up while others were reorganizing. By 1920, too, some departments such as the Treasury had already been thoroughly investigated in previous sessions.

The value of the division of labour was immediately apparent. With eight sub-committees, as in 1917 and 1918, almost eight times as much work could be done provided the main body had confidence in the sub-committees. By the end of January 1918, that is, after six months, sittings of the sub-committees and main body numbered 160 and they had taken evidence from 220 witnesses,[2] and by August 1918, after one year's work, they had met 265 times.[3] This may be contrasted with the Accounts Committee's modest thirty sittings per annum.

On the surface, the question of information seemed the most difficult problem facing the Committee. Here again, Mr. Herbert Samuel's experience in the Cabinet Committee on Admiralty Expenditure was invaluable. He saw that if each sub-committee examined a few departments, preferably closely related, and sat in the departments themselves as they mostly did,[4] then, provided amicable relations were maintained, they could acquire a good deal of intimate knowledge and all the information the departments had to give. The fact that evidence was not normally published caused departmental officers to be more free than they might otherwise have been. True, without expert staff, members had only their own knowledge by which to judge the evidence given, but they checked by hearing outside witnesses such as

[1] In the case of the important sub-committee on procedure, its job was rather to prepare the ground for the main body than to produce a report. See Appendix 2 below for details of the division into sub-committees.

[2] See H.C. Debates, 29.1.1918, col. 1446.

[3] H.C. 189—I of 1945–6, Evidence, pp. 229–30.

[4] Ibid.

Army officers, contractors, and others and by paying visits to gain first-hand impressions.[1] At least such reviews had more chance of success than the pre-war attempt to examine complicated volumes of estimates.

Their initial information and lines members expected to, and did, obtain from their own knowledge and from other M.P.s. Their first special report appealed to M.P.s for profitable subjects of inquiry, and Mr. Herbert Samuel repeated the invitation in the House, stating his intention to circularize members.[2] This proved a valuable source of starting-points and, though many were probably insignificant and petty, some led on to the wide questions which were not so immediately apparent on the surface. Once aware of the main problems and danger spots, the Committee had no difficulty in picking the more significant topics for consideration. Mr. Herbert Samuel's hope that the departments themselves might indicate lines of inquiry does not, naturally enough, seem to have borne fruit. In practice, this system of finding subjects for investigation seems to have worked, although at least one Committee member contrasted it unfavourably with that of the Accounts Committee. While he sat, he said, 'it was with the utmost difficulty that we could get really to business there because we had not got an expert official'.[3] But this member's evidence may not be worth much for it conflicts with the evidence of others.

The impression to be gained from examination of the National Expenditure Committee is that there was a honeymoon period during Mr. Herbert Samuel's chairmanship, and such a view is confirmed by the friendly manner in which Mr. Bonar Law gave information about the Government's action on reports and by his obvious efforts to meet criticism. He had made it clear that the Committee existed to co-operate and its chairman made much of this point and was thus in a strong position to press recommendations. Action took the normal channels. The Treasury considered the reports and referred them to the departments with comments and decisions. The results were given publicity

[1] The Committee had no formal power to adjourn from place to place, but apparently assumed it.

[2] See H.C. 125 of 1917–18 and H.C. Debates, 30.10.1917, col. 1360.

[3] H.C. Debates, 28.6.1921, col. 2097.

mainly by a series of elaborate answers in the House. These took the form of statements on the reports, giving the Committee's recommendations, comment, and action thereon to date. Through 1917 and 1918, these answers were a regular feature and dealt more or less fully with the reports.[1] Later, when the Committee was less popular, they became fewer and less satisfactory and the procedure petered out. Besides these statements the normal parliamentary questions and answers pressed points or gave information. On occasions, by agreement, the Committee's reports were brought up in supply debates[2] and once a full-scale debate was held on the motion that 'the Reports . . . be now considered',[3] an event which indicated the interest in its work. This debate revealed the satisfactory nature of the Government's initial action on the first reports. Of fifty-two recommendations made, no fewer than thirty-four were being acted upon, eleven were being considered, and with seven the Government disagreed. This effort to meet the Committee's wishes was, however, not kept up in 1919 and 1920; the debates of those years contained many complaints about the slowness of action and much disagreement was apparent.[4]

Under Mr. Herbert Samuel's leadership, the Committee worked on a wider scale than had ever formerly been attempted, and whereas at this time the Accounts Committee was only just beginning, after a long and gradual extension, to review departments as a whole, this Committee began at once and was in fact organized to do this very work. Its twenty-six reports, of which the great majority were departmental reviews, were issued from time to time as sub-committees finished pieces of work and the main body approved them. Thus they provided a survey ranging over the whole field of government business which, though by no means continuous as regards each and every department, did tend to focus attention on the main weak points and did not allow them to be forgotten.

The scope of its work may be divided according to the terms of reference.

[1] See, for example, H.C. Debates, 3.6.1918, col. 1237.
[2] See, for example, H.C. Debates, 30.10.1917, col. 1359.
[3] H.C. Debates, 29.1.1918, cols. 445 ff.
[4] See, for example, Mr. Bonar Law's angry outburst, H.C. Debates, 3.8.1920, col. 2322.

In the first place, the Committee was instructed to examine current expenditure and to report possible 'economies consistent with . . . policy'. It was not confined to war expenditure and was thus free to review whatever government activity it pleased. Obviously, an expenditure of over £3000m. could not be exhaustively reviewed, and the Committee also proceeded on the assumption that it was both impossible and unnecessary to concentrate on purely financial aspects. What it did do was to conduct general reviews and produce reports, often of a descriptive nature, on the work over a period of selected departments or services, to outline results, giving total figures, and to comment on the conduct of business and the results achieved. These reviews also often included surveys of departmental organization, staff, and financial control. Such work may be seen in the fourth report of 1918 and the fifth of 1919 on the big spending schemes of the Ministry of Shipping, or in the seventh report of 1918 on the financial arrangements with the railway companies. One or two reports treated wider subjects, in which cases the approach was that of considering problems rather than departments. After expert evidence by Mr. J. M. (later Lord) Keynes, the Committee produced the second report of 1918, an economic study of the rise in wages and prices and the dangers resulting therefrom. But such 'horizontal' inquiries were the exception and their chief value was educative. However, they had good publicity value in view of the Commons' complaint of lack of information. Reports were widely quoted in the House and much commented on in the press. By 1920, when the word 'retrenchment' was on everyone's lips, they reflected the prevailing mood in their criticisms, for example, of capital expenditure.

Coupled with the general reviews were investigations into specific cases of waste and inefficiency, of which the Committee was informed, or across which it stumbled. Like the Accounts Committee, which had been doing this work for years, the Expenditure Committee could not claim to be exhaustive or to detect every case, and although it was more up to the minute, it had no filter to keep small cases from coming to its notice, and only the good sense of the chairmen and the advice of the clerks could prevent this happening. On the other hand, its

investigations were more intimate and its reports contain valuable impressions gained by visits. Even so, the work was mainly post-mortem and its chief results deterrent. For example, the report on an ill-conceived scheme for an aerodrome on a Scottish peat-bog reached the high literary quality of the epitaph it could only be. The project was, the report said, 'misconceived from the beginning, and . . . even if once begun, ought never to have been continued. Its name will be remembered as the scene of one of the most striking instances of wasted expenditure that our records can show.'[1]

Besides reviewing current expenditure, the Committee also conducted surveys and made recommendations 'in regard to . . . the system of control within the departments and by the Treasury'. This is the sort of work a committee can best do. Bonar Law envisaged it when he said 'the most we can hope to do, and it is on that basis that the Committee have acted, is to try to get a good system of expenditure'.[2] Here it did its best and most valuable work. It must be remembered that problems of departmental organization had been but little examined before this time, except on the financial side by the Accounts Committee. Now both Committees were doing it, but whereas the Accounts Committee could only do a limited review because of its time difficulties, this body was not so cramped. Working in sub-committees it could also cover a larger number of departments. Its report on the Ministry of Munitions[3] was enthusiastically called by one writer 'one of the most important State Papers of the War',[4] and while that is perhaps an overstatement, it is a very workmanlike and thorough report. Following up an earlier survey of 1917, the Committee outlined the whole origin, organization, and functions of the ministry, its financial control, supply procedure, and co-ordination arrangements. Its criticisms were severe, but constructive, and its recommendations sound. In the same way, other departments were surveyed more or less exhaustively. The value of a visit can be seen in criticisms of 'the lack of labour saving plant and

[1] N.E.C. 3 R. 1918. 91. The subject is the flying school at Loch Doon.
[2] H.C. Debates, 29.1.1918, col. 1494.
[3] N.E.C. 1 R. 1918. Compare this report with P.A.C. R. 1917–18. 47–60.
[4] Davenport, op. cit., p. 179.

appliances' in Admiralty dockyards[1] and the comments on the inefficient filing system and wasted office space in the Ministry of National Service.[2]

The Treasury came in for exhaustive survey because of its obvious loss of control over departments and its failure to give adequate consideration to costs during the war. Apart from general criticisms of Treasury inability to correct and improve departmental organization, or to prevent high costs and to restrict profit rates, the Committee made clearly the important point that, though parliamentary committees could occasionally draw attention to organization and staff questions, there fell on the Treasury in virtue of its position the onus of doing this work. Facing the issue squarely, it recommended increased Treasury control and supervision over staff, organization, methods, profits, contracts, and co-ordination. The results were seen in Lord Inchcape's Committee on Methods, Contracts, and Purchase, and in the Bradbury Committee which, with a series of other committees, worked on departmental staff questions and produced, amongst others, the well-known report recommending the setting up of establishments staffs and an establishments division in the Treasury.[3] Thus, by placing the responsibility where it should lie, at the Treasury's door, the Expenditure Committee succeeded in moving that department to swift action. Like the Accounts Committee, it was willing to go into administrative detail but it was also taking a wider view, making wide suggestions, and altogether working on a broader canvas. It conceived an expenditure committee to be a series of groups intimately connected with the departments, its job to review and comment generally, to exhort and to suggest, but by no means to take any responsibility for work or organization.

The remainder of its work was of a different nature. The terms of reference specifically directed it 'to make recommendations in regard to the form of the public accounts . . . and the procedure of this House in relation to supply'. This was the sort of work usually assigned to special *ad hoc* select committees

[1] N.E.C. 10 R. 1918. 23. [2] N.E.C. 1 R. 1917–18. 50.

[3] *The Report of the Committee on the Organisation and Staffing of Government Offices*, Cmd. 62 (1919).

and the conclusions to which the Expenditure Committee came have the more permanent character of the reports of such bodies.[1] They will be examined below.

What can be said of this experiment? That it was regarded as successful by contemporaries is clear.[2] That it was a valuable precedent may be seen from the fact that in 1939 a similar committee was immediately set up. It appeared to achieve more nearly than any earlier committee the type of review the Commons wanted and for which there was a continual demand. Its organization was, perhaps, its most notable feature and its most valuable contribution. Organized as it was and working in the departments, it had clear advantages over the Estimates and Accounts Committees, though much depended on the ability of each of the sub-committee chairmen and the maintenance of good relations with the departments. It could, and did, do work on organization, contracts, and supply problems, which was not done on the same scale by any other body.

Such a favourable judgement must, however, be modified by the fact that in its last two years of life its relations with the Government were far less happy and its achievements less solid. Action on its reports was slower and it lost the co-operation of the Government, which so marked its first years. What, in 1918, had looked like a friendly committee offering constructive criticism seemed, in 1920, to an angry Bonar Law a 'Star Chamber'.[3] Certainly, its last year was a stormy one for it was involved in a furious altercation with the Ministry of Munitions[4] and finally with the Prime Minister himself, whom it charged with giving an untrue answer in the House.[5] Now much of this was undoubtedly personal, but even that fact is significant. Mr. Herbert Samuel was an outstanding chairman and, though a critic of the Government, Mr. Bonar Law considered him a constructive critic with a sense of responsibility. Sir Frederick Banbury, he implied in 1920, was not, and he charged him with not keep-

[1] See N.E.C. 7 R. 1918 and 9 R. 1918.

[2] See, for example, Mr. Leif Jones's judgement, H.C. Debates, 29.1.1918, col. 1475. He had had long experience of Accounts and Estimates Committees.

[3] His own phrase. See H.C. Debates, 3.8.1920, col. 2322.

[4] Over the sale of the huge St. Omer vehicle dump and other matters of this kind. Reports, debates, and the press are full of the charges and countercharges.

[5] N.E.C. 7 R. 1920. 98.

ing the 'parliamentary bargain' that had been made.[1] This seems to suggest that the Committee depended a good deal on the quality of its chairman. While this clearly applies to almost any committee, it is particularly important in this type which has no rigid procedure and little expert help, and which inquires into live matters of administrative action.

There are, of course, other reasons which can help account for the failure in the later stages. It is significant that at first the Committee did its work during the war when it could be assumed that the broad aim of all was to achieve victory and to keep expenditure as low as possible consistent with that end. Not only the critics, but the Government itself, were worried at the high rate of spending. Moreover, the normal party governmental process was in abeyance and the Government felt that this Committee, inconvenient though it might be, consisted of men whose aims were the same as its own, and that it was but a small price to pay in the face of growing criticism for continued political amity. When it was led by Mr. Herbert Samuel, it was regarded as a potential aid to government. In the new Parliament of 1919 a return was made to more normal governing processes as the country returned to peace and politics. The National Expenditure Committee, pursuing its inquiries with more certainty and less sympathy, began to assume the aspect of a powerful critic with a foot in the departments. Governments and government men in Great Britain, it is well known, have always condemned any sort of parliamentary committees working close to the departments and this fact, together with Sir Frederick Banbury's untactful handling, may well help to explain the decision not to renew the Committee in 1921.[2]

IV

With peace and more normal conditions, questions of what permanent controls were necessary became urgent, and it was only to be expected that the impact of the war, of higher spending, and of the new experiments in control should have had a profound effect on opinion. The impression to be gained is one

[1] H.C. Debates, 3.8.1920, cols. 2318–19.

[2] The experience of the 1939–45 Committee is significant in this respect. See below, pp. 161–2.

of accumulated dissatisfaction leading to a vast amount of thought about, and inquiry into, the subjects of control, of organization, and of machinery of government generally. The result was a wealth of ideas from committees, civil servants, and students of government. The needs were made the more urgent by the difficult financial position which led to the retrenchment period of the early twenties.

The National Expenditure Committee had been directed to examine, amongst other things, the procedure of the House in relation to supply, and it set out its conclusions in its ninth report of 1918.[1] Replies to a questionnaire sent out are a valuable source of evidence on informed parliamentary and other opinion.[2] Among those questioned were the Speaker (the Rt. Hon. James Lowther), Sir Charles Hobhouse, Mr. Austen Chamberlain, Mr. McKenna, Mr. Asquith, Mr. Hayes Fisher, Sir Thomas Gibson Bowles, and Mr. Sidney Webb. Most of them agreed that contemporary methods were inadequate and most, despite the 1912–14 experiment, favoured an estimates committee, though they wanted it strengthened. The Expenditure Committee's tentative proposal for a strong joint estimates and public accounts committee was received with mixed feelings. Many felt that the difficulties of amalgamating their functions would be too great and were against tampering with the Accounts Committee, which they thought was efficient in a limited sphere. This report, in fact, marks the final acceptance of this view of the Accounts Committee's place and limitations. 'No one would suggest', the report said, 'that it covers, or could be made to cover, the whole field.'[3] Government officials and ex-ministers, in their replies, tended to deny that the legislature could ever control; they maintained that the job of securing efficiency was an internal affair best left entirely to the departments and the Treasury—a view which, though it could not be accepted for constitutional reasons, had some truth in it. But the real reasons of the Government spokesmen were probably more truthfully expressed in their fears that any powerful committee (such as this proposed joint body) would impair 'ministerial responsibility', an argument which later drew from Sir Henry Gibson, a former Comptroller and Auditor General,

[1] H.C. 121 of 1918. [2] See ibid., Appendix. [3] Ibid., para. 6.

the angry retort that 'the House of Commons should assert itself in this matter and disregard the threadbare objections put forward by Ministers, such as the weakening of Ministerial responsibility and the sapping of Treasury control'.[1]

Picking its way carefully between extreme views, the Committee finally recommended two or more estimates committees of fifteen members each, to be aided by an 'Examiner of Estimates'. Their work of examining all the estimates was to be co-ordinated with that of the House in supply debates and they were also to consider supplementary estimates and the money resolutions for bills. In an effort to get live supply debates, it recommended that votes in supply should be 'free'. These recommendations, which represented the considered opinion of a strong House of Commons Committee, showed that the idea of an estimates committee was by no means weakened by the experiment of 1912–14. The faults revealed then appeared to members to be capable of remedy and they skated over the difficulties inherent in any attempt to control the government's plans. Indeed, they had not much choice. The House itself had, whatever happened, to consider the estimates. It could not completely abandon any pretence of financial criticism and it still did not seem impossible that some form of control through the estimates could be worked out.

Others, however, were viewing the problem of expenditure control rather as one of a series of questions connected with government machinery and organization generally. The whole trend of the work of financial committees themselves pointed, as these chapters make clear, to the fact that behind unwise spending lay problems which could only be solved in and by departments, problems of organization and procedure, of contracts and relations with industry. The Machinery of Government (Haldane) Committee, examining the problems of government at the highest level and in general terms, advocated a thorough reorganization of the departments as a preliminary to any efficient administration. To supervise the administration, it proposed a series of standing committees 'each charged with the consideration of departments which cover the main divisions of the business of government',[2] a suggestion which harks

[1] Letter to *The Times*, 18 May 1922. [2] Cd. 9230 (1918), part ii, para. 13.

back to the Procedure Committee of 1914 where Mr. Frederick Jowett's proposal for strong departmental committees was carefully considered.

Some students of government saw only an administrative problem. They were often little concerned with Parliament's needs and they considered, in any case, that this was not work which Members of Parliament were able to do. Sidney Webb, in his interesting and original reply to the National Expenditure Committee's questionnaire,[1] asserted that the problem was purely one of 'administrative technique' which could not be solved by a committee of legislators. It involved minute acquaintance with routine and required a permanent organ of administration, a 'Board of Efficiency and Economy'. This board should have a minister as chairman, should include accountants, business men, and representatives of heads of departments with, in addition, its own expert staff. To this board the estimates should be referred for review from the point of view of efficiency, a review carried out as yet only by Treasury officials. Henry Higgs, in a review of the Geddes Committee reports,[2] and in his lectures on financial reform,[3] argued the need for an intimate inquiry and a spade-working inspection. What was needed, he said, was a detective type of 'Inspector General of Finance' acting as the servant of Parliament, with a free hand and the use of whatever statistical and economic help he needed. This suggestion, however, while removing the expert inquiry out of the sphere of the executive where Webb had left it, did not go much farther than the Expenditure Committee's recommendation for an 'Examiner of Estimates'. Neither considered the problem fully from the parliamentary point of view. It was irrelevant to say that the House itself could not control; the problem was rather to devise some means of enabling it to do so. Such suggestions ignored, too, the fact that the House does not willingly delegate this sort of work to its own committees, let alone to outside bodies or officers. And though members tended to assume too easily that the answer was always 'a committee' and felt that any form of external control by a few of their number conduced

[1] N.E.C. 9 R. 1918, App., pp. 137–40.
[2] *Economic Journal*, vol. 32 (1922), pp. 251–64.
[3] *Financial Reform* (1924), p. 37.

to efficiency and could remedy all evils, the fact was that a control which did not include them could only be an aid to the Treasury and no substitute for parliamentary scrutiny.

Finally, this period saw the more intelligent civil servants looking in at themselves as never before, for the science of public administration was beginning to be recognized.[1] Many civil servants started from the notion that the goal is efficiency and not control for its own sake, or because there is something inherently good in control, especially external control. It was put clearly by Sir Charles Harris in a lecture printed in the *Army Review*, in which he maintained that only the internal control of an Accounting Officer could ensure true economy, because it alone was not purely negative and inhibitory.[2] These views were not confined to civil servants and they came, and still come, in a general form from the lips of ministers and ex-ministers, who, while they have no desire to preclude Commons' control, see the problem primarily as one of aiding the Treasury and fear that any strong parliamentary control will only hamper and not help that department.[3] The danger is that they tend to ignore constitutional needs.

Such ideas as these, coming from parliamentary committees, from students, from civil servants, and from ex-ministers and those still in office, suffice to show the great interest in the subject in the post-war period. Two broadly distinct views emerged from this wealth of ideas. Both were based on the now obvious fact that the goal was administrative efficiency. This could be obtained, on the one hand, by closely relating financial with administrative and supply considerations in the departments, and, on the other, by concentrating less on expenditure, on totals of cash, and more on correct organization, on use of men and material, and on smooth systems and suitable methods of controlling supply and contracts. To attain this goal, the 'administrative' view was coming to be that it was purely a question

[1] The Institute of Public Administration was formed in 1922 by public servants.

[2] Vol. I (1911), pp. 59 ff.

[3] For example, Mr. Balfour to the Procedure Committee of 1914; Mr. Asquith to the Procedure Committee of 1914 and the Expenditure Committee of 1918; Mr. Austen Chamberlain to the Expenditure Committee of 1918, to the Procedure Committee of 1931, and on many other occasions.

of the science of public administration and that external control, being inhibitory, 'a continual centralised stream of negations', had 'a most depressing effect'.[1] This bureaucratic view grew to large proportions in the next decade and only the slow development in practice of 'O. and M.' work confined it largely to theory.

The other, the 'parliamentary' view, started with an additional postulate to which the administrators did not attach such great importance. It was that effective parliamentary control is, if nothing else, constitutionally necessary. However excellent the Civil Service organization and efficient its action, the fact that it spends public money means that Parliament must assess its work and satisfy itself that value is being given. It is not wholly a question of administrative technique, for constitutional needs demand that Parliament be reassured. Faced with the problem of reviewing annual supply, the thoughts of Parliament itself never strayed far from an estimates committee as the answer. On the other hand, members were now beginning to see what was the real goal, even though the failure of their first Estimates Committee had not convinced them that that approach to the problem presented formidable difficulties. With the stormy end of the Expenditure Committee in 1920, they were once again faced with the problem of finding a system by which to make sure for themselves that they obtained twenty shillings worth of goods for every pound they spent.

[1] P.A.C. Reports for 1921, Evidence, Q. 6582. The witness was Sir Charles Harris.

CHAPTER V

THE HISTORY OF CONTROL FROM 1921 TO 1939

I

THE years 1921–39 cannot be said to be a well-defined period so far as the pattern of public expenditure is concerned. The very first years belong to the 1914–18 War, for the chaos took many years to clean up. The early twenties were a period of retrenchment and retrenchment psychology when sterner narrower views of control prevailed. These views continued with scarcely a break through the comparative prosperity of the late twenties and into the second financial crisis period in the early thirties when they were temporarily reinforced. But they were hushed and finally disappeared from 1935 onwards, when there began a new period of high spending, especially for defence. These years of rising defence expenditure belong more properly to the war years that followed them from 1939.

But these years are, nevertheless, an obvious period from the point of view of this study of financial committees, for they cover the existence of the second Select Committee on Estimates, the completion of the experiment of 1912 to 1914. For this reason, these years 1921 -39 will be considered as a whole.

First, it is convenient to pursue the development of the major financial committee, the Accounts Committee. By 1920 the limitations of the Accounts Committee and its position and functions in the system seemed clear. The work of detailed audit and review had lapsed to some extent during the war years due to the methods and exigencies of war finance.The increased volume of expenditure to be audited, the growth of departmental financial staffs and the development of new audit techniques had led to less detailed review and the trend was, it seemed, given official recognition in the Exchequer and Audit Departments Act, 1921.[1] Though war expenditure dropped sharply after 1918–19, average government spending in the twenties continued at about £800m. per annum, which was some

[1] See above, p. 77.

four times that of 1913–14. The added work implied[1] would, it appeared, prevent the return of the searching detailed scrutiny of the Accounts Committee. As for its position in the system, that also seemed now by common consent to have been defined. No one asked that it should do more than it was doing and the Committee itself showed no desire to break new ground except perhaps, as during the war, around the edges of its accustomed patch. Indeed, unless it was to change its character it could not do more, and at the venerable age of sixty years it was unlikely to alter tried and proved techniques and procedure. The inter-war years proved the latter point, that the sphere of the Public Accounts Committee was agreed, but disproved in no uncertain manner the former, that minute and rigid control, even of detail, was no longer possible. Until 1935, when the new tide of high expenditure began to sweep in, the Committee's work bore a close resemblance in its character to that of its nineteenth-century predecessors. On the face of it surprising, this is perhaps not so remarkable when the circumstances of those years are recalled.

The war years were followed by a period when, first, Treasury control which had perforce been relaxed under war pressure was re-established, and, second, high spending was succeeded by difficult financial times and, consequently, a period of noisy retrenchment.

The failure of the Treasury to retain control between 1914 and 1918 had led to much comment both by individuals and by committees.[2] The Public Accounts Committee, working two years behind the event, continued to reveal and clear up war messes into the early years of the decade 1920–30.[3] It thus kept alive the memories of war-time laxity and the conditions it revealed appeared the more serious to peace-time investigators. As the volume of expenditure dropped quickly, the financial procedures of peace were reintroduced and the Committee was able to concentrate once again on enforcing the traditional principles of control. There was a very clear change of tone in its reports, which stressed very much the need for more regular

[1] It is impossible to express it by any sort of figures.

[2] See above, pp. 93–94 and 101.

[3] It did similar work after the South African War. See above, p. 79.

behaviour by departments and for stricter control by the Treasury. 'We are of opinion', the Committee said, 'that the pre-war system of Treasury control over all Departments of State should now be firmly re-established'.[1] The Treasury gladly echoed the cry. 'My Lords anticipate a progressive return to normal conditions', ran a Treasury Minute of 1921.[2] The return to normality was the keynote of control in these years and naturally so. The war was, after all, a temporary and unpleasant interlude; the lax procedures it had encouraged and made inevitable had to be eradicated as quickly as possible. Hence the reports of these years contained many items criticizing formal financial misdemeanours as the Committee dragged departments back to pre-war practices and pre-war standards of accounting and explanation. This work of reimposing control was, in fact, the chief feature of the immediate after-war years.[3] It was made the more urgent by the general financial situation in which the country found itself.

The immediate post-war boom was succeeded in the middle of 1920 by a period of financial difficulty. The demand for economy which was a traditional cause and which, despite everything, had been by no means neglected even before the end of the war, now became paramount and a period of retrenchment followed. The efforts of the 'Anti-waste' group, the most vociferous expenditure critics in the House, were superseded by widespread criticism of the Government for not having cut expenditure and by a hunt for any sort of extravagance, inflated staffs, or suspected free-spending.[4] In the course of the campaign, M.P.s either looked into the more obvious corners or shouted loudly for 'a business man's committee', an instrument

[1] P.A.C. 3 R. 1921. 38.

[2] Treasury Minute, 24.11.1921, quoted in *Epitome*, p. 622. 'Normal' here meant pre-war conditions but not, of course, exact pre-war levels. For example, money limits within which departments might sanction their own non-competitive contracts were doubled.

[3] On this point, see Sir Malcolm Ramsay's evidence to the 1931 Procedure Committee, H.C. 161 of 1930–1, Evidence, Qs. 3813 and 3846.

[4] In June 1921 the by-elections at St. George's, Westminster, and East Hertfordshire were won by 'Anti-waste' candidates against the Government. See *The Times*, 8 June 1921 and 18 June 1921. *The Times* for the month of June 1921 shows how widespread was the discontent among members generally.

which a House of men of affairs believed could achieve savings impossible through the normal machinery of government and the recourse to which was an admission of the sorry failure of their own processes. And, in a sense, they were right. Such a committee, appointed as a Treasury committee by the Chancellor of the Exchequer, that is, attached to the executive and allowed to make policy recommendations, could call for strong measures and was, of course, intended to do so. The normal committees, the Public Accounts Committee, and the new Estimates Committee,[1] could not and neither could the House itself in Committee of Supply unless the Government itself sponsored the changes.

The Government's response to demands was the Geddes Committee,[2] the business man's committee to alleviate the crisis by cutting public expenditure. It was, at first, viewed with dismay by the more eager 'axe-men' in the House,[3] but delighted those very critics by its ruthlessness when its reports appeared. In this study of Parliament's committees, this simple Treasury committee, with wide terms of reference, is of little importance except in so far as it represented the ideal of the business-man element in the House and afforded ample proof that results could only be achieved if a committee worked for the Treasury and not against it. The Geddes Committee moved very quickly and reviewed the estimates at great speed. Obviously, many of its cuts were pure axeing, while some were 'windfalls' consequent upon the winding up of war-time schemes. At the same time, it pointed out and condemned prima facie wasteful spending—prima facie because it had no time to go deeper. A vigorous remedy for a temporary problem of the day, it signified and helped intensify the campaign to cut expenditure.

This prevailing mood was reflected strongly in the reports of the Accounts Committee, which was already working to restore Treasury control and pre-war standards. Traditionally, of course, the Committee was a powerful supporter of the 'Trea-

[1] Set up in July 1921. See below, pp. 121 ff.

[2] The Committee on National Expenditure, Cmd. 1581, Cmd. 1582, and Cmd. 1589 (1922).

[3] Because of its composition. Its chairman, Sir Eric Geddes had been Minister of Transport and had there earned the reputation of being 'a master spender'. See *Economic Journal*, vol. 32 (1922), p. 253.

sury attitude' and an enemy of lavish spending. The whole Gladstonian system, of which it was a part, was devised in and for a period of small expenditure. Although, being a formal body to ensure regularity, it could work whatever the mood of the day, the stern and judicial procedure it used was more especially fitted to the parsimonious mood of former days than to the generous spending of the twentieth century. And though its rigid, self-imposed limits precluded consideration of policy and it would not criticize lavish spending as such, the general impression to be gained is one of disapproval of the disposition to spend and of hostility to the practices which larger scale spending made necessary. Only during the war had it relaxed to some extent. Now, once again, it returned to its former attitude. Putting behind it its temporary and partial aberration of the war period, it prepared to fling its full weight into a battle for which it was well equipped. In its fourth report of 1920, it declared the 'imperative necessity for securing economy in every department of public (as, indeed, of private) life, if national bankruptcy is to be avoided' and, invoking the memory of the master himself and of his disciple, it continued: 'Nothing will accomplish it but a return to the almost forgotten traditions established by Mr. Gladstone, and carried on by Sir Michael Hicks Beach, under whom the financial policy of the State was "by saving numerous pence to spend effective pounds".'[1]

Its efforts, while not spectacular, were of no mean order. It reflected the temper of the day in its censure, for example, of the wasteful expenses allowances made to a Cabinet Minister and his staff on a visit to Egypt, as it commented that it was 'undesirable for a Cabinet Minister to set the example' and as it urged that no efforts 'be spared rigorously to curtail the outlay on all missions'.[2] This small case and others like it, together with the more rigorous application of accepted financial rules, though minor matters in substance were of the type to cause repercussions in Whitehall. But the Committee went farther and its efforts continued long after the country had recovered from the panic of 1920–2. Together with a campaign against the practice of virement, as a means of overspending parliamentary grants, it initiated a drive to revive the lost art of close

[1] P.A.C. 4 R. 1920. 43.

[2] P.A.C. 3 R. 1922. 39–40.

estimating and advocated 'overhead' cuts.[1] The campaign was continued throughout the 1920's and attained a large measure of success.[2] Exact estimating does not, of course, indicate financial efficiency and has its disadvantages, but it does lead to the closest examination of expenditure proposals. The enforced cutting and pruning, together with the purge initiated by the Geddes Committee reports, resulted in a reduction of the numbers in the Civil Service and a general and useful, if not expert, review of manpower in the public employ. The extent of success can be seen in 1931. When the crisis of that year brought a repetition of the business man's committee in the form of the May Committee,[3] that body was unable to find any scope for substantial cuts in personnel.[4] While the Geddes Committee naturally stole the praise for this achievement, the less spectacular but more sustained work of the Accounts Committee and its important influence on the Treasury must not be overlooked.

In 1932, in similar circumstances to 1920, the Public Accounts Committee again sounded the knell, finding no better words to do so than those of its own 1920 report. In the year before (1931) it had passed on information on possible cuts to the May Committee for consideration, as it could not itself deal with them since they were matters involving policy. The report for the session 1931–2 was a long series of comments on waste.

[1] An 'overhead' cut is a percentage cut made after the estimate is submitted. Experience showed that departments always over-estimated to varying degrees. The cut represented the average over-estimate.

[2] Table to show error in Annual Estimates (error shown as per cent. of Estimate).

Estimate	*Error*			
	1921–2	*1924–5*	*1925–6*	*1929–30*
Army	8·2%	2·5%	0·35%	0·61%
Navy	9·0%	0·6%	0·82%	0·22%
Air	26·0%	5·6%	0·41%	0·47%
Civil Service	14·0%	4·6%	1·1%	1·04%
Revenue Departments	2·7%	0·6%	0·1%	0·58%
TOTAL AVERAGE	11·8%	3·3%	0·8%	0·74%
Supply Services Total	£786m.	£417m.	£433m.	£434m.

[3] The Committee on National Expenditure, Cmd. 3920 (1931).

[4] See U. K. Hicks, *The Finance of British Government 1920–1936*, p. 28.

Just as in 1921 the Committee had attacked virement on the grounds that it conduced to loose spending, so in 1932 it protested against the extended use of grants in aid. To emphasize expenditure totals and savings, opening paragraphs of reports in these years set out clearly figures of the financial results of the year.[1] The conclusion is inescapable that, in the then prevailing mood, the Committee's value in these years was very high. It was doing work for which it was well equipped and which aroused its keenness. It is difficult, in fact, to avoid the further conclusion that it throve in the dark days of retrenchment, when it felt that the instrument it wielded was a popular and useful one. True, it had worked with a will during the war, but it had been ill-adapted then to do an indefinite job. Here, the job was clear and the Committee well fitted to do it. Its work was the complement of retrenchment.

The increased volume of expenditure, together with the lessons and experience of war and the impact of difficult financial times, led to the renewed interest in financial control which was outlined at the end of the last chapter and to developments in financial and accounting techniques and practices. The Public Accounts Committee had always reviewed, and the Treasury had always sought its approval for new methods and systems of accounting and control. It had long established itself as the body before which such changes must be justified and the pages of the *Epitome* are full of its decisions on important questions of financial and accounting principle. In this period, three such major questions arose and they illustrate well the type of question involving principle on which the Committee gives important rulings. They concerned the position of the Accounting Officer, the Army accounts experiment, and the use of financial expedients which cut across the rigid lines of the traditional principle of annuality.[2]

The Committee's connexion with, and protection of, the Accounting Officer has already been stressed.[3] As early as 1872 it had had a hand in his creation. It had always supported him in his department and had encouraged the growth of his staff, the

[1] See, for example, the first paragraphs of reports for the years 1933 and 1934.

[2] See above, p. 29, n. 2.

[3] See above, pp. 60–61.

extension of his functions, and the rise in his status. More important, it had insisted on his responsibility for the accounts being personal and full.

Since 1872 the status of this officer had risen considerably. He had become increasingly important as departmental accounting became fuller and more complex and as he tended to concern himself more and more with questions of economy. The extent of the problem of his position and status to which this rise in his importance led, is reflected in the fact that it occupied one-third of the post-war pages in the 1926 edition of the *Epitome*.[1] The problem was, in essence, whether the permanent head of the department should in all cases assume the heavy duties and responsibilities of the Accounting Officer who had grown so far beyond the status of an accountant. The National Expenditure Committee had opened the question by proposing that Accounting Officers should be 'Treasury outposts' in the departments.[2] The Treasury, however, decided that the permanent head should, whenever possible, be designated Accounting Officer and its decision was embodied in a circular issued in 1920.[3] The Accounts Committee immediately registered a protest against this change of policy on two grounds. First, 'it would have been more in accordance with previous practice had no decisions on this matter been arrived at before the views of your Committee had been obtained'.[4] Second, the Treasury proposal would have the effect of impairing the actual and direct responsibility on which it had always insisted. Also, 'it is arguable', ran its report, 'that the evidence given by the Permanent Head would tend to be of an amateur nature and it would be a substantial loss to the Committee if the expert officer . . . were relegated'.[5] The problem was continually under consideration until 1925, when the Committee modified its attitude in the light of experience.[6] But members still continued to keep the problem in mind and reference to the position of the Accounting Officer occurred in 1935 and 1936.[7] Today, as de-

[1] H.C. 161 of 1926.
[2] See N.E.C. 1 R. 1919. 6–9.
[3] See Treasury Circular, 12.3.1920, quoted in P.A.C. 4 R. 1920. 25.
[4] P.A.C. 4 R. 1920. 27. The whole question is set out very clearly in paras. 9–45.
[5] Ibid., para. 37.
[6] See P.A.C. 2 R. 1925. 6–7.
[7] See P.A.C. R. 1934–5. 4 and 2 R. 1935–6. 2.

partmental heads become increasingly loaded with work and cannot possibly be said to have the intimate knowledge necessary for personal responsibility, the problem threatens to recur.

The second question, which concerned the form of the accounts, was of direct interest to the Public Accounts Committee. It had always considered proposed changes and it still does. The knowledge and enthusiasm of Sir Charles Harris, Accounting Officer at the War Office, had convinced the National Expenditure Committee of 1918 that his plans for reorganizing the public accounts were sound.[1] Briefly, he had proposed and that Committee had recommended a new series of income and expenditure accounts to show all assets, including capital assets, and to set out the complete costs of each service, including hitherto unincluded or scattered items such as pension liabilities incurred in the year and services rendered by other departments. The items in the accounts were to be grouped together to show objects of expenditure and a series of standard units was to be devised to enable comparisons of costs to be made. The pressure of the Committee's recommendations led to the adoption of these proposals in the War Office for a trial period from April 1919. The experiment continued until 1925. The sympathy of the Accounts Committee was necessary to the initiation of this scheme and the close interest the Committee showed is plainly revealed as, year after year, the evidence and reports contain information and comment about it.[2] At first, members were enthusiastic when they saw the potentialities of the new form of accounts which they regarded as 'a valuable and indeed essential instrument for control and economy',[3] for it could yield directly information that existing accounts did not contain on their face. The Treasury, on the other hand, viewed the departure from the beginning with gloomy hostility. Without the full co-operation of either the Treasury or the War Office itself, and in the face of initial difficulties and a costly dual system of accounts during the retrenchment period, the experiment did not prove the immediate success necessary for its survival

[1] See N.E.C. 7 R. 1918.

[2] See P.A.C. 3 R. 1921. 17–23; 3 R. 1922. 56–60; R. 1923. 65–71; 2 R. 1924. 26–34; 2 R. 1925. 50–68.

[3] P.A.C. 3 R. 1922. 58.

and the Public Accounts Committee agreed, somewhat reluctantly, to its abandonment in 1925.[1] Since then the Treasury has maintained its hostility to any changes from what Mrs. Hicks calls 'the penny notebook system' of accounting, and when the ghost of Sir Charles Harris's scheme was brought out after the 1939–45 War, the Treasury at once 'saw very strong objections to any substantial or fundamental change'.[2]

The third major problem of financial control which faced the Committee in the years 1921–39 arose from the extended use, to meet high and long-term expenditure, of new financial practices offending the strict annuality principle of the nineteenth century. These new methods were as potentially dangerous from a constitutional point of view as they were inevitable. They were dangerous when the House itself was not vigilant, and such was the case. But its Accounts Committee was ever on the alert and, in this period, it was to be found reviewing these practices with a censorious eye and restrictive language more reminiscent of the nineteenth century than the twentieth. It viewed 'with some alarm the recent extension' of the practice of virement by service departments and urged the Treasury that it should 'more jealously restrict the exercise of this power'.[3] Similarly, a sharp protest[4] greeted the renewed use of statutory loans to cover capital expenditure, hitherto met largely out of annual supply in accordance with the Committee's crimping views at the turn of the century.[5] This protest was the more significant as the less censorious and less influential Estimates Committee had approved the expedient in this very case, which the Accounts Committee now denounced as tending 'to impair and undermine the control of Parliament'.[6] It maintained still that where-

[1] There hangs about this story a suggestion of non-co-operation on the part of the War Office and the Treasury and certainly such charges have been made. See, for example, Colonel G. Wigg's speech, H.C. Debates, 21.7.1947, cols. 902–3. But see also Cmd. 7969 (1950), App. C.

[2] E.C. 4 R. 1946–7. 5.

[3] P.A.C. 3 R. 1921. 6. Compare this attitude with that taken in 3 R. 1889. 1–10.

[4] P.A.C. 2 R. 1928–9. 1.

[5] See P.A.C. 1 R. 1904. 10 and 1 R. 1905. 29.

[6] See E.C. 2 R. 1928. 7, and P.A.C. 2 R. 1928–9. 1. This is the only case in which the Accounts Committee and the Estimates Committee disagreed or, at least, the only published case.

ever possible capital expenditure should be met out of annual supply.

But perhaps the most significant of the methods of financing government projects was the creation of special 'funds', separate from the all-embracing Consolidated Fund which was one of the pillars of the 1866 system. Such were the Road Fund and the National Health Insurance Fund. The Committee examined such funds carefully, fearing that expenditure could be incurred through them 'without the prior authority of Parliament',[1] and it thus did much to ensure publicity for the transactions affecting them. The Committee's awareness of a possible gap in control and its desire to strengthen its position in examining the accounts of activities financed by such funds led it, in 1934, to ask the House to amend its terms of reference set out in Standing Order No. 74. Such accounts[2] might, the Committee thought, 'on a strict interpretation of Standing Order No. 74, be held to be outside the Committee's terms of reference'.[3] The House accordingly added the words 'and of such other accounts laid before parliament as the committee may think fit'.[4]

Finally, the Public Accounts Committee has always examined grants in aid with great care, at least so far as it was able for, of course, many such grants escape and are intended to escape detailed scrutiny. Generally, its attitude in this period was of hostility to the grant in aid method. For example, in 1937, it pointed out that previous Committees had recommended the restricted use of such grants and added that 'They feel bound to point out that the tried and established system of accounting for expenditure . . . by means of Appropriation Accounts audited by the Comptroller and Auditor General is the most effective method of securing Parliamentary control'.[5] Although this was clearly criticism of the House itself, it is important to remember that the Accounts Committee has always maintained the attitude that it is its right, more, its duty, to point out to the House the implications of its own actions where they are not apparently seen and appreciated.

[1] P.A.C. 2 R. 1931–2. 19.

[2] i.e. fund accounts, but also some other accounts which the Committee had long examined without specific authority.

[3] P.A.C. Special Report 1933–4. 3.

[4] H.C. Debates, 15.11.1934, col. 2169.

[5] P.A.C. 2 R. 1936–7. 18.

The treatment of these three questions of accounting policy shows plainly the Committee's well-established right to be consulted and to express a view which must normally carry the greatest weight. It also shows the Committee aware and jealous of the least move to replace old and tried practices. Any such move was always investigated and usually deprecated. This rigid conservative attitude cannot, perhaps, be so whole-heartedly applauded as the motives which prompted and still prompt it. But whether it has been for good or for evil, it cannot be denied that the Accounts Committee has normally resisted change and, more than any other body, has kept alive the Gladstonian spirit. This was, perhaps, never more clear than in this period when it worked in a favourable environment to aid retrenchment and to reimpose lost controls.

A major change in the trend of public expenditure began about 1935, when expenditure on defence started to rise. This rise soon caused questions of contracts and the state's relations with industry to take first place in the Committee's reports. The problems of the First World War recurred and were magnified. The fact that such questions were not the major feature of the Committee's work in the twenties and early thirties did not, however, mean that it was not then concerned with them. The Committee had never ceased, in fact, to review supply contracts and profits. Almost before the last of the war accounts were settled, the same problems began to recur in miniature. For example, in 1925, the Accounts Committee was considering the new contracts with aircraft manufacturers and it continued from that time to review the various agreements made with this industry in which competition did not exist.[1] Such reviews were valuable for the publicity and the assurance of fair dealing they gave, and the almost annual inquiry the Committee made had much to commend it. The further discussion of this type of inquiry belongs more properly, however, to the next chapter in which the 1939–45 War period will be reviewed.

The experience of twenty more years only confirmed the verdict of the Select Committee on National Expenditure of 1918 that 'no one would suggest that' the Public Accounts Com-

[1] See P.A.C. 2 R. 1925. 45; 2 R. 1933–4. 21; R. 1934–5. 18; and 2 R. 1936–7. 25–26.

mittee 'covers, or could be made to cover, the whole field'.[1] Sound as was its work and strong its influence, it had clearly reached its limits. The war had proved its restricted ability to expand its field, committees of inquiry had testified to these limits, and peace had shown that its strength lay in the stern application of the canons of financial regularity.

II

In this period the attempt to devise other controls took the form of an Estimates Committee. The experience of this Committee, the completion of the 1912–14 experiment, afforded final proof that the failure of that experiment sprang from general causes common to any estimates committee.

In July 1921 an Estimates Committee was appointed. Despite the failure of the 1912–14 body, this was not surprising for the National Expenditure Committee had examined the problem of controlling expenditure in 1918 and had concluded in favour of two or more select committees with an 'Examiner of Estimates' and 'free' votes in Committee of Supply. Peace brought with it the reappearance of published estimates and a strong disposition to return to the pre-war system. Moreover, the unsatisfactory handling of the estimates by the House itself had been once again brought home to members in 1919 by the failure of a time-saving experiment of considering estimates in standing committee.[2] Finally, despite the views of a strong minority, the Government determined not to retain the National Expenditure Committee after 1920. It had been intended, in any case, only as a war-time expedient to work while published estimates were not available, and the success of its techniques and excellence of some of its reports were dimmed by the constant trouble with the Government during 1920. When the Committee lapsed, the necessity of setting up some sort of machinery precipitated the question. Pressure for the appointment of a committee equipped according to the Expenditure Committee's recommendations

[1] N.E.C. 9 R. 1918. 6.

[2] See H.C. Debates, 18.2.1919, cols. 818 ff. In 1948 this procedure was revived. The Scottish estimates are now referred to the Scottish Standing Committee.

was constant throughout 1920 and 1921.[1] The general concensus of parliamentary opinion was clear enough. Members wanted an estimates committee.

The delay in appointing one, until July 1921, was due solely to the reluctance of the Government and particularly of the Chancellor of the Exchequer, Mr. Austen Chamberlain. No government wants to be saddled with a committee of potential critics, and this particular Government had had more than enough of the criticism of the National Expenditure Committee. To this dislike, Chamberlain himself added the strongest personal conviction that an estimates committee was useless and indeed harmful. He made no secret of his views. Pressed by the supporters of both expenditure and estimates committees he agreed, in the spring of 1921, to appoint an informal committee of experienced members to consider the respective merits of the two alternatives. This body proposed a strong committee, intended to be a combination of both possibilities and to work in sub-committees. But it ignored entirely the views of the National Expenditure Committee when it recommended only a House of Commons Clerk to aid the Committee it proposed, and when it declared against any changes in House procedure to ensure that reports be considered.[2] In debate in the House on a motion for an Estimates Committee,[3] Mr. Chamberlain made his position crystal clear. 'I was not', he said, 'an advocate of this Committee. I have yielded in this matter to the opinion of this House,'[4] and in this mood he fought all proposals for any extension of functions or powers.

Sir Frederick Banbury, who had been chairman of the first Estimates Committee, appealed for expert aid for the new body. Recalling his earlier experience he said, with truth, that 'we had to find everything out for ourselves',[5] and he received strong and informed backing from members of the Accounts and Expenditure Committees who knew well the force of this argument and who charged the Government with wishing to keep the

[1] See, for example, H.C. Debates, 13.2.1920, col. 425; 26.2.1920, col. 1892; 1.6.1920, cols. 1837 and 1840.

[2] See H.C. Debates, 10.5.1921, col. 1693.

[3] H.C. Debates, 22.6.1921, cols. 1490 ff. and 28.6.1921, cols. 2079 ff.

[4] H.C. Debates, 28.6.1921, col. 2117.

[5] Ibid., col. 2092.

House in ignorance. But Mr. Chamberlain was unwilling to yield. A firm believer that parliamentary committees were 'impotent to effect economy',[1] he had always held that it was to the Treasury that the country must trust the scrutiny of public expenditure. He went farther and asserted that an 'Examiner of Estimates' was undesirable for constitutional reasons,[2] and, recalling the Expenditure Committee, he declared with some force that he was unwilling to have someone who 'is to be turned loose like a ferret, to hunt through all the Departments on his own and produce whatever extracts from the Department papers he thinks fit'.[3] Whatever the validity of the constitutional arguments, the root of the matter was that a well-equipped estimates committee might be inconvenient to a government and, in Mr. Chamberlain's opinion, would do no material good.

Thus when, after a delay, the Committee finally appeared on 4 July 1921, it emerged looking very like its impotent predecessor of 1912–14 and without the assistance or the machinery designed by the National Expenditure Committee to make such a body work. Its terms of reference gave it the power to examine such of the estimates as it thought fit and to suggest economies consistent with policy.[4] It could also make recommendations on the form of the estimates. It was specifically directed to report its evidence to the House, for Chamberlain had been bitter in his complaints against the Expenditure Committee on this score. No mention was made of expert assistance or of provision for ensuring timely consideration of reports. On the other hand, the Committee was to consist of twenty-four members, later increased to twenty-eight, and was given the power to appoint one or more sub-committees. On the face of it, it seemed that the experience of the Expenditure Committee had not been wholly ignored.

Since the new Committee was conceived in an atmosphere of hostility, partly due to the Expenditure Committee's activities of the year before, and in the face of Government opposition, the success of the experiment would have been doubtful in any

[1] H.C. Debates, 26.2.1920, col. 1893. [2] Ibid.

[3] H.C. Debates, 28.6.1921, col. 2115. Compare Mr. Herbert Morrison's equally strong views about the 1939–45 National Expenditure Committee, H.C. 189—I of 1945–6, Evidence, Q. 3229 ff.

[4] See H.C. Debates, 22.6.1921, col. 1490.

case. But, in addition, the machine created was patently ill-equipped and the Expenditure Committee had been at great pains to explain this not three years before. Moreover, the choice of a chairman was anything but fortunate. Sir Frederick Banbury was indeed the natural, and perhaps inevitable, choice. He had been chairman of the 1912–14 Committee and of the recently disbanded Expenditure Committee. He was senior and experienced. But his leadership of the Expenditure Committee had led him into violent and acrimonious conflict with the Government and he was well known as a niggling, cheese-paring saver of the old school, who conceived it as his mission to fight increased expenditure wherever he found it. The Estimates Committee was, he considered, an instrument to this end. It is not difficult to see that, under his leadership, an ill-equipped Committee with a ticklish and perhaps impossible task was not going to get far.

It is not intended here to describe in any detail the procedure adopted by this new Committee.[1] It is, however, necessary to notice the main features.

In view of the clear direction to appoint sub-committees embodied in the terms of reference and considering the war-time experience of the Expenditure Committee, it is something of a mystery to find that, in fact, it did not sub-divide. The answer perhaps lies in the views of its chairman. Sir Frederick Banbury considered that the Committee, sitting as a whole, was as good a body as any to examine the estimates figures and 'suggest economies' and that, of course, was his conception of its task. Looking at the Accounts Committee, whose suggestions carried the weight of the whole body, and recalling at the same time the complaints that the Expenditure Committee's reports were the work of a few, perhaps a prejudiced few, sitting in sub-committee, he elected to attempt to emulate the former and hoped to make his Committee as like it as possible. It is significant that it was not until 1924, after his retirement, that the question of sub-division was widely discussed in the Committee. Not until 1926 did the Committee actually attempt to divide, but its experiments in that and the following years were apparently

[1] See Chapter VIII below for a description of the procedure and methods adopted in this Committee.

failures for they were not repeated and in 1928 it returned to its former procedure.

Thus, with the exception of those two years, it sat as one committee, modelling its procedure on that of the Accounts Committee, but without the expert staff and preparatory work which made that body efficient. Its staff consisted of a clerk, though from 1927 a Treasury officer was 'in attendance' as an advisor to the Committee.[1] It interrogated departmental witnesses (including the Accounting Officers) and, occasionally, outside witnesses, and called for memoranda from departments. Like the Expenditure Committee before it, it made frequent, though unofficial visits.[2] Its reports, which resembled those of the Accounts Committee in form, appeared through the session from April to July and were not related in any way to the supply debates, though Sir Frederick Banbury said in 1922 that he hoped some sort of correlation would be arranged in future.[3] These reports cannot be said to have been of much value, especially in the first years, and it was not until 1926 that the Treasury began to write minutes on them. In its early days, preparation and preliminary work were almost nil. In the second half of its existence, however, it became better organized and experience led it to recognize more profitable lines on which to work. But by then it was perhaps too late. The status of its members, which was at first quite high, dropped, and it numbered in its ranks a good many undistinguished and, to judge by their attendance, unenthusiastic members. By that time, too, it had been labelled as unsuccessful.

The work of the Estimates Committee is of considerable interest in showing the limitations and possibilities of this type of body. Over the eighteen years of its existence it is possible to generalize with some assurance.

The conditions under which it started work could not have been more unfavourable. Its chairman was set on reducing expenditure, at best a difficult task for a body of legislators and, at worst a disagreeable impossibility. On the other hand, he had

[1] Sir Ivor Jennings says he was 'usually a principal assistant secretary' (*Parliament*, p. 308, n. 2).

[2] H.C. 189—I of 1945-6, Evidence, pp. 229-30.

[3] H.C. Debates, 1.8.1922, col. 1363.

the sympathy of the majority of members in the House who desired cuts, though they might be unaware of the constitutional difficulties of making them. The views of the chairman were of added importance in this Committee which enjoyed no professional aid, preliminary work, or preparation, and where knowledge of the administration was inevitably small. Finally, the Government and particularly Mr. Chamberlain, as we have seen, were hostile.

Delayed until July of 1921, when it was too late to examine the estimates for that year, Sir Frederick Banbury made an eager and unfortunate inquiry into recent increases in Civil Service salary rates and into particular cases of high salaries. The report did little except to deplore the rises as inopportune.[1] It did no good and, in fact, a lot of harm, for it worsened the already bad relations between the Committee and the Government, which charged it with inaccuracy and an unfair report on the evidence taken.[2] The result was that at the beginning of 1922 the Government made no attempt to reappoint and Chamberlain argued that it had not 'given full satisfaction to the House'.[3] But as this provoked cries of 'the Government' rather than 'the House' and it was clear that the House still wanted its Estimates Committee, it was once again reappointed.

In this, its first full year, it was apparent that Sir Frederick Banbury's original intention was to examine a portion of the estimates before the House took them in Committee of Supply, although the Government had refused to devise any means of correlating debates with reports. His idea was that his Committee could provide ammunition in the form of expert information on which to attack estimates in the House.[4] The attempt failed, as it had in 1912–14, for two reasons. First, there were inevitable time difficulties, and, second, the supply debates were no longer normally debates on the financial details with which an Estimates Committee could deal, so much as pegs on which to hang discussions of policy. Banbury's complaints in 1922 that votes

[1] E.C. R. 1921.
[2] H.C. Debates, 11.8.1921, col. 631.
[3] H.C. Debates, 14.2.1922, col. 812.
[4] The reduction of expenditure was his consistent aim in life. The supply debates of these years and many years before, show him as a constant and promiscuous critic of expenditure.

were taken before the pending reports were available were ignored, and the sad truth became apparent in the next two years when timely reports were little referred to by members in debate.[1]

In default of any sort of correlation, Sir Frederick Banbury and Sir John Marriott, who followed him, attempted to examine the estimates from the point of view of accuracy and economy of administration. Three or four departments were selected each year for scrutiny, and the procedure was to begin by running through the published figures in full committee in the hope of falling upon something that invited attention, but was not a matter of policy. By far the easiest point of criticism was on the items for pay and staff, and here the Committee concentrated during 1922 and 1923. Its recommendations were directed to reducing staff and cutting pay and it was thus doing establishment work of the most negative character. During 1924 and 1925, under Sir John Marriott, the Committee's interest widened and, though the selected estimates were still examined at the early meetings, attention was turned to reviewing the duties and activities of the departments chosen. This promised to be a more profitable activity, for the National Expenditure Committee had produced some good reports working on these lines. But the Estimates Committee found itself quite unable to do full and efficient reviews which would find out and make known the black spots, because not only was its time limited and its rate of progress slow, but its ability to probe proved small. The reports were useless documents and, as in previous years, they tended, despite the wider review, to be only attacks on establishments. What indications there were of the value of reviewing departments were few and far between because of the inability of members to acquire the necessary information.

Thus, by 1926, two forms of attack had been tried and both had proved unsuccessful. The view that the Committee was a failure was already beginning to be prevalent, but perhaps this very fact, together with a change of ministers, led to a more friendly attitude on the part of the Government.

In this year, however, a new chairman, Colonel (later Sir)

[1] The supply debates of 1923 and 1924 show this clearly.

Vivian Henderson[1], breathed fresh life into the Committee. He abandoned completely the idea of correlating supply debates with reports[2] and, going farther, he did not regard his Committee merely as the body on which the House had devolved its examination of the estimates figures. He saw little hope in that direction. Instead, he persuaded the members to set about investigating two specific subjects or problems: the first, an examination of proposed changes in the form of the estimates; and the second, an inquiry into the co-ordination of common services between departments. To conduct these inquiries, the members were split up for the first time into five sub-committees. The sub-committee on the form of the estimates produced a good report and, inspired by the Treasury, recommended a scheme for the more rational regrouping of the estimates on the lines on which they are still based today.[3] At the same time, it took the opportunity to examine its own functions and apparatus and concluded that, to work efficiently and cover more ground, the Committee must be enlarged and must divide, that the reports must be debated, and that a skilled official must aid it in its work. This report, the best the Committee had so far produced, was important enough to merit a Treasury Minute accepting the regrouping proposals and a reasoned Government statement in the House rejecting the others.[4]

The other four sub-committees examined co-ordination in the supply of various types of equipment and in contracts and other common activities. This was a noteworthy advance and an examination of problems of this sort, hitherto untackled, seemed useful and promised to be profitable. But the execution of the survey was poor. The sub-committees' reports were not good and one, at least, was useless. In view of this and perhaps because members were not keen to give up the extra amount of time necessary to make a sub-committee system work, the procedure was modified in the following year. In 1927 a steering sub-committee of seven, with the newly assigned Treasury

[1] Lt.-Col. Sir Vivian Henderson, M.P., 1918–22, 1924–9, 1931–5. He held junior posts in the Government in 1919 and from 1927–9 and sat on various departmental committees. See also below, pp. 130–1.

[2] Hitherto first reports had appeared in April, May, or early June. After 1926 no attempt was made to present a report until July.

[3] E.C. 1 R. 1926.

[4] See H.C. Debates, 15.7.1926, col. 613.

officer, made a preliminary survey of all the estimates and selected those that warranted further attention. This was obviously an attempt to solve the problem of where to start work, but it marked a return to examining estimates. Following up the idea that small but manageable topics were more profitable for survey, the steering committee picked such votes as those of the Royal Mint and the trading accounts of the London Art Galleries and such subjects as recruitment to the Civil Service, while from amongst the large estimates for the service departments it chose small compact items such as the expenditure by the R.A.F. on airships. In many ways this was small stuff and the reports were unimportant and trifling. The situation was, in fact, clear. The Committee was not equipped to do useful and important work on a large scale. The work it could do adequately was small and unimportant.

During the next five years, from 1928 to 1932, the Estimates Committee suffered a complete eclipse. Under three successive chairmen and with the frequent changes of personnel inevitable in that time of political change, it functioned with difficulty.[1] The dissolution of the House in May 1929, caused it to meet only five times in that year, while in the years that followed it met only eleven and fifteen times.[2] Attendance dropped off considerably as interest, never very high, waned.[3] It is not surprising, therefore, that its reports consisted of trifling and unimportant comments on, for the most part, equally trifling and unimportant subjects.[4]

This period marked the nadir of the Estimates Committee. Unfortunately it also coincided with the inquiries of the Select Committee on Procedure of 1931–2. The influential evidence of the then Comptroller and Auditor General, Sir Malcolm Ramsay, with his reference to its work as of a 'minor order',[5] and

[1] There were also frequent changes in the Clerk of the Committee. See *Special Report from the Select Committee on Procedure*, H.C. 161 of 1930–1, Evidence, Q. 2585.

[2] Average number of meetings per session in the years 1922–8 was twenty-five.

[3] See Mr. H. G. Romeril's memorandum to the Procedure Committee, H.C. 161 of 1930–1, Evidence, p. 424.

[4] For example, in 1930, the Committee examined the working of the farm attached to Broadmoor criminal lunatic asylum.

[5] H.C. 161 of 1930–1. Evidence, p. 366.

the verdict of the Committee that it had failed as an effective instrument,[1] have become the normally accepted judgements. They were repeated by writers on the subject[2] and also at the next official inquiry in 1946 when, for example, the then Clerk of Financial Committees, Captain Diver, talked of 'minor economies' and 'a good deal of tidying up'.[3] In many ways these judgements were true, but it was unfortunate that the inquiry of 1931 coincided with the Committee's worst period. Perhaps also M.P.s had expected too much of an estimates committee. For, as Sir Vivian Henderson told the Procedure Committee, it was impossible either to produce startling revelations because there was nothing scandalous to reveal, or to suggest cuts because there were no items susceptible to substantial pruning, or, if there were, they were within the forbidden field of policy.[4] Moreover, as he went on to point out, the Committee had possibilities if used in a different way. He was unable to convince the Procedure Committee, but in the years that followed he and Sir Isadore Salmon, as chairmen of the Committee, showed that this was in fact so.

In his evidence to the Procedure Committee,[5] Sir Vivian Henderson, who was once again in that year chairman, pointed out, as many had before him, that no parliamentary committee could make direct savings on the estimates, because such work impinged on Treasury control and reflected on the work of the Civil Service who could effectively bar all useful inquiry. He thought the most useful work could be done along different lines and he pointed to the reports of 1926. He condemned the action of the Whips in refusing to appoint the Committee before the estimates were available in February, and maintained strongly that there was work to do, unconnected with estimates, such as checking contracts and building programmes and investigating Treasury control. He admitted failure in the past but attributed it, quite rightly, to inadequate staff and procedure and

[1] *Report from the Select Committee on Procedure*, H.C. 129 of 1931–2, para. 9.

[2] See, for example, E. Hilton Young, *The System of National Finance*, 3rd ed., 1936, p. 67, and W. I. Jennings, *Parliament*, p. 309.

[3] H.C. 189—1 of 1945–6, Evidence, Q. 4520.

[4] H.C. 129 of 1931–2, Evidence, Qs. 4 and 96.

[5] Ibid., Evidence, Qs. 6 ff.

he pleaded for expert assistance which, he pointed out, no government had been willing to risk. His conception of the Committee's work was both interesting and sensible. It harked back to the work of the Expenditure Committee of 1917–20 and anticipated that of the Committee of 1939–45, whose work was to include surveys of those very subjects.

The reports that followed showed clearly his influence. He did not get his expert staff and the Committee continued to sit as one body, but its work, nevertheless, improved immediately. First, following the precedent of 1926, it began to conduct 'horizontal' inquiries, that is inquiries on matters common to more than one department. The first report of session 1931–2 reviewed grants in aid, while the second examined the hitherto unexplored question of borrowing by local authorities.[1] The latter is an excellent survey judged by any standards. Besides 'horizontal' inquiries, it also made reviews of departments, basing its investigations not so much on the published estimates as on memoranda asked for in advance and supplied by the departments.[2] These memoranda tended to become full and detailed reports of staff, duties, and current activities. The Committee's aims seemed to be, first, to conduct a continuous survey of known weak points and, second, to provide a periodical general review of departments. In the case of the huge and complicated defence departments, it was unable to do more than select small topics out of the huge variety of activities carried on. It cast about for profitable lines and chose such items as the comparative cost of training at Woolwich and Sandhurst.[3]

With the rise in defence expenditure from 1935, a growing field for inquiry was opened up and the Estimates Committee was not slow to enter it. Even before this time, it had maintained a lively interest in contracts questions. From 1932 it carried out an annual review of the work of the Contracts Co-ordinating Committee, an inter-departmental body set up to ensure co-operation in the supply of common needs, and it was furnished

[1] This report was adopted by the Government and resulted in the Ray Committee on Local Expenditure. See E.C. 1 R. 1933–4. 4 and App., para. 13.

[2] See, for example, E.C. 1 R. 1932–3, Evidence, Q. 2; also, E.C. 2 R. 1936–7, App. 1 and App. 3.

[3] See E.C. R. 1935–6. 4–11.

by the Treasury with a yearly survey of progress. When the new Parliament met in 1936 the incoming chairman, Sir Isadore Salmon, took over an active committee whose reports were larger, more competent, and more valuable than at any time in its existence. Their worth is reflected in the minutes the Treasury wrote on them and the uncaring apathy of the former years had been replaced by the lively desire of members to review what action was taken on their previous reports.[1]

Besides continuing the departmental reviews and the examination of blocks of current expenditure, Sir Isadore Salmon plunged the Committee into a survey of defence expenditure. In 1936 members examined the activities of the newly formed Treasury Inter-service Committee, an inter-departmental body to correlate defence contracts.[2] They also investigated the Air Ministry's efforts to prevent high profits in the aircraft industry and they 'had explained to them in detail the steps that the Air Ministry are taking to protect the public purse'.[3]

From 1937 the Committee divided its work and reports into two. Departmental reviews and consideration of the estimates took a minor place, while members devoted their main energies to reviewing the large and growing volume of defence expenditure. The first report of 1937 was devoted to 'Defence Programme Contracts' and covered such topics as the types of contracts used where no competition existed, the precautions to safeguard the state where 'costs plus' type contracts were made, measures to prevent excessive charges for overheads, checks on sub-contractors' profits, and methods of price fixing. Departmental methods and inter-departmental co-operation in the matters of placing contracts, checking contractors' books, and setting up costings sections, were also reviewed and discussed. The recommendations the Committee made were designed to ensure, so far as possible, that the state received a fair deal and to this end it made important recommendations on the desirability of direct state purchase and trading. Since the Committee returned to these subjects in the succeeding years, it provided a continuous review of current defence expenditure and on a scale not possible for the Accounts Committee which could

[1] See E.C. 1 R. 1933–4. 2.
[2] See E.C. R. 1935–6. 12.
[3] Ibid., para. 13.

only pick an item here and there. It was able to point out and give publicity to the black spots in the Administration's conduct of the defence programme. It pressed, for example, the need for a new agreement with the aircraft industry and publicized the deplorable conduct of the closed machine-tool industry, urging that 'the necessary legislative powers should be sought to deal with such cases'.[1]

When the war came, the Estimates Committee lapsed and it was replaced by a National Expenditure Committee. Its increased vigour and value from 1932 and more especially from 1936, which were consequent upon the finding of a useful field of activity, were a most marked characteristic and yet, it seems, one that is little realized or remembered. True, it is not possible to say that the Committee was a success by any means. Yet, had it made a more favourable and useful start and had it received the co-operation of governments from the first, it could conceivably have proved a valuable piece of machinery. It did not, and by the time it had groped its way to a practicable job, it had been labelled as of little use. Sitting as one committee it could never, in any case, have covered the amount of ground desirable.

But its late revival was significant. It was due to two causes. First, it was due to the influence of its chairman which was very great, as it was bound to be in a committee not equipped with any sort of settled and formal procedure and not supplied with preparatory material. Second, and more important, it was due to the fact that the Committee had at last found a job it could do. When it abandoned the volumes of estimates and began to conduct general reviews of administrative activities, it was doing the work, perhaps the only work, to which a Commons' committee of this type was adapted. In truth, it was no longer strictly an 'estimates' committee but, by now, it was surely clear that Mr. Austen Chamberlain and those who thought like him were right to this extent, that no House of Commons committee could improve the estimates and the attempt to do so placed both committee and administration in difficult and hostile positions. The National Expenditure Committee of 1917–20 had picked a useful sphere of activity and the Estimates Committee was forced to return to it in the end. Its later work anticipated

[1] E.C. R. 1938–9. 11.

that of the Expenditure Committee which followed it from 1939. It remained for the latter Committee to devise techniques and procedure to do this work more efficiently.

During this period the hopes of those who had advocated the Estimates Committee were belied. Their mistake, which was obvious by 1939, was that they had required a committee to do a job that was neither practicable nor desirable. Sir Malcolm Ramsay made this point clear when he told the Procedure Committee in 1931 that criticism of Parliament 'on the ground of its ineffectiveness in controlling the Executive, especially as regards expenditure' was 'to a large extent misdirected as proceeding from an imperfect appreciation of the functions of Parliament'.[1] He thought there were 'difficulties (foreseen by many experts) inherent in any attempt to institute detailed examination and control by the House'.[2]

But the motives of those who advocated increased parliamentary control were healthy and such a view was bound to persist. In this period, its advocates may be found urging the merits of their particular remedies. Some wanted an 'Inspector-General of Finance' or some sort of parliamentary officer. Such were Henry Higgs[3] and Sir Herbert Samuel.[4] Others preferred House of Commons departmental committees, as Lloyd George[5] and Professor Ramsay Muir.[6] Yet others favoured a combined Estimates and Public Accounts Committee, working with an extended Audit Department, a suggestion put forward by Sir Malcolm Ramsay in 1931 and considered with the greatest care both by the Procedure Committee of that year and by its successor in 1946.[7] All these suggestions were intended to increase Parliament's control, though their authors by no means agreed on what should be the nature and extent of such control.

In contrast to this parliamentary approach, it was noted in the last chapter that some students of public administration saw the problems of government from rather a different angle. The

[1] H.C. 161 of 1930–1, Evidence, p. 363. [2] Ibid., p. 366.
[3] See H. Higgs, *Financial Reform*, p. 37.
[4] See H.C. 161 of 1930–1, Evidence, Q. 2586.
[5] See ibid., Evidence, Qs. 356 ff.
[6] See Ramsay Muir, *How Britain is Governed*, 4th ed., 1933, pp. 220 ff.
[7] See H.C. 161 of 1930–1, Evidence, p. 368; H.C. 129 of 1931–2, para. 10 and Chapter X below.

1914–18 War had made clear the need for systematic study and the financial crisis emphasized it. With the foundation of the Institute of Public Administration in 1922, there began the consideration of the practical problems of government from a wider and more scientific point of view. If the pages of its Journal are a fair guide, some civil servants at least were feeling their way to the heart of the problem of efficiency and control.[1]

Following the views expressed by Sir Charles Harris,[2] Sir Henry Bunbury argued that the aims of control are efficiency and economy, that external control is general and regulatory, and that regularity does not equal economy. He pointed to the need for scientific study in the departments themselves of methods of securing economy. It was inside the departments where the necessary knowledge lay.[3] In 1928 he was willing to go farther and assert that 'there are in the world of administration regions in which orderliness can be bought at too high a price and is not a primary desideratum'.[4] In these regions control and efficiency are often opposed. Students of public administration must seek means of developing what he called 'primary efficiency' and thus make unnecessary the need for control. This is what, in fact, students were doing. For example, both Sir Henry Bunbury himself and Mr. A. W. Hurst in articles discussed the problems of making the best use of staff, equipment, and material, pointed to the difficulties of measuring efficiency and suggested valuable lines of study.[5] In practice, it was possible to point to the establishments staffs in the departments and even to an embryo 'O. and M.' section in the Treasury, though progress in this direction was 'meagre in the extreme'.[6]

The administration could, it seemed, investigate and ensure its own efficiency. Signs were apparent that it would. Hence it was the view of many public servants that it remained only for

[1] The Journal contains many articles on control problems by such distinguished public servants as Sir Henry Bunbury, Sir Gwilym Gibbon, and Mr. A. W. Hurst.

[2] e.g. to the Public Accounts Committee. See Reports for 1921, Evidence, Qs. 6582 ff.

[3] *Public Administration*, vol. ii (1924), pp. 133 ff.

[4] Ibid., vol. vi (1928), p. 97.

[5] See ibid. vol. v (1927), pp. 418 ff., and vol. vi (1928), pp. 96 ff.

[6] For a brief review of developments between the wars, see N.E.C. 16 R. 1941–2, *Organisation and Control of the Civil Service*.

the House of Commons to support the Treasury. But was that, in fact, all that was necessary? Students of Parliament would clearly say no. Parliament must support the Treasury by all means, but there is need, they would say, not only to be governed efficiently, but to know that you are so governed, and Parliament must, of necessity, have the means to inform itself of the activities of the government. That civil servants did not stress this sufficiently was not their fault. Their views had necessarily to be expressed cautiously and it was not, in any case, their particular concern or business, 'the subject being a matter primarily for their masters'.[1]

Thus, although it was nowhere stated, it was possible by 1939 to see two things. First, that a select committee could usefully do a general review type of inquiry; second, that the whole task of ensuring efficiency ought to rest with the administration itself. When, as in the past, the administration was slow to act, committees in default had to, and this could lead to friction. As the administration began to tackle for itself the problems involved, it could come to the committees and prove it and harmony was possible.

[1] Sir Gwilym Gibbon in a letter to the author.

CHAPTER VI

THE HISTORY OF CONTROL FROM 1939 TO 1950

I

THE final period, from 1939 until 1950 was largely overshadowed by the unusual conditions created by the war. War intensifies control problems because of greatly increased expenditure of a size and nature difficult to supervise or even review. At the same time, it brings into being conditions and procedures of spending and views on expenditure which are not normal. Men demand production almost regardless of cost and condone methods unpalatable in times of peace. True, the post-war years saw a revival of the claims of economy, though on a scale hardly comparable with the retrenchment psychology after the First World War. Whereas, after 1918 Committees were swept along on the tide of parliamentary opinion, after 1945 they were, so far as one can generalize about recent trends, working in a different atmosphere.[1]

These years witnessed great progress in the techniques of control. The war-time experience of the National Expenditure Committee (1939–45), which superseded the Estimates Committee, was invaluable, the more so as it lasted five years. Its successor, the new Estimates Committee, set up in 1946 has continued in the more normal conditions of peace the Expenditure Committee's form and to some extent its work. Its experience will prove the value of war-time experiments and lessons. At the same time, both the Estimates and Public Accounts Committees are faced with major problems in the control of nationalized industries. This period is also especially interesting because of the full-scale survey carried out by the Select Committee on Procedure (1945–6), which had the problems of control placed squarely before it, and was forced to inquire at length

[1] During 1949, however, the demand for lower government expenditure grew enormously and its effect became apparent in the Estimates Committee. It certainly strengthened its hand.

into the work of the financial committees.[1] It summed up, as select committees do, the sense and opinion of the time.

The dominant characteristic of this period was the big increase of expenditure for defence which started in 1935. The increase which also occurred in social services was only just beginning to bring its problems in 1950. Defence expenditure soared to unheard of heights at the beginning of the war and reached its peak in the financial year 1944–5 when it totalled over £5,000m., some five-sixths of total government spending.[2] Total expenditure rose from about £850m. to over £6,000m. in 1943 and it continued after the war at more than £3,000m.

Such a vast increase caused and still causes physical difficulties of how to survey its range and amount, a problem which affects the Public Accounts Committee particularly, since the larger amount to be audited must go through the same machine as before. The need arose, as it did in 1914–18, to supervise the state's relations as a buyer, and in many cases the sole buyer, both in overseas markets and with organized industries at a time when vociferous demand was inevitably greater than expanding production and supply. Standards by which to judge the efficiency of such transactions had to be laid down. At the same time, it was necessary to ensure that waste was avoided and efficiency obtained in production, both by the state itself and by its agents, not merely or even chiefly, to ensure economical spending but to use to the best advantage the strictly limited human and material resources available. This involved not only checking prices and profits, price-fixing methods and profit margins, but also surveying the basic problems of labour and production. Also, since industry had to be helped financially, it

[1] Sir Gilbert (now Lord) Campion's scheme of reform, on which the Committee based its inquiries, contained comments on financial control and a suggestion to amalgamate the Public Accounts and Estimates Committees. See H.C. 189 of 1945–6, App., paras. 19–22. This scheme is the subject of Chapter X below.

[2] Table to show defence expenditure (Exchequer Issues) £m.

1935–6	*1936–7*	*1937–8*	*1938–9*	*1939–40*	*1940–1*	*1941–2*
137	186	197	254	626	3,220	4,085
1942–3	*1943–4*	*1944–5*	*1945–6*	*1946–7*	*1947–8*	*1948–9*
4,840	4,950	5,125	4,410	1,653	854	753

These figures are intended as a rough guide. The early years to 1939 do not include, for example, A.R.P. expenditure.

was necessary to decide on what basis the state should aid its suppliers with capital for plant, &c. Inevitably, it led to searching inquiries into the adequacy of governmental planning and administrative machinery at all levels. Further, nationalization brought into existence state sponsored activity which needs scrutinizing on behalf of Parliament to an extent and by methods which are still being debated. Finally, by 1950, when the Committees had made their first reviews of expenditure on the new social services, it was becoming clear that the difficulties of control they would present would probably be the most pressing and certainly the most publicized in the following years.

Much of this work, it may be said, is a far cry from the job of surveying public expenditure. Since, however, lower costs depend upon the satisfactory solution of these problems, and since the administration had not worked out adequate methods and machinery to deal with them for itself, it fell to the Committees to condemn faults, to suggest criteria, to point out needs, and even to put forward remedies. Never more than in this period was it made so clear that, given an agreed policy, expenditure depends upon organization and techniques.

Just as state activity was abnormal during the war, so was the work of the Committees. When the range of state action contracted, their duties were naturally not so widespread. War limits were thus exceptional, and the more clearly this is recognized the more valuable will be the lessons which war-time experience can, nevertheless, teach.

The part the Public Accounts Committee could play in meeting the new needs and the extent to which it could adapt itself to the new conditions were limited. As financial aspects were pushed into the background and expenditure rose by leaps and bounds, it could but pick here and comment there amidst the unprecedented volume of spending. Its traditional causes were once again discredited and the sound practices it had enforced were ignored as they had been in 1914.[1] The need to examine a great volume of defence expenditure led once again to a lessening of automatic checks and to a valuable concentration on contracts and contract procedure, on price reviews and price and

[1] But to nothing like the same extent. It is generally agreed that there was no major failure of control during the Second World War.

profit fixing. Since the Committee's recommendations carry weight, it has built up a body of rules and sound practice to govern these subjects.

The Exchequer and Audit Departments Act, 1921, had made official and permanent the divergence from the inelastic provisions of 1866, but that by no means implied relaxation. On the contrary, as we have seen, control was largely resumed in the inter-war years. But the rise in expenditure from 1935 made it impossible for the Comptroller and Auditor General to maintain former standards and for the Accounts Committee to do more than take the most pressing and important points arising in the accounts. With the war, published estimates came to an end and once again this made impossible the careful and minute checking of appropriation.[1] Further, shortage of manpower led the Treasury to glean the departments. Many officers of accounting branches and of the Audit Department itself left or went to other work. Financial staffs generally were spread more thinly over a slice that had grown much bigger.

The result of these changes could be seen in two directions. First, the Comptroller and Auditor General introduced less automatic, more selective checks in an attempt to maintain standards with less work. Second, a relaxation and a slackening in the standard of accounting undoubtedly did take place. The position was reviewed annually by the Committee. In 1941 the Treasury explained to members the accounting procedure for war expenditure and they also heard of the abandonment or restriction of many stores, expense, and trading accounts.[2] The Comptroller and Auditor General reported on the state of his audit and told of his concentration on tests and on ensuring efficient departmental methods rather than on financial results. He summed up the situation and indicated the extent of the relaxation by saying that he had found it 'necessary . . . to use to the fullest possible extent the powers which the Exchequer and Audit Departments Act, 1921, gave' him.[3] As yet, there was no failure, although from time to time the Committee found it

[1] The Comptroller and Auditor General and the Committee heard, in secret, figures a good deal more detailed than those published.

[2] See P.A.C. R. 1940–1. 1–2.

[3] P.A.C. Reports for 1941–2, Evidence, Q. 1198.

necessary to comment severely on slack accounting in the Foreign Office and in the Admiralty.[1]

Almost every year the Comptroller and Auditor General reviewed the state of the audit and urged the need for a general raising of standards in accounting departments.[2] Of his own work, he said it was now 'a radically revised system . . . of test audit designed mainly to ensure that the internal audit and control . . . was effective, and so far as possible to bring to light . . . things that really mattered'.[3] In 1947 the new Comptroller and Auditor General, Sir Frank Tribe, confirmed his predecessor's judgement when he told the Committee that his staff could undertake the 'minimum standard' of audit which allowed him to sign the accounts and to bring to the Committee points of 'outstanding' interest, and when he said of departmental standards 'frankly I am not too happy'.[4]

At the end of the war, efforts were made to tighten up, but many of the war difficulties persisted and in addition new legislation added to the burden. Perhaps the important thing was that the spirit changed, at least in the Accounts Committee, and signs were not wanting that members were tackling the situation in something of the same spirit as their predecessors of 1921, though they could never repeat their work. The Committee's third report of 1946–7 reads more like a typical Accounts Committee report than any since before the war. It turned the spotlight on the most serious gaps in the audit which occurred in the Inland Revenue, the Post Office, and the Control Commission, and it pressed for the renewal of pay, stores, and trading accounts.[5] Paragraph after paragraph censured departments for not having observed formal rules of government finance and accounting which are well known, axiomatic, and, in one case at least, elementary. The report is the clearest proof that regularity is still only achieved by constant pressure and vigilance. It is hardly possible to agree with Sir Gilbert Campion, at least in

[1] Both these departments conducted an annual argument with the Public Accounts Committee throughout the war.

[2] See, for example, P.A.C. R. 1942–3. 1–2 and 4 R. 1945–6. 1–3.

[3] P.A.C. 4 R. 1945–6. 2.

[4] P.A.C. 3 R. 1946–7, Evidence, Qs. 199 ff.

[5] Ibid., paras. 1–6 and 23–24. Trading accounts were soon once again presented and have been reported on. See P.A.C. 2 R. 1947–8. 66–77.

this immediate post-war period, that here is 'an increasingly barren field for the activities of a select committee'.[1]

Generally, it may be said that the effect of the war period was to modify completely the pre-war standards of test and audit and they have probably gone for ever. Sir Frank Tribe thought it was doubtful 'whether we are ever likely to go back again . . . to the system of detailed audit'[2] and, in any case, both he and the Treasury considered it was unnecessary.[3] Furthermore, not only were standards changed, but the emphasis of the Comptroller and Auditor General's report altered. The weight and complexity of expenditure made more difficult his task of selecting the items to include in his report on which the Committee's activities, of course, depend. Subjects mentioned tended to be less concerned with detailed points of automatic or formal accounting and more with general questions involving important issues or with matters which would otherwise escape Parliament's attention.[4] In addition, more and more paragraphs of his report were included for information, explaining complicated and hidden expenditure.

As the Public Accounts Committee modified its accounting work, so it increased its labours in the field of defence expenditure. During the war the different nature of its work could be very clearly seen mirrored in its reports. It had undergone a like transformation in the First World War when it had concentrated on contracts, profits, and production rather than accounting. Between the wars it had continued to keep a watchful eye on government contracts with any industry where no competition existed.[5] Generally, however, work of this sort had not been the dominant feature until rearmament began in earnest and brought with it increased activity in defence and supply departments. Nevertheless, by 1939 the Committee was conversant enough with conditions to lay down broad and valuable dicta of the kind which will probably find their way into the next *Epitome*.[6]

[1] H.C. 189—I of 1945–6, App., para. 20. But see Sir Gilbert Upcott's view, ibid., Evidence, p. 187, and also P.A.C. 3 R. 1948–9. 1–5 and 15–33.

[2] P.A.C. 3 R. 1946–7, Evidence, Q. 199.

[3] See ibid., Q. 4428 and Report, para. 7.

[4] See H.C. 189—I of 1945–6, Evidence, p. 187.

[5] See, for example, P.A.C. 2 R. 1927. 13.

[6] A new edition of the *Epitome* to replace that of 1937 is in the process of being compiled.

It recorded, for example, its 'emphatic opinion that no industry should be exempt from an obligation to submit its costs to investigation by Government accountants for the purposes of determining the prices to be paid under non-competitive contracts with Government Departments'.[1]

By 1940 its main job became the review of contracts and agreements with industry and the host of related problems. The reports year after year dealt almost exclusively with such questions as types of contract and contract procedure, price fixing and costing machinery, and profit rates and sub-contractors' profits.[2] The Committee reviewed agreements with organized industries[3] and discussed terms on which material aid should be given to contractors.[4] It censured departments and contractors alike. In 1942 it extended its work to a wide inquiry into two major current problems on a scale hitherto never attempted. The report it issued on the excess profits tax and profit rates and on the refusal of firms to reveal production costs achieved the rare distinction of being debated in the House.[5]

This concentration on contracts and supply problems was widely recognized. Sir Gilbert Upcott, a former Comptroller and Auditor General, said that the examination of contracts was 'one of the leading functions' of his officers,[6] and Captain Crookshank told the House that 'the contract procedure of the Government has, for years and years, been an almost permanent topic of consideration by the Public Accounts Committee'.[7] Captain Diver, Clerk of Committees, thought it had done 'a great deal of work towards establishing basic principles of contract procedure'.[8] Such principles have tended to become recognized rules and the Committee has thus gone a long way towards making the law relating to government contracts, as it did that relating to audit and accounting in the years following 1866.

[1] P.A.C. 2 R. 1939–40. 7.
[2] See, for example, P.A.C. R. 1942–3.
[3] See, for example, ibid., paras. 44–47 and 52–59.
[4] See, for example, P.A.C. 2 R. 1941–2. 19.
[5] P.A.C. 1 R. 1941–2. For the debate see H.C. Debates, 7.10.1942, cols. 1239 ff.
[6] H.C. 189—I of 1945–6, Evidence, Q. 4310.
[7] H.C. Debates, 5.5.1946, col. 1941.
[8] H.C. 189—I of 1945–6, Evidence, Q. 4520.

Inquiries into defence contracts and expenditure led members inevitably into investigations of departmental organization. For example, their surveys of Admiralty contracts caused them to examine not only the finance, but also the technical branch.[1] In 1944 they went further and inquired into the arrangements of the Ministry of Supply to secure efficiency in factories for which it was responsible and they inquired into details of 'man-hour returns' and the like.[2] Also, from price reviews it was but a short step to investigating costings machinery.[3] Members stopped short, however, at questions involving inter-departmental co-operation and only scratched the surface of this difficult subject. Indeed, in so far as any of these matters were by nature 'horizontal', the Committee was at a disadvantage, and although it did valuable work, it was limited as always by time and procedure. Any deviation from examining accounts must be rare. The inquiry in 1942 into profits and E.P.T., mentioned above, necessitated twenty-one additional meetings and was clearly exceptional. Such inquiries 'can only with difficulty be fitted into their full and necessarily rather rigid programme'.[4]

During the war there also arose in miniature the problem which is today perhaps the most important of any in the sphere of financial control, that of supervising state owned or financed enterprises. The B.B.C. received a grant for its overseas service and for monitoring activities which were not provided for in its Charter. The question arose as to whether and, if so, how far the spending of this public money was an Accounts Committee concern. In the same way the activities of the United Kingdom Commercial Corporation were financed by government grants.[5] In both cases the Committee decided that the Comptroller and Auditor General ought to have powers of scrutiny. 'It appeared . . . inadmissible', the Committee said, 'that expenditure of the nature and magnitude now being incurred, wholly financed from public funds, should be entirely exempt from control'.[6]

[1] See P.A.C. R. 1942–3. 16–17. [2] See P.A.C. 2 R. 1943–4. 33–34.
[3] See P.A.C. 2 R. 1941–2. 12–14, 20, and 29.
[4] H.C. 189—I of 1945–6, Evidence, Q. 4529.
[5] The U.K.C.C. was a state sponsored company operating mainly in the Middle East. Its activities were government approved and often strategic rather than commercial.
[6] P.A.C. R. 1942–3. 69.

With the creation of the great public corporations after 1945, this problem arose in a much more serious form. The corporations are publicly owned enterprises and are, for the present at least, in receipt of substantial grants from public funds. The statutes which created these bodies directed them to keep proper accounts, which must be audited by approved commercial accountants. They were further directed to submit their audited accounts and an annual statement to their sponsor ministers, who must present them to Parliament.

Where grants are made out of public funds and paid by ministers, or where sums are received by ministers from the corporations, the transactions naturally appear in the appropriation accounts and are, therefore, subject to normal audit and scrutiny by the Comptroller and Auditor General and the Accounts Committee. More important, since the accounts of the corporations are presented to Parliament they come within the terms of Standing Order No. 90, which empowers the Accounts Committee to examine 'such other accounts laid before parliament as the committee may think fit'. In view of the past attitude of members of the Committee, it was probable that they would regard it as part of their duties to examine such accounts and they have, in fact, begun to do so.

Certain difficulties were, however, bound to arise and they were immediately foreseen. The main problem lies in the fact that, though the Accounts Committee has a clear right (if not a duty) to examine the corporations' accounts, the acts creating them gave the Comptroller and Auditor General no right of access to their books and laid upon him no duty to report on their accounts. The probing spearhead of the Accounts Committee was thus kept out and the consequence would plainly be that the ability of the Committee to make an effective examination of the corporations' accounts would be much impaired, if not rendered impossible. During the passage of the Coal Industry Nationalization Bill an attempt was made to convince the Government of the need for effective Accounts Committee scrutiny and the impossibility thereof under the conditions envisaged in the Bill. Amendments were proposed, both in committee and on the report stage, to empower the Comptroller and Auditor General to examine the accounts of the corporations

and to require him to certify them.[1] The Government rejected the amendments, however, on the grounds that there would be a danger of interference in the day-to-day affairs of the corporations and that, in any case, the powers the Public Accounts Committee already had to send for persons, papers, and records were sufficient.[2] In view of the actual way in which the Committee works and of its dependence on the Auditor General, this latter reason was unsound.

But even had the Comptroller and Auditor General powers to examine these accounts and to report on them, two further snags were bound to arise. First, the time difficulties of the Accounts Committee would inevitably grow worse, for the amount of time which it would almost certainly wish to give to the examination of these accounts, especially in the first years, would further complicate the already complicated time-table. Second, examination by the Accounts Committee would raise the question 'whether the Accounting Officer of the sponsoring Ministry will be the witness who appears before the Public Accounts Committee to answer on the accounts, or whether officers of the corporation concerned who have first-hand knowledge of the accounts will do so'.[3] The Accounting Officer has neither the knowledge nor the direct responsibility necessary to answer. He does not sign the accounts, nor is it desirable that he should interfere in the corporation's affairs. Moreover, the Treasury could hardly write Minutes on the Committee's views of these accounts. These difficulties made it seem that the close-knit system of the Accounts Committee would inevitably be broken if it were to attempt to conduct such investigations.

These problems were easily foreseeable. They were pointed out immediately and have been much discussed ever since.[4] The interim period, while the corporations were settling in and consequent delays in presenting reports, meant that it was not until

[1] See H.C. Debates, Official Report of Debates in Standing Committee C, 2.4.1946, col. 683; also H.C. Debates, 15.5.1946, cols. 1938 ff.

[2] H.C. Debates, 15.5.1946, cols. 1943 and 1956.

[3] O. Peake, 'Parliamentary Control of Government Expenditure' in *Public Administration*, vol. xxvi (1948), p. 82.

[4] See, for example, Peake, loc. cit.; Sir Henry Self, 'The Public Accountability of the Corporation', in *Public Administration*, vol. xxv (1947), pp. 131 ff.; H.L. Debates, 26.11.1947, cols. 953 ff.

1948 and 1949 that they began to come up seriously in practice. The experience of the Accounts Committee was as forecast. In their examination of these accounts, members had not the preliminary report of the Comptroller and Auditor General nor his assistance on which to rely. In these circumstances, their examination could not but be general and superficial, while the exigencies of a crowded time-table meant that it had also to be brief. Members were much concerned to find a means of getting over the fact that, without preliminary information supplied by experts, they were not competent to fulfil their self-appointed duty. Their discussions and inquiries on this subject apparently proved fruitless.[1] A tentative proposal that the commercial auditors should, in each case, furnish them with a confidential report, on the pattern of the Auditor General's, was opposed by the Treasury on behalf of the Government, and the Committee could not agree even to report the story of their difficulties and proposed solutions, and the problems were once again left unsolved.[2]

Summing up, it may be said that experience in this last period proved once again that the Public Accounts Committee works at its best in peace conditions when strict accounting and rigid limits are considered desirable. The investigations of the latest Select Committee on Procedure seem to confirm this view. In origin, the Public Accounts Committee was 'primarily an instrument to ensure financial regularity'[3] and it is still the key part of the Gladstonian system which 'has remained unaltered to this day'.[4] In the last century it implemented and extended the reforms of 1860–6. It was instrumental in reimposing control after 1918 and it did the same after the Second World War. It functions well at this work both where it is detailed and in matters involving principle. It does so because it was built for this job and because age and an impressive record have given weight to its decisions. The wars have shown its value in checking contracts and many witnesses have pointed to this fact. But greater state activity, which occurs especially in war, has shown

[1] See P.A.C. 3 R. 1948–9, pp. 29–31.

[2] Ibid. This record of the proceedings of the Committee suggests some disagreement among members. See further on this subject below, pp. 257–9.

[3] H.C. 189 of 1945–6, para. 42.

[4] Ibid., para. 40.

up its limits clearly and, since the increasing extension of the state's functions is a permanent feature, these limits are now also obvious in peace. In truth, it never did provide an adequate control over the whole field, though this was by no means so clear in the nineteenth century. By the beginning of the present century, however, it was realized that although the Committee had extended its functions, it could not do so sufficiently to make it an adequate controlling agency by itself. Time has only served to confirm its position, to make more clear its most useful work in both peace and war, and to define its limits.

Yet, finally, it may be asked whether there is not still a possibility of extension. Mr. Osbert Peake, a former chairman, has said that it exists to 'maintain high standards of public morality'[1] in business transactions, and the public needs protection and assurance which its M.P.s cannot give it unaided.

II

In 1939 the Estimates Committee lapsed since detailed estimates were no longer possible. It was replaced by a National Expenditure Committee on lines which recalled the 1917–20 experiment.[2] Like much other machinery devised but slowly in the First World War, it was available for the Second. To what extent most members actually had knowledge of and desire for a committee like that of 1917 is doubtful. Probably most of them saw only the urgent need for some sort of control of the orgy that was about to begin and wished to avoid the helpless ignorance of the facts which was suffered by their predecessors from 1914 onwards. But at least one member of that first Expenditure Committee, Sir Percy Harris, was still a leading figure in the House and he pressed the Government for a similar body.[3] The proposal found wide support but the idea was at first coldly received by Sir John Simon, the Chancellor of the Exchequer, on the grounds that it would involve parliamentary interference with the responsibility of the executive.[4] What pressure was brought to bear, what bargains made, and to what extent the pulse of the House was taken, it is difficult to say but,

[1] *Public Administration*, vol. xxvi (1948), p. 80.

[2] Appointed 12 Dec. 1939. See H.C. Debates, 12.12.1939, cols. 1136–8.

[3] See his letter to *The Times*, 25 Sept. 1939.

[4] See Sir Percy Harris, *Forty Years in and out of Parliament*, p. 146.

in November, Sir John Simon announced the Government's intention to set up a committee 'with terms of reference which would broadly follow those under which the Select Committee was set up during the last war'.[1] Its more precise limits were the subject of negotiation and were finally limited to war expenditure only.[2] It originally numbered twenty-eight but, soon, in April 1940, four more members were added.

During the next five and a half years the National Expenditure Committee worked continuously. The work it did and the techniques it evolved were of the greatest importance in pointing the way to an efficient system of control. From the beginning, three things were clear. First, the Committee meant to work as an integrated and co-ordinated group of sub-committees. Its first report explained the proposed organization and it appeared that much careful thought and planning had gone into it. Second, it intended to spread its net widely. The terms of reference were vague. The Committee was directed to the examination of 'current expenditure . . . directly connected with the war', and to recommend economies consistent with policy. In its first report it defined its scope and aims as the prevention of waste in any form, the possible reduction of expenditure to secure a given policy, and the problem of whether available resources were 'being used and organised in the wisest manner to secure the policy aimed at.'[3] The last phrase suggested that a wide interpretation of its functions might be contemplated. To initiate its inquiries, it hoped to obtain 'lines' from other M.P.s, from the press, and from the public, and it appealed for co-operation in this respect.[4] No accounts or estimates were referred to it and no preparatory work was available, but this could be an advantage at least in a negative way. For this meant it was not bound and could adopt what methods it chose if only it could find suitable lines of inquiry. A short experience was sufficient to show that the broad problems were clear enough or soon became so, and it was then only a question of how to

[1] H.C. Debates, 7.11.1939, cols. 35–36.

[2] This limitation was imposed because of the desire of the Opposition to exclude the social services from review. See H.C. 189—I of 1945–6, Evidence, Q. 4575.

[3] N.E.C. 1 R. 1939–40. 8.

[4] Ibid., para. 9. Also N.E.C. 4 R. 1939–40. 3.

tackle them. Finally, the Committee hoped to be a constructive critic of the administration. It wished to make its impact on the departments a useful one and to avoid hostility. In its second report it referred to the value of discussion and exchange of ideas, leading not to spectacular reports but to remedial action in the departments.

It is convenient to discuss the National Expenditure Committee under these three heads—organization, the scope of its inquiries, and its impact on the departments and the Government.[1]

The developments in its organization form the subject of a later chapter, but it is necessary here to sketch the main lines in order to understand how it was able to do the amount and type of work it accomplished.

During its five and a half years life, the Committee organized and modified a complicated sub-committee system according to experience and changing needs. The system was well planned; its efficiency was carefully reviewed from session to session and the changes that were made revealed a keen appreciation of the need to design for utility. The number of sub-committees varied from seven on grouped department lines in 1940,[2] through a series of modifications, to four available for any inquiry in 1945. Membership varied from five to ten. The work was allocated, directed, and reviewed by a co-ordinating sub-committee which occasionally also conducted 'horizontal' type inquiries for itself. The full committee considered and approved the work of the subordinate bodies. The sub-committees conducted their inquiries as, when, and where they wished.[3] They met either in the House or, in the early part of the war especially, in the departments themselves. They made many visits, sometimes achieving surprise by very short notice. They worked very hard indeed,

[1] For much information not included in reports and published documents I am, from here on, indebted to Captain C. R. P. Diver (formerly Clerk of Financial Committees) and Mr. Basil St. G. Drennan and his colleagues in the Committee and Private Bill Office of the House of Commons.

[2] i.e. each sub-committee was assigned for investigation a department or a group of departments related one to the other by their functions, e.g. Army Services Sub-Committee; Trade, Agriculture, and Economic Warfare Sub-Committee. See Appendix 3 below for details of the sub-committee system from 1939 to 1945.

[3] The Committee was given these powers by order of the House.

often meeting four times a week each and, during the first years of the war, averaged fifty meetings each per session.

It was a large Committee of thirty-two, and a glance at the membership reveals that it was exceptionally strong. Members of the House were anxious to serve, not only to do useful war work and because the business of the House now allowed them more time, but perhaps also to be 'in the swim' and to hear live information, unavailable elsewhere. Thus, we find not only the typical hard-working and valuable 'committee man' such as Sir Ralph Glyn and Sir Assheton Pownall, but other well-known members hitherto interested rather in political issues than in the dull labours of former financial committees. Such were Sir Percy Harris, Miss Ellen Wilkinson, Mr. Lewis Silkin, and Mr. Arthur Woodburn. The chairman was Sir John Wardlaw-Milne,[1] his deputy was Sir Adam Maitland,[2] and the sub-committee chairmen were a very strong team. Continuity of membership was high and fourteen members served throughout the war.

The sub-committees conducted their inquiries with less formality than the full committees of the past. They heard evidence not only from departmental witnesses of many ranks, but also from representatives of industries and organizations connected with whatever inquiries they were pursuing.[3] And although Civil Service witnesses were the more numerous, the practice of hearing outside opinions was carried to a degree far beyond anything before attempted. Verbal evidence was supplemented by visits and by departmental memoranda furnished on request. From the beginning an arrangement was made with the Treasury for departments to designate 'liaison officers' through whom the sub-committee clerks could pass on inquiries and requests for information. These officers arranged for witnesses to attend meetings and their knowledge of their own depart-

[1] Sir John Sydney Wardlaw-Milne, Conservative M.P. 1922–45, became generally regarded as the unofficial leader of a small critical minority from 1941 onwards. He moved the vote of no confidence in the Government which occasioned the great debate of 1 and 2 July 1942. As chairman of the National Expenditure Committee he was well placed to see failures in production of which, amongst other things, he was so critical.

[2] From the end of 1942.

[3] See N.E.C. 4 R. 1939–40, App. 1, for a list of witnesses heard in one inquiry.

ments enabled them to have information passed on from the appropriate sections or branches. The system is said to have worked well and was regarded as useful enough to be retained after the war.

Reports were issued in a steady stream and, in all, one hundred routine and two special reports were made to the House. In addition, ten memoranda on matters held to be not publishable for security reasons were addressed, by permission of the House,[1] to the Prime Minister for his consideration and for discussion in the War Cabinet. Many of these reports were valuable documents not only for the conclusions they embodied but also for the information they gave. Their general standard was high and the style and presentation were consistently good. Departmental replies were recorded by the Committee from time to time to give publicity to action or lack of it.[2]

To staff this system a team of House of Commons clerks working under Captain Diver was assigned to the Committee. At one time they numbered eleven. To them fell a bigger task than the normal job of a House of Commons clerk. The system was complex and involved rather more organization, contact with departments, and even original research than was usual.

The Committee's scope and aims, as laid out in the first report and mentioned above,[3] indicated that it was probably going to interpret its terms of reference widely. Members thought that 'While the subject matter of the inquiry remitted to them is expressed in terms of money, the real problem as they see it is one of available resources, both of men and materials, and of their most economical use. Improvements in the use of human and physical resources will in due course find their expression in the money account'.[4] The reports reflected this attitude. They covered a wider range of subjects than those of any other financial committee. It is, indeed, by no means easy to review them, especially as some of them were very long and one was over one hundred pages.[5] They covered all aspects of national life and, although on the face of it members had their hands full examin-

[1] H.C. Debates, 29.5.1940, cols. 623–4.

[2] See, for example, N.E.C. 11 R. 1939–40; 12 R. 1940–1; and 18 R. 1940–1.

[3] See p. 149.

[4] N.E.C. 2 R. 1939–40. 41.

[5] N.E.C. 14 R. 1942–3, *War Production: Methods of Settling Prices.*

ing only war expenditure, the connexion with the war was sometimes tenuous enough.[1] Those with which we have here to deal numbered seventy-five plus ten memoranda which are still with two exceptions[2] not published and hence little can be said about them. The remaining reports recorded changes in procedure and organization, summarized work done, and published departmental replies.

It is perhaps most convenient to divide the reports according to the nature of the inquiry with which they dealt. Divided in this way they comprised four types—broad general surveys of wide problems; surveys of departments or public organizations; specific and more or less detailed inquiries into particular subjects, problems, or black spots; and, finally, 'cases' or narrow inquiries into specific complaints of an individual nature.

Undoubtedly, the broad, general surveys were the most outstanding feature. From the beginning, the Committee saw that there were certain 'horizontal' subjects calling for attention. The experience of the Accounts and Estimates Committees had made that fact clear in any case, and study inevitably revealed further basic problems. Though sub-committees were at first divided on departmental lines, provision was made for examining them. Even so, by 1942 it was found necessary to alter the organization of the sub-committees to deal specifically with such 'horizontal' inquiries and also to attain greater flexibility. In the first year there appeared reports on questions concerning, for example, design, specification, and supply of stores, and priority and progressing organizations.[3] It was not long before experience showed that many difficulties and faults could be traced to a very few basic and fundamental problems of supply, production, and labour, requiring investigation on a scale hitherto never attempted by a select committee. Undaunted, the sub-committees tackled them, and between 1940 and 1943 produced a series of valuable studies. For example, the group of reports on labour[4] included lengthy contributions on enticement, training,

[1] See, for example, N.E.C. 6 R. 1940–1 and 16 R. 1941–2.

[2] To satisfy the persistent demands of a member of the House, Mr. Richard Stokes, the Government published the two memoranda relating mainly to tank production with Mr. Churchill's replies. See Cmd. 6865 (1945–6).

[3] N.E.C. 2 R. 1939–40; 6 R. 1939–40; and 10 R. 1939–40.

[4] N.E.C. 3 R. 1940–1; 21 R. 1940–1; and 7 R. 1941–2.

and dilution, on supply and allocation of labour, and on the output of labour and factors affecting it. They were wider in scope than the reports of any previous financial committee; they were by no means confined even to matters affecting government administration; and they could only be made by a committee endowed with time and wide terms of reference. Further, it has to be remembered that such a series as this on labour represented the work of one sub-committee only. At the same time, others were working at the same rate and with roughly the same output. Currently with this labour inquiry, there appeared a series on production[1] and another on contracts and pricing.[2] Besides these series, other reports on smaller subjects continued to pour out.

This type of work was highly significant. It represented treatment of a kind and at a length impossible for Estimates and Public Accounts Committees. These bodies could, at most, spare two or three meetings and a paragraph or two in the annual reports. They had not the time to take evidence from all sources and their terms of reference seemed to preclude them from ranging anything like as widely as the Expenditure Committee. But what were the proper limits? Many thought that this work was not the business of a select committee and deplored the marked tendency of the Expenditure Committee to go wider and wider as it found that the real problems were very few—very broad questions of principle, methods, and machinery far deeper than money and accounts.

Less spectacular were the surveys of departments and public organizations, but they represented more the kind of work a peace-time committee might be able to do. They included a few general reviews of ministries[3] and a valuable series of surveys of organizations set up during or connected with the war. In 1941 a sub-committee reviewed the first year's work of the Civil Defence Organization and thus performed a useful and necessary service for this new organization which would otherwise not have been done.[4] The A.T.S., N.A.A.F.I., the N.F.S., and the

[1] N.E.C. 10 R. 1939–40; 8 R. 1941–2; 18 R. 1941–2; and 10 R. 1942–3.
[2] N.E.C. 4 R. 1940–1 and 14 R. 1942–3.
[3] e.g. N.E.C. 4 R. 1939–40, Ministry of Food; N.E.C. 6 R. 1940–1, Ministry of Agriculture.
[4] N.E.C. 14 R. 1940–1.

Home Guard were also surveyed in this way.[1] The value of this inspection service was high. These were organizations spending the nation's money, sometimes only indirectly controlled, and often the objects of widespread public suspicion and complaint.[2]

Detailed investigation of particular problems or of some aspect of departmental activity is normal committee work but, with its sub-committee system, the Expenditure Committee could conduct a larger number of such inquiries than any other select committee except its 1917–20 predecessor.[3] Moreover, from letters received from the public and from suggestions made by M.P.s and by its own members, it could often pick out topical questions worthy of immediate investigation. Hence, there existed throughout the war an up-to-the-minute inquiry service intended to smooth out difficulties as they arose. This type of report reflected the current issues and difficulties of every phase of the war. When, early in 1941, there was a winter coal crisis a sub-committee was able to produce a report on the coal and wagon shortage almost immediately.[4] The difficulties attending the selection, acquisition, and construction of airfields in the first three years of the war were surveyed from time to time, tank production was the subject of a report and memoranda at critical phases, and, towards the end of the war, problems such as derequisitioning were being considered. At the same time inquiries were made into various aspects of departmental activity such as the control sections of the Ministry of Supply, the War Office Claims Commission, and the Navy Contracts Branch.

Finally, the Committee conducted quick and immediate investigations into cases of waste, irregularity, inefficiency, and grievance where these cases were isolated and not part of a bigger question. Such inquiries usually arose out of specific complaints and, as the war progressed, methods were evolved of sifting and dealing with the growing volume of correspondence. Following the Committee's declared policy, many complaints

[1] N.E.C. 12 R. 1939–40; 5 R. 1941–2; 13 R. 1941–2; and 10 R. 1943–4.

[2] The A.T.S. was particularly unfortunate in this respect.

[3] Also at greater length. Compare, for example, the Expenditure Committee's report on militia camps (N.E.C. 5 R. 1940–1) with the Accounts Committee's investigation of the problem (P.A.C. R. 1940–1. 29 ff.).

[4] N.E.C. 8 R. 1940–1, presented to the House on 6 Mar. 1941.

were passed to departments and remedied without a report being necessary. Where reports were made, they consisted of a recitation of the facts, an attempt to apportion the blame, and recommendations to remedy the faults reported. Some of these recommendations clearly usurped the discretion which lay with ministers, as, for example, when the Committee suggested particular and definite courses of action, yet in most cases they appear to have been acted upon or, at least, not to have caused resentment.[1] The value of this service of speedy investigation in preventing waste is clear. But it depended largely upon patriotic public interest and while the war lasted that was maintained. In peace it is doubtful whether it would work.[2]

This survey makes clear the wide range and big output which could be achieved and maintained. But, organized as it was, the Committee could go farther and renew inquiries from time to time when necessary and return to difficult problems and black spots. It thus provided a continuous investigation service. In the case of coal, for example, seven reports were issued.[3] The familiarity with their subjects which members acquired meant that after a year of two they became experts in these subjects and the Committee accumulated a great deal of valuable evidence and information. Further, time and knowledge led to a clear realization of what were the fundamental problems not only of the public service but of industry. Sub-committees tended constantly to trace their inquiries back to a few fundamental questions, and this made it appear that they were going far outside the terms of reference. No one was more conscious of it than the members themselves, and reports often contained a sentence or two justifying their wide approach and maintaining that 'it is within their scope to proffer any constructive suggestions, which they hope may conduce to greater efficiency and economy'.[4]

Perhaps the major result of the intensive study members of

[1] See, for example, N.E.C. 13 R. 1942–3. 13, where the Committee recommended that a factory be closed.

[2] The Estimates Committee discontinued this type of inquiry. See below, pp. 165–6.

[3] N.E.C. 9 R. 1939–40; 8 R. 1940–1; 16 R. 1940–1; 24 R. 1940–1; 3 R. 1941–2; 8 R. 1942–3; 6 R. 1943–4.

[4] N.E.C. 4 R. 1940–1. 114. See also 7 R. 1944–5. 7.

the Committee made of 'horizontal' problems was that they became convinced of the inadequacy of the administrative machine and of the constitutional conventions on which it was based. 'Administrative response had failed to keep pace with new developments', they said,[1] and though they hesitated themselves to take up constitutional inquiries, they continually condemned the inadequacy of inter-departmental co-operation and pointed to the fundamental problem of 'modifying a governmental machine, which had slowly been built up in a simpler and more peaceful world'.[2] They went farther and, like their predecessors in 1918, directly condemned the Treasury for 'too negative and passive an interpretation' of its functions.[3] Finally, they came nearest to tackling the problems for themselves when, convinced that sound organization and methods were vital, they discussed the *Organisation and Control of the Civil Service* in the most valuable report of the whole series[4] and, when on three occasions, they proffered criticism and advice on their own functions and parliamentary control in general.[5] On every possible occasion they stressed both the urgent need for more attention to be paid to organization and techniques, and also the necessity for a parliamentary review of such work. Thus, for the first time, a committee was constantly underlining the major and basic needs, insisting on the responsibility that lay at the Treasury's door, and driving home the idea that administrative efficiency is the test of economic expenditure.

In discussing the impact of the Committee on the departments and on the Government generally, it is necessary to notice four facts. In the first place, it aimed to be a positive useful influence and it made this point from the beginning. But second, its self-defined scope developed more widely than that of any previous financial committee. Original doubts about its interfering with executive responsibility were inevitably reinforced as its progress was watched. Third, war had brought normal party government to a close and, though all had the same end in view, here, if anywhere, was a substitute for an opposition. The Committee was part of the price which had to

[1] N.E.C. 4 R. 1940–1. 76.
[2] Ibid.
[3] N.E.C. 14 R. 1942–3. 67.
[4] N.E.C. 16 R. 1941–2.
[5] N.E.C. 16 R. 1941–2. 125; 14 R. 1942–3. 71 ff.; and 11 R. 1943–4.

be paid for automatic unanimity and, endowed with access to the departments and with information, it could be a powerfully dangerous critic. But it would be such only if the Government ignored or resented it. Hence, fourth, it is important to remember that reports were directed, in fact, to departments or to the Government.[1] Friction would occur, if anywhere, where ministers or departments objected to particular inquiries or recommendations.

So far as can be judged, the Committee's relations with departments were mainly good, though they varied from time to time, from department to department, and probably from report to report. It is impossible to assess the Committee's value or popularity in terms of numbers of recommendations rejected or accepted, for statistics give no adequate picture and do not cover the deterrent, inspiring, or aggravating effect of inquiries and suggestions. It is only possible to see evidence of relationships in the comments the Committee made on departmental reactions, in replies to reports, and in remarks made in the House.

In 1941 the Committee reported that it had little cause to complain of departmental attention to reports, but that the wider and long-term recommendations involving inter-departmental considerations were not well considered, for no machinery existed for that purpose.[2] Nor did departmental attention always continue to be adequate. True, Mr. Churchill regarded one report 'as a valuable contribution to our problems' and said he had treated its contents 'with the respect and consideration which are its due',[3] and the Home Secretary found another 'of considerable assistance'[4] but, nevertheless, in 1941 the Committee complained of being kept in ignorance of relevant facts,[5] and in 1943 censured unreasonable delay.[6] Later in the same year it accused the Ministry of Supply of having at first ignored the Committee's recommendations and of not telling the truth when it finally decided to follow them.[7] In the House, individual members persistently accused the departments of delay, even

[1] But in form they were, of course, directed to the House.
[2] N.E.C. 12 R. 1940–1. 5–8.
[3] Cmd. 6865 (1945–6), p. 18.
[4] N.E.C. 2 R. 1942–3, p. 10.
[5] N.E.C. 24 R. 1940–1. 20.
[6] N.E.C. 9 R. 1942–3. 1.
[7] N.E.C. 17 R. 1942–3. 1–5.

of what one member called 'studied insolence'[1] and it was generally said that departments resented the Committee.[2] Also, the debates of 9 and 15 October 1941[3] revealed trouble at ministerial and War Cabinet level between one section of the Committee and the Government.

Yet, although some replies were clearly unsatisfactory and some ministers undoubtedly did resent the attentions and the conclusions of small prying sub-committees, the volume of complaint indicates that relations were not consistently bad. It was to be expected that a strong committee such as this would comment severely on any inattention, and the fact that such comment was rare seems to indicate that normally the position was not unsatisfactory. Nor must it be forgotten that some of the best work was done where no report was issued, 'across the table'.[4] Again, the comments of members in the House were not wholly reliable for they were usually not disinterested. Even the wish of one sub-committee to resign, which resulted in the debates of October 1941, mentioned above, may only prove that an adamant sub-committee could not get very far if it pursued an unpopular line in a not very tactful way, rather than that normal relationships were bad.

But what trouble there was obviously arose from one main cause, the resentment which sprang from the belief that the Committee was inquiring and commenting too widely. As Mr. Herbert Morrison said, it even recommended *increases* in expenditure![5] This view was clearly widespread, for whenever Committee affairs or reports were discussed in the House, members rose to comment unfavourably on this point. Mr. Hely Hutchinson thought the Committee was 'seeking too much to do the Government's job',[6] and Mr. Cyril Lloyd disliked the 'rather monstrous child they [the Commons] have brought into being'.[7] The

[1] H.C. Debates, 3.12.1941, col. 1187. The speaker was Mr. Alfred Edwards, a member of the Committee.

[2] See, for example, H.C. Debates, 15.10.1941, col. 1418, and 26.1.1943, col. 408.

[3] H.C. Debates, 9.10.1941, cols. 1201 ff., and 15.10.1941, cols. 1397 ff.

[4] See Mr. Arthur Woodburn's comments, H.C. Debates, 5.8.1942, col. 1089.

[5] See H.C. 189—I of 1945–6, Evidence, Q. 3229.

[6] H.C. Debates, 15.10.1941, col. 1426. He said he had resigned for this reason.

[7] H.C. Debates, 5.8.1942, col. 1100.

debate on the report on the Civil Service[1] showed that a large number of members took this view. Some ministers certainly did. For example, Sir Ralph Glyn said that on one occasion the Committee had been 'chided' by the Chancellor of the Exchequer.[2]

When, after the war, the Select Committee on Procedure came to inquire into financial committees, it found that many witnesses believed that the National Expenditure Committee had gone too far, but that few were able to be at all precise about what they meant. Mr. Herbert Morrison for the Government complained that it had 'got really into the field of executive administration', had pulled up civil servants 'rather too frequently', and had asked 'questions which, in the judgement of some of the Ministers at that time, were, so to speak, running rival with the executive responsibility of the Minister himself'.[3] Those who spoke like this were, of course, arguing a case (against the proposed amalgamation of the Estimates and Accounts Committees) and Mr. Herbert Morrison himself much overstated it. It is clear that he considered existing machinery (the Public Accounts Committee and the newly appointed Estimates Committee) to be adequate, though he could have had no knowledge of how effective would be the work of the new body, and he must have known perfectly well how ineffective the old Estimates Committee had been. It is sufficient here, however, to note that his views were derived from his and his colleagues' direct experience, and he said as much.[4] Further, he was by no means alone in his views. Even the supporters of the Expenditure Committee had to admit that it was 'not always exactly popular', though they argued that 'the extent of its unpopularity may be also the measure of its success'.[5]

Whatever the rights and the wrongs of the respective cases made in the House and to the Procedure Committee, it cannot but be admitted that a substantial body of opinion thought that the National Expenditure Committee went too far. Many were unable to define exactly what they meant when they said this,

[1] H.C. Debates, 28.1.1943, cols. 639 ff.
[2] H.C. Debates, 16.10.1945, col. 1003.
[3] H.C. 189—I of 1945–6, Evidence, Q. 3229.
[4] Ibid.
[5] Ibid., Q. 4367.

and many did not take sufficiently into account the fact that the Committee worked during the abnormal conditions of war when its members wished to help the war effort whatever the normal constitutional limits, and when there was no opposition and little check on government activity outside committee investigations. But for the future it would be necessary to remember three things. First, in peace and under conditions of party government those limits, hardly defensible and much attacked in war, would be impossible to justify. Second, the Committee's experience had proved once again that where co-operation existed effective work could be done; where friction, nothing might result but unsatisfactory bickering and recrimination. Third, a committee's limit was normally where the government or a minister cared to draw the line unless the House itself interfered.

III

In March 1946 the post-war Estimates Committee started to work with this knowledge, with the fine organization it had inherited from the Expenditure Committee, and with the suspicious eye of the Government, and especially Mr. Herbert Morrison, fixed upon it. This Committee still exists. Its organization and procedure have been little changed since 1946, and its reputation and value which was soon recognized, are high.

It was appointed on 5 March 1946[1] at the very time when the Select Committee on Procedure was considering what, if any, new machinery was required and when many M.P.s and some officials were keen to improve the old machinery in the light of war-time lessons. In view of these facts, the haste shown by the Government in hustling the National Expenditure Committee off the stage seemed almost indecent.[2] It was true that the estimates were once more available and that the Expenditure Committee was never intended for peace-time conditions, but the impression cannot be avoided that the Government wanted to be rid of it. This impression is heightened by Mr. Morrison's frank

[1] See H.C. Debates, 5.3.1946, cols. 297–8.

[2] Mr. Morrison announced the Government's decision in October 1945. See H.C. Debates, 18.10.1945, cols. 1369–70.

antipathy which seemed to suggest that he wanted no repetition of the events of 1919–20. It was, moreover, convenient to be able to tell the Procedure Committee that there existed already a body to fill the gap, though it is hard to understand the Government's desire to ignore the lessons of 1921–39.[1]

It is difficult, from the evidence available, to know if the Government intended this Estimates Committee to function in the manner of its pre-war namesake. The terms of reference were much the same and Mr. Morrison's warnings clearly indicated the Government's desire that it should not emulate the Expenditure Committee. At the same time, it seemed unlikely that the new Committee, and it was very new,[2] could ignore the war-time lessons. In the event this proved to be true, for the Estimates Committee organized itself on lines that resembled the war-time arrangements, it used the staff and liaison arrangements which the Expenditure Committee had built up and which were still available, and it modelled its attack on that body's techniques.

It numbered twenty-eight members, later increased to thirty-six,[3] and from the beginning it worked through sub-committees, continuing with few changes the pattern evolved towards the end of the war. Three regular sub-committees of nine members, plus the Committee chairman, who is *ex officio* a member of all sub-committees, were available for any inquiries. In addition, two other sub-committees were appointed in each of the first three sessions for special tasks such as surveys of expenditure in Germany and inquiries into the form of the estimates. The enlarged Committee of 1948–9 and the lower sub-committee quorum of three instead of four made possible the appointment of five regular sub-committees of seven members (plus the Committee chairman). The Committee thus has a high potential capacity for work which is new to peace-time financial committees.

[1] See H.C. 189—I of 1945–6, Evidence, Q. 3285. Mr. Morrison also told the House that the object of the Procedure Committee was to strengthen the control of expenditure, but that it had not produced any reasons for supposing that strengthening was required. (H.C. Debates, 4.11.1947, col. 1557.) This was directly contrary to the sense of the report and to the consensus of opinion as revealed in evidence.

[2] Over half its members were new-comers to the House.

[3] See H.C. Debates, 17.11.1948, cols. 521–4.

To allocate lines of inquiry and to co-ordinate the work a steering sub-committee is appointed. It numbered seven members until the 1948–9 modifications, when it was increased to ten. The whole Committee meets initially to decide its work and procedure and to appoint sub-committees and, thereafter, to consider sub-committee reports. This also follows the normal practice of the Expenditure Committee as do the staffing arrangements. There are available the Clerk of the Committee and a number of sub-committee clerks, whose work depends upon the demands of their sub-committees.[1] In addition, liaison officers, the use of whom was perhaps one of the most valuable war-time innovations, have been appointed by many departments to facilitate Committee investigations.[2] They range from a third secretary of the Treasury to assistant principals, and their activities depend not only upon their ranks but upon their departments and the nature of the Committee's inquiries.[3] Some attend meetings with the witnesses from their departments, others do not.[4]

Evidence and memoranda are furnished as they were to the Expenditure Committee. Visits are sometimes made and evidence is often taken from witnesses who are not civil servants. But whereas National Expenditure sub-committees often initiated inquiries with little forewarning, the Estimates Committee appears to give ample notice of the nature and scope of its intended inquiry and usually asks for preliminary memoranda from the departments. This procedure is probably more suited to peace-time control and surprise is not necessary, nor even desirable, when the object is not to trap, but to acquire information and if necessary reveal difficulties and black spots. The deterrent and correcting effect of the knowledge of an impending inquiry is said to be high.[5] Reports are issued as each inquiry is

[1] In May 1949 there were five sub-committee clerks.

[2] In May 1949 there were thirty-six liaison officers.

[3] None of them spend their full time in this capacity for it would be unnecessary.

[4] See, for example, E.C. 5 R. 1946–7, Evidence, p. 30. The liaison officer is recorded as 'in attendance'.

[5] For example, the inquiries of a sub-committee in December 1948, into the dispersal of the Polish Resettlement Corps, caused the number of passages on commercial sailings to rise from 100 a month up to January 1949 to 498 in February. See E.C. 4 R. 1948–9. 11, and Evidence, Qs. 290–305.

completed and they appear in a steady stream in the manner of the Expenditure Committee reports, while their style and lay-out also resemble the war-time series.[1]

The most interesting feature of the new Committee, however, is the nature and scope of its activities. Its terms of reference directed it 'to examine such of the Estimates . . . as may seem fit to the Committee . . ., to suggest the form in which the Estimates shall be presented . . . and to report what, if any, economies consistent with the policy implied in those Estimates may be effected therein'. Its members were faced, as their predecessors before them, with the difficulty of translating into action the words 'examine . . . the Estimates'. The experience of the Expenditure Committee was not wholly valid for there were no estimates during the war and its terms of reference had limited it to examining expenditure arising out of the war. That experience had, however, underlined clearly the need to avoid friction if results were to be obtained, and it had also shown that properly organized committees could promote economy without examining the estimates figures. So far, it seems that the Estimates Committee has interpreted the word 'estimates' to mean 'current activities', and it is making a selective review of government activity on the grounds that, whatever the inquiry, there can be found in the published volumes a sum of money representing it. The choice of lines of inquiry seems to have been made in three ways: first, where public interest and doubts have arisen; second, some items in the published estimates stand out and cry for investigation; finally, one inquiry often leads to others.

Looking at the scope of its work it is possible to say that it has undertaken four main types of inquiry. First, it has reviewed activities represented by 'blocks of expenditure' as, for example, its reviews of the work of the Control Commissions and of colonial development.[2] Second, it has reviewed the organization, work, and financial affairs of departments and other bodies spending public money. Such reviews were those of the B.B.C.,

[1] The numbers of reports issued as a result of sub-committee investigations are as follows: 1945–6, 5; 1946–7, 7; 1947–8, 8; 1948–9, 14. Besides these, other reports giving a yearly review of work and departmental replies were issued.

[2] E.C. 2 R. 1945–6 and others and E.C. 5 R. 1947–8.

the Ministry of Civil Aviation, and the British Council.[1] Third, it has investigated a series of current problems, some confined to one department, others concerning more than one. Such investigations included those into the release of requisitioned property, *Organisation and Methods and its Effect on the Staffing of Government Departments* and *The Use of Royal Ordnance Factories and Royal Naval Establishments*.[2] Finally, it has investigated suspected black spots either as a result of publicly expressed doubts or where figures in the estimates stood out as unusual. Such inquiries were those into *The Use of Motor Fuel by Government Departments*, the Civil Service Commission, and the cost of the Brabazon aircraft.[3] In addition, it has naturally considered questions relating to the form of the estimates, and in 1947 and 1948 maintained sub-committees for that purpose.

At first sight, the similarity between this work and that done by the war-time Expenditure Committee seems striking. The Estimates Committee functions in much the same manner as the war-time body and, probably because there has been continuity of staff, reports have been very similar in style and presentation. But it would be wrong to suppose that the new body is the National Expenditure Committee in peace-time guise. Marked dissimilarities are apparent. The Estimates Committee has spread its net nothing like so widely as the Expenditure Committee. It has attempted no broad horizontal surveys of the widest sort such as those on labour, production, and contracts, which were a feature of the war. In view of what seemed to be the main complaint against the Expenditure Committee—that it went too far—this is a wise abstention. It is probably to be explained by there being a less obvious case for plunging into such surveys, by a desire not to incur the hostility of Members of Parliament and the Government and, clearly, because the time available to members for committee duties forbids. At the other end of the scale the Estimates Committee has not conducted minor, 'case'-type inquiries. There is less need for this service in peace-time. It was war conditions which brought greater opportunities for minor irregularities, besides which it

[1] E.C. 1 R. 1945–6; 6 R. 1946–7; and 3 R. 1947–8.
[2] E.C. 1 R. 1946–7; 5 R. 1946–7; and 7 R. 1947–8.
[3] E.C. 6 R. 1947–8; 9 R. 1947–8; and 2 R. 1947–8.

will be remembered that this type of inquiry depended largely on initial information from the general public. Complaints may still be made, but, in fact, are not.[1]

But the most significant difference is one of approach. The new Committee tends to stress financial aspects and implications much more specifically than did the Expenditure Committee. It is, after all, an 'estimates' committee directed to seek out 'economies' and it has anchored its inquiries more firmly to finance. Thus, while like the Expenditure Committee, it clearly realizes that estimates and accounts are but reflections of the use of labour and material and that it is to the latter that attention must be directed, it has related its investigations to financial considerations more clearly than could the war-time body. At the same time it does not work from the estimates in the slavish manner which earlier committees found so futile. It does not try to do the Treasury's job all over again. While it is interested in the money figures which represent the cost of action, it goes straight to the questions of organization and methods which lie behind the figures. It is more interested in the department's memoranda and explanations of organization, work, and results than in the money figures into which they can be translated. The most useful report it has produced so far, the fifth report of 1946–7 on *Organisation and Methods and its Effect on the Staffing of Government Departments*,[2] illustrates well its attitude. Following the lead of the Expenditure Committee, it has always stressed the need for 'planning the structure and machinery of Government rather than . . . attending to its plumbing and maintenance'.[3]

Reaction to the Committee's work has, so far, been encouraging. In view of the failure of its predecessors before 1939 and the opposition which the Expenditure Committee aroused, this was a matter of some importance. It was desirable to avoid both the verdict of useless—which was the fate of its predecessors, and of dangerous—which was attached to the war-time bodies. In 1946 it did not look a strong committee by any means. Only

[1] In one sense the Estimates Committee has a wider scope than had the Expenditure Committee, for the latter body was confined to expenditure arising out of the war. But see pp. 152–3 above.

[2] E.C. 5 R. 1946–7.

[3] Ibid., para. 49.

four members of the war-time body were included and no less than fifteen of the twenty-eight were new-comers to the House, and though such experienced committee men as Sir Ralph Glyn were leading sub-committees, the proportion of new-comers remained high. Yet it soon achieved considerable success. So far as can be ascertained, Treasury and departmental replies to reports appear to have been generally satisfactory, though Sir Ralph Glyn had occasion to complain of inaction to the Treasury witness in 1947. 'I think', he said, 'there ought to be quicker action . . . you will not get Members of Parliament to spend their time on a Committee like this unless action is taken on recommendations.'[1]

Whatever its impact on the departments, it is clear that it quickly impressed the House. It was fortunate, of course, that it could adopt tried procedures and techniques, but members undoubtedly worked very hard and learned quickly. Attendance has been higher than at any previous peace-time financial committee and reports appeared in a constant stream, reminiscent of war days. Many of them were topical and contained much useful information for the House, and the result was that they were mentioned in debate more frequently than those of previous committees. Some were used as the bases for supply debates[2] and at least one was discussed on the Address.[3] Others were cited in debate or were the subject of questions. In the course of these references the Committee received very favourable mention. Mr. Bevin noted its 'constructive and helpful approach' to German affairs,[4] while Mr. Noel-Baker, in the course of a eulogistic passage, said that the report they were discussing would 'not only furnish this House with the basic facts', but would be 'useful, in a high degree, to the Government', and the administration would 'receive a valuable stimulus'.[5] In addition, some reports received a great deal of publicity in the press. This unusual attention arose from the fact that the press mirrored a

[1] E.C. 4 R. 1946–7, Evidence, Q. 114.

[2] See, for example, H.C. Debates, 29.7.1946, cols. 525 ff., and H.C. Debates, 22.7.1948, cols. 597 ff. These debates seem to have been arranged to coincide with Committee reports. There has, however, been no deliberate correlation on a large scale.

[3] See H.C. Debates, 27.10.1947, cols. 517 ff.

[4] Ibid., col. 597.

[5] H.C. Debates, 29.7.1946, col. 540.

strong current feeling that Government spending was too high, and it therefore looked with favour upon the work of any body commenting on expenditure.

The result of this attention was that by 1950 members recognized the Committee as a useful body and a great improvement on its predecessor. This recognition was reflected in the growing numbers who were said to desire to serve.

This final period with its two interesting experiments saw, almost without doubt, a great advance towards solving the problems of parliamentary control. The answers were not new; no radical solution was tried or offered. The work of the Procedure Committee will be more fully described in a later chapter, but it may be noted here that it examined only conservative suggestions for, indeed, no one had anything very novel to propose. The House of Commons still retained its faith in its committees working on normal and traditional lines.

It was rather the improvements in committee organization and technique that made this period so outstanding. The committee system evolved during the war and now in use in the Estimates Committee, has made possible more and better work than ever before. It will be examined at length in a later chapter of this work. Equally important was the fact that the limitations and possibilities of an Estimates Committee seemed to have been realized at last.

Finally, a most valuable lesson was taught by the clear recognition of successive committees that it was to organization and methods that they must look. Their constant repetition of this point, together with their opinion that it is the work of the administration itself to devise ways of examining its own structure, procedures, and methods, had the effect of galvanizing the Treasury into action and of turning the thoughts of public servants even more to problems of efficiency, audit, and 'O. and M.'.[1]

[1] The growing interest in this subject shown by the Institute of Public Administration was noteworthy.

PART III

PROCESSES AND TECHNIQUES OF CONTROL

CHAPTER VII

THE PUBLIC ACCOUNTS COMMITTEE

I

To complete this study of financial committees it is necessary to examine the procedures they have adopted and their techniques of control. Their success depends upon the jobs they are set to do, upon the information available to enable them to make useful recommendations, and upon their organization and methods of work. Only when these factors have been examined will it be possible to ascertain the nature of their control and to assess its value.

The case of the Public Accounts Committee is unique in many respects. Its work and control depend upon a full audit and examination of the accounts by the Comptroller and Auditor General and the Audit Department. The control it effects is unintelligible unless the work of checking and audit is first understood, for the points which come before the Committee are those which remain after a complicated sifting process has been carried out. On this audit depends the Committee's success and it will thus be necessary to survey briefly the work of the Comptroller and Auditor General and his department.

But first, the aims of the Public Accounts Committee must be defined. The Committee is the last stage in a process of control effected by means of an audit which, though it is defined by statute, is also intended to satisfy the Committee's wishes and is, therefore, conditioned to some extent by the Committee's aims. In Part II of this work, we traced the gradual realization of the Committee's proper functions, what it could do well and where it reached its limits. The sum of this experience was epitomized by a former chairman, Mr. Osbert Peake, when he defined the Committee's functions as, first, to ensure that money is spent as Parliament intended; second, to ensure the

exercise of due economy; and third, to maintain high standards of public morality in all financial matters.[1]

To ensure that money is spent as Parliament intended is clearly the primary function of the Committee. This is the job which it was originally set up to do and which, whatever else it attempts, it must continue to do. It includes, first, a check on the veracity of the accounts and continuous attention to their form and to the principles of accounting. It includes, second, a check on appropriation, for the Committee exists to see that public money goes in the correct amounts to the destinations Parliament intended. In the pursuit of this aim, the Committee compares estimates and accounts and hears the reasons for discrepancies. It is here concerned also with excess votes and virement, with annuality and close estimating, with new financial procedures and old standards of exactitude. It includes, finally, a check on regularity. The Committee looks to see that money is spent according to the rules and practices laid down by Parliament, the Treasury, the departments, and the Committee itself. This, the primary function of the Accounts Committee, is, as we shall see, judicial in character. Yet its duties in this connexion are by no means formal or unimportant, for the best known and basic rules of public finance are infringed from time to time, even today.[2]

The second function which Mr. Peake mentioned, the promotion of economy, though nowhere stated or defined, soon came to be a well-established aim. 'In this respect it has throughout its history tended gradually to increase its scope.'[3] We have traced in detail the growing realization of the importance of this work and the extension of its functions by the Committee to cover it until the limits were reached. It involves the examination of cases of waste, the investigation of departmental machinery, methods, and action, and the pursuit of points back into the past and forward from the year of account up to date. It involves, too, the examination of contracts and the consideration of the relations between government and industry. It is work of the greatest importance. And yet it must remain a

[1] See *Public Administration*, vol. xxvi (1948), p. 80.
[2] For example, see P.A.C. 3 R. 1946–7. 25–9 and 105.
[3] Peake, loc. cit., p. 80.

subsidiary function. The Committee must, according to the Standing Order, examine the accounts, and it is geared, as we shall see, to an accounting and audit system designed primarily to ensure regularity and only incidentally to examine efficiency. That the Comptroller and Auditor General is a check on efficiency is not denied, but his main function and the one for which his department is organized is audit.

The third aim laid down by Mr. Osbert Peake is less easily explained. The Public Accounts Committee acts to some extent as a referee between departments and industry and it censures doubtful financial practices. In the future, members may develop rather into Tribunes of the Plebs, watchdogs for the public and the business community against the methods of the ubiquitous state. The increasing scope of state activity in economic and social affairs may well make its activities in this respect of greater importance.

The ability of the Committee to perform these functions depends upon the information available, upon the efficiency of its own procedure and techniques, and upon the machinery to ensure that its wishes are considered, and it is to these that we now turn.

II

The wording of Standing Order No. 90, with its direction to the Committee to examine the accounts, gives no hint of the complicated process which precedes that examination and which makes a reality of what would otherwise be a farcical impossibility. The Committee's work depends in practice entirely upon the audit and examination carried out by the Comptroller and Auditor General and the Exchequer and Audit Department. Its primary source of information, the public accounts, have been thoroughly examined and sifted before the few points which merit attention are put before the Committee in a simple and intelligible fashion by the Auditor General. The key position in the system which is occupied by this officer and his department warrants some attention.

The Comptroller and Auditor General, the 'acting hand',

[1] Mr. T. Gibson Bowles to the Select Committee on National Expenditure, H.C. 387 of 1902, Evidence, Q. 1017.

the 'guide, philosopher and friend'[1] of the Public Accounts Committee, is appointed by Letters Patent on the Prime Minister's nomination. His full title is 'Comptroller General of the Receipt and Issue of His Majesty's Exchequer and Auditor General of Public Accounts'.[2] He is an officer of Parliament, his salary is charged directly to the Consolidated Fund, and he is removable only on an address of both Houses of Parliament. He considers himself primarily responsible to the House of Commons alone and is the servant of that House. He has, so far, always been a senior civil servant with experience of government financial procedure. There is a tradition of ex-Treasury officers in the post, although it is by no means hard and fast and the present Auditor General, Sir Frank Tribe, was formerly Secretary of the Ministry of Food. Sir Frank Tribe is, too, the first Comptroller and Auditor General to have been an Accounting Officer.

The position of the Auditor General is unique in many respects. Although he is a civil servant by training and though he works with the Civil Service and his subordinates are civil servants, yet he is not one of them. His constitutional status and duties isolate him and he is, in the words of Sir Frank Tribe himself, 'very much a lone wolf'.[3] Unlike any civil servant, he has no chief. He has statutory duties and large discretionary powers, and, though it is his job to aid the House, the responsibility for his actions is his alone.[4] The annual reports he writes are his personal comments, apart from a few matters on which he is directed to report.

Again, although he conducts the audit of the public accounts and heads a staff of auditors, he need not himself be a trained auditor. In practice he is by profession an administrative civil servant. His position is thus somewhat analogous to that of the

[1] Mr. Osbert Peake, H.C. 189—1 of 1945–6, Evidence, Q. 3927.

[2] In his capacity as Comptroller of the Exchequer he authorizes all issues from the Exchequer on the demand of the Treasury and after he has satisfied himself that Parliament has given authority for them. See W. I. Jennings, *Parliament*, pp. 323–5.

[3] In conversation with the author. I am indebted to Sir Frank Tribe for much of what follows concerning his office, his work, and his department.

[4] His status and duties are laid down in the Exchequer and Audit Departments Acts, 1866 and 1921. For examples of his discretionary powers see Exchequer and Audit Departments Act, 1921, s. 1 (2) and 2 (2).

amateur head of a department of professionals, which is a feature of British administration. Yet he is not entirely amateur, for he brings to this post the training and knowledge of a senior civil servant and the views of the departments, and, as an officer of the House, he also regards it as his duty to watch the trends of parliamentary opinion.

Until 1921 there existed the post of Assistant Comptroller and Auditor General,[1] but since that date the Secretary of the Exchequer and Audit Department has been the Auditor General's chief assistant.

The Comptroller and Auditor General heads the Exchequer and Audit Department, whose headquarters are in Audit House on the Victoria Embankment. The department is comparatively small, consisting of some 380 auditors of one rank or another.[2] This small body conducts an external audit of all the public accounts. The great majority of the auditors are housed and work in the accounts branches of the departments whose accounts they audit.

The Audit Department is made up of eight divisions, each controlled by a director of audit. One is a headquarters division and consists of headquarters staff and accounts and establishments branches. The other seven conduct the audit and, for this purpose, have the departments divided between them. Some divisions audit the accounts of one large department only, e.g. the Ministries of Food and Supply; others have many departments assigned to them. The allocation of work follows no logical pattern, but is made as convenience dictates. Local audits at depots and outstations are made as and when necessary, though most government activities overseas are accounted for centrally and can be audited from accounts available at home. In addition, there are sections based in New York and in Egypt. The latter section audits Middle East accounts and provides visiting auditors to spending authorities in Africa and the Far East.

The staff of the department are ordinary civil servants who are trained in this special work. They all enter the Service in the

[1] The post was abolished by the Exchequer and Audit Departments Act, 1921, s. 8 (4).

[2] In May 1948 the 380 consisted of the Secretary, the Deputy Secretary, seven Directors of Audit, sixteen Deputy Directors, fifty-three Senior Auditors, and about 300 Auditors and Assistant Auditors.

normal fashion at 18 in the executive class and are trained internally by lectures and 'on the job' for three years, which period corresponds to 'articles'.[1] Although they are not recognized as chartered accountants they are considered to be as highly trained, though specially trained to conduct an audit which has no parallel elsewhere.[2] It is the custom of the department to move all auditors, even juniors, from one department to another at regular intervals of not more than five years. In this way it is contended that rigidity is avoided, that men coming into new departments are keen to better their predecessors, and that experience gained by working in one department is passed on to others. The danger that specialized knowledge may be lost is not, it is believed, so great as the danger of staleness and routine which are fatal to audit. In any case, possible loss of knowledge and experience is mitigated by keeping files on all departments. New men thus inherit a wealth of accumulated knowledge and experience of the idiosyncrasies of each ministry. The all-important enthusiasm and vigour of the department are maintained by a high sense of responsibility instilled from the time a man enters and by the knowledge that promotion depends largely upon good work. To hit upon a point needing investigation and 'to initiate a reference sheet'[3] may be the lot of even the most junior, and such an occurrence counts towards promotion.

To attempt to measure the vast job performed by the Audit Department is an almost impossible task. Yet the importance of such an assessment is clear enough if it be remembered that practically nothing the department has not investigated ever comes before the Accounts Committee.

The duties of the Comptroller and Auditor General are laid on him by statute and by the Treasury and he has, besides, wide discretionary powers which he exercises with the consent and encouragement of the Accounts Committee. First, he examines the public accounts to satisfy himself that money has been applied to the purposes for which it was intended, that it has been spent according to law, Treasury regulations, and past Committee recommendations, and that adequate rules to govern expenditure

[1] Many of them also study part time at the London School of Economics.
[2] See P.A.C. 3 R. 1946–7, Evidence, Qs. 199 ff.
[3] See below, p. 178.

procedures and accounting are made and enforced by the departments.[1] Second, he developed almost from the beginning extra-statutory or discretionary duties to report waste and inefficiency, and he was encouraged to do so by the Accounts Committee which welcomed this opportunity to extend its own functions. The limits to which the Auditor General can go have been defined, in fact, by the Committee. But waste and inefficiency often do not appear on the face of the accounts. They can be and are found by an experienced auditor, but the techniques used are not designed specifically to reveal all that one would expect from a proper 'efficiency audit'. Successive Auditors General have stressed this fact and have made it clear that they are unable to detect all cases of waste and inefficiency which occur. In the course of this work the Audit Department conducts a valuable examination of government contracts and trading, and Sir Gilbert Upcott told the Select Committee on Procedure in 1946 that this was now 'one of the leading functions' of his officers.[2]

The main documents on which the auditors work are the various accounts which the departments are required to keep. They constitute records in terms of pounds, shillings, and pence of all administrative action everywhere. Annual accounts audited or scrutinized include the following:

1. *The appropriation accounts*: Civil, Revenue, Army, Navy, and Air Force. These are the most important accounts.
2. *The Consolidated Fund accounts.* These are accounts of issues for services charged directly on the Consolidated Fund.
3. *Accounts audited under Treasury regulation.* There are about 120 of them.
4. *Stocks and stores accounts.*
5. *Trading, shipbuilding, manufacturing, and commercial accounts.* These accounts are of growing importance now that the state engages widely in trade and manufacture. They range from the vast trading accounts of the Ministry of Food to the National Stud Account.
6. *Accounts audited under special statutes.* There are about thirty-five of these 'White Paper' accounts.

[1] See Exchequer and Audit Departments Act, 1921, ss. 1–5.
[2] H.C. 189—I of 1945–6, Evidence, Q. 4310.

7. *The accounts of some state owned or sponsored companies.* They are audited commercially, but scrutinized for Parliament by the Auditor General. Such are the accounts of the Development Area Trading Estates Companies.
8. *The accounts of various bodies receiving grants in aid.* The extent of the examination varies according to the directions given by Parliament in each case.
9. There are also a few *other accounts*, e.g. the Public Income and Expenditure Account, which shows the main items of expenditure and receipt and the surplus or deficit for the year.

The most important of these accounts from Parliament's point of view are the appropriation accounts.[1] Their object is to satisfy Parliament that the funds granted have been spent as intended. Their form and content are dictated by statute and Treasury regulation. They were designed to be 'complete and conclusive records of the transactions of each financial year',[2] but, in fact, they are nothing of the kind. They are *cash accounts* and include all sums actually paid during the year. They tell very little by themselves and to make them more intelligible they contain various appendixes added from time at the request of successive Accounts Committees.

These appendixes contain, amongst other things, explanations of the causes of discrepancies between estimates and accounts; details of receipts; notes on particular features in the accounts; the accounts of various grants in aid and funds; explanations of losses, write-offs, compensation payments, loans, gifts, and unvouched expenditure, &c. Even so, the appropriation accounts have been much criticized on the grounds that, being cash accounts pure and simple, they give no true or complete picture of the state of the public finances or of actual expenditure and liabilities incurred, though not necessarily paid. It is difficult, however, to reconcile in one account the need to present a comprehensive picture of the complicated government activities which are a feature of the twentieth century and the need to provide Parliament with an account that corresponds exactly to

[1] For a description of the appropriation accounts see *Civil Appropriation Accounts, 1929*, H.C. 20 of 1930–1, pp. iii–iv.

[2] P.A.C. 2 R. 1893. 51.

the necessarily rigid form of the estimates.[1] The Treasury maintains firmly that the latter consideration is the more important. If accounts are to be more than a check on fidelity and are to be a means of yielding information, the appropriation accounts are indeed open to attack but, as we have seen, they are supplemented by trading and other accounts and by financial statements to which those who want information on public policy may go. In any case, under the hand of the skilled auditor who has access to whatever further documents he needs, they appear to reveal in the most convenient form enough for Parliament's purposes in respect of 'accountability', and that is the most important consideration.[2]

To list the accounts which come under audit gives no adequate picture of the range of the Audit Department's work. Nor does it help much to say that it audits over £3,000m. worth of expenditure annually. The figure gives little clue to the vast and complicated web of financial transactions which must be examined or to the various types of expenditure needing different degrees of checking. They range from accounts already audited commercially and accounts of debt operations needing little scrutiny, to new and complicated trading transactions or concealed subsidies which require careful examination to discover even their extent.

It is further necessary to notice that when it is said that the Audit Department audits the accounts, those words are used loosely. Most departments have large accounts branches and all the routine checking is done internally and, by statute, may be accepted by the Auditor General at his discretion.[3] Nor does the audit consist only of a post-mortem check of accounts and vouchers. Over the years a smooth system of running audit has gradually been evolved. The Auditor General's staff working in the departments follow up expenditure closely. They receive

[1] For the form of the estimates see E.C. 4 R. 1946–7, Evidence, pp. 16 ff.

[2] The question of the form of accounts deserves a great deal more attention than it has yet received. But see J. R. Hicks, *The Problem of Budgetary Reform*, and also *The Final Report of the Committee on the Form of Government Accounts*, Cmd. 7969 (1950). A distinction ought here to be noticed. The form of an account may help control by a committee confined within policy, but may be useless as a basis for examining government policy. One form cannot serve all purposes. See Cmd. 7969, paras. 15–21 and 32 ff.

[3] Exchequer and Audit Departments Act, 1921, ss. 1 (2) and 2 (2).

information on all payments and contracts made and they check registers of bills paid which are records mostly of normal payments, the like of which they have seen many hundreds of times before. Only if they see anything unusual or irregular do they 'draw papers'. Their inquiries are almost always, in the first instance, informal. Minor queries can usually be settled by a telephone call or a visit. Points not immediately settled are the subject of semi-official correspondence, and it is only when a serious matter comes to light that a formal inquiry in the shape of a 'reference sheet' is instituted. Reference sheets are usually sent by directors of audit, are regarded as serious, and the points about which they inquire are prima facie possible matters for inclusion in the annual reports of the Auditor General. Where questions are raised involving the Auditor General's extra-statutory functions, departmental administration, or general principles, the inquiries are sent in the more respectful form of an official letter. In all cases, the extent of the inquiry and the amount and type of information requested are matters for the discretion of the Auditor General.

This running audit enables the department to keep abreast of expenditure and to pursue investigations before transactions become history.[1] Just as the estimates are approved by the Treasury throughout the year, before they are sent in formally by the departments, so the audit is almost completed before the appropriation accounts are submitted.

The main feature in the development of audit technique has been the increased reliance on the test audit, combined with a greater attention to departmental systems of checking and safeguards. These developments have been especially rapid in the last ten years. After the Second World War the Auditor General said his audit was now 'a radically revised system . . . of test audit designed mainly to ensure that the internal audit and control exercised by the Departments was effective, and so far as

[1] This point is of great importance because accusations are levelled against the Accounts Committee that it is too far behind the event. The 'official' timing is as follows: The accounts of, for example, the financial year 1947–8 ought to be formally submitted to the Auditor General by statutory dates from November 1948 to January 1949. The Auditor General examines and reports in the first months of 1949. The Public Accounts Committee examines the accounts and reports from February to July 1949.

possible to bring to light . . . things that really mattered'.[1] New services are given a one hundred per cent. check if possible and the percentage check appropriate is decided on the basis of ascertained results. The number of cases turned up in the first years is a general rule of thumb, but tests are also framed with an eye to the staff available, the complexity of the accounts, their relative importance, and the extent and efficiency of internal examination. It is impossible to give figures to illustrate such tests, but the system which has been evolved and tried fully has satisfied both the Treasury and the Accounts Committee.[2]

The following table makes very clear the growing reliance placed on internal accounting and the great extent to which the Audit Department must have had to use the test audit technique to get through its job.

Year	*Number of auditors*	*Approximate total of audited expenditure (£m.)*
1865–6	113	66
1885–6	185	93
1905–6	200	140
1912–13	206	189
1918–19	331 (incl. 123 temporary)	2,681
1921–2	295	1,053
1931–2	235	853
1938–9	262	1,020
1947–8	380	3,379

Success is claimed for this test system and it is a matter for congratulation that it is achieved so cheaply. Since the main aim of the audit is not to reveal all faults, but to reveal enough faults to deter those who handle money and accounts from making mistakes and acting improperly, full audit is neither necessary nor useful.

On the result of his audit the Comptroller and Auditor General first certifies the accounts as correct, subject to whatever comments he cares to make, and, second, writes his reports,

[1] P.A.C. 4 R. 1945–6. 2.

[2] See P.A.C. 3 R. 1946–7. 7. See also Sir Malcolm Ramsay's description of a test audit, H.C. 161 of 1930–1, Evidence, Qs. 3777–8.

which are presented with the accounts to the House of Commons by the Treasury and are then published. These all-important reports are the bases of the Committee's investigations. The Procedure Committee of 1931–2 was 'quite clear', it said, 'that the effective work done by the Public Accounts Committee is largely due to the fact that they have at their disposal the reports and investigations of the Comptroller and Auditor-General'.[1]

In their present form these reports explain the outcome of the year's transactions giving total figures. They reveal the extent of the audit and, perhaps, the results of test audits. They give the circumstances leading up to all 'excesses' and they contain, besides, a series of comments on matters the Auditor General regards as important. These comments are intended to be mainly informatory and to put the relevant facts of doubtful or disputed cases before the Accounts Committee without pronouncing any judgement on them if it can be avoided.[2]

The subjects on which comment is made and the type of comment have changed through the years with modifications in the audit system and with different conceptions of what is and is not important enough to justify Parliament's attention. Early reports contained a great number of references to minor and formal points of order and accounting and they were written according to conventions clearly understood amongst civil servants. The very mention of any subject in a report implied censure and was considered undesirable. The language of the reports was a language of understatement—the meiosis of the rhetorician—seemingly mild to the outsider, but having great significance in Whitehall. This tradition has not entirely disappeared, but is dying as Auditors General with new views of what is important face a vastly more difficult job of selection. Recent reports show a tendency to be more interesting, more readable, and less formal. They concentrate on a few important topics, often concerned with questions of principle.

Such items as the following might be expected to be the subject of comment in the Auditor General's reports:

1. Important matters reported with the clear intention of giving information, either because they are interesting and

[1] H.C. 129 of 1931–2, para. 10.

[2] See H.C. 189—I of 1945–6, Evidence, Q. 4362.

topical, or because they are matters the truth of which is not easily discernible in the actual accounts and which Parliament might otherwise miss. For example, hidden subsidies.

2. Matters of principle on which a difference of opinion has arisen between the Treasury, the departments, and the Auditor General. They are submitted for Committee decision.
3. Serious and topical questions concerned with unusually heavy expenditure, with clear waste or loss or with matters where loss might occur. For example, the post-war currency losses in Germany due to speculation and illicit trading by the armed forces.[1]
4. Matters which, though small items in the accounts, are growing or will grow and need investigation before they become sizable.
5. New spending and departures from settled habits and procedures.
6. The state of the accounts and the efficiency of the accounting system.

Each paragraph in the reports is sent before publication to the department concerned for checking as to the accuracy of the facts contained therein. Sir Gilbert Upcott told the Accounts Committee that he did this 'to save any discussion before the Committee between myself and the Officers of the Department as to the accuracy of the statements contained in the paragraph'.[2]

On the contents of these reports the programme of the Public Accounts Committee is framed. Little not mentioned in them is ever brought up in the Committee and this has been true since its early days. In fact, the Committee's programme is stereotyped and very rigid. The chairman and the Comptroller and Auditor General prepare a provisional year's programme of accounts to be examined with witnesses. The rest are passed in committee almost automatically. Accounts taken with witnesses always include the big spending departments such as the Ministries of Supply and Food and the defence departments, while the others require investigation only if any point has been raised during

[1] See P.A.C. 2 R. 1946–7.

[2] P.A.C. 2 R. 1941–2, Evidence, Qs. 4977–81.

the audit, or when their turn comes around in the loose kind of rotation which operates. In this way the Accounts Committee has its agenda and lines chosen for it in an expert fashion. The points it considers are only those which remain outstanding or unsettled after thorough audit and investigation. In this respect it has a unique advantage over other financial committees.

III

It remains to see how the Committee itself is equipped to consider the subjects brought up to it by this long and expert process. The formal facts give no adequate idea at all of the actual state of affairs, and it is necessary to examine the day-to-day working of the Committee in some detail before the true picture emerges.

The Committee is appointed annually at the beginning of the parliamentary session, generally in November or December. Its fifteen members are nominated by their parties from the many who desire to serve and are chosen in the normal fashion in proportion to voting strength in the House. The chairman, on whom as we shall see falls most of the work, is by convention a senior opposition member.[1] He may often be an ex-junior minister and destined perhaps for high office, and he may sometimes be an experienced Accounts Committee member.[2] He may or may not be an ex-Financial Secretary to the Treasury, for practice has varied here and the tradition is by no means established.[3] Many chairmen in the past have, however, been connected with banking or business, and not a few have had distinguished records as financial experts or as advocates of economy.

It is not easy to judge the calibre or qualifications of members. There are perhaps two criteria—some relevant knowledge or

[1] Only twice before 1916 was the chairman a government supporter. If the war years be excepted, he has always been an opposition member since that date.

[2] Almost all have had some previous experience, some many years. Sir Assheton Pownall was twenty years a member before he was chairman. The value of this experience was stressed by Sir Malcolm Ramsay (H.C. 161 of 1930–1, Evidence, Q. 3752).

[3] Until 1906 chairmen usually were not. From 1906 to 1949 (incl.) nine chairmen covering eighteen years were, while five covering twenty-six years were not.

experience, and service on the Committee. The first is difficult to establish. The past records of members and their professions do not necessarily indicate an aptitude for this work. Yet it is clear that members whose profession was banking, stock-broking, or connected in some way with finance, often found a place for that reason on the Committee in the past, but this seems to be no longer so true. Experience in the House is perhaps more valuable and is certainly more easy to ascertain. In general, the Committee has always been composed of senior members and this was perhaps the most marked feature until recently. The Committee of 1905 had all been in the House for ten years or more. The big turnover of members at the 1945 election makes a comparison with the post-war Committee, with its seven new-comers to the House, unfair, but the impression to be gained from an examination of the personnel in recent years is that seniority does not seem to count for so much and that the Committee is less distinguished than it was.

Actual service on the Committee is more valuable as a criterion. There and only there can members learn their jobs, and it is certain that it takes two or three years before they can find their way about the intricate accounts. Members are usually re-elected if available and it is possible to tell if they stayed long enough to have the chance of being useful. The records of some members are truly remarkable. Sir Assheton Pownall sat for twenty-three years and it cannot be doubted that in his last three years, when he was chairman, he knew all that experience could teach him. One member sat for nineteen years and some half dozen for over fifteen, while many serve for five to ten years.[1] A new Parliament naturally enough brings many new members to the Committee, but normally well over half the old Committee returns to form an experienced core.[2]

On the face of it, this is a strong committee of comparatively

[1] The following table shows the length of service of the 199 members who served in the sessions 1900 to 1948–9.

Years	*Over 1*	*Over 2*	*Over 3*	*Over 4*	*Over 5*
Members	151 (75%)	112 (56%)	84 (42%)	67 (33·5%)	53 (26·5%)

[2] The Committee of 1945–6 included thirteen new members and was thus practically a new body. This is the highest new intake ever.

senior members, many of whom serve long enough to learn their job and to be useful, but this conclusion must be modified in the face of two facts. First, it seems that interest in the work of the Committee is less than it was. Second, an analysis of procedure shows that the main work is done by the chairman, and at most by one or two colleagues.

That interest is less than it was in the nineteenth century and early part of this century seems certain. Nineteenth-century members showed a keen interest in and a vast knowledge of formal points of accounting, and were often moved by a strong conviction that they must promote economy, by which they meant cutting down. Today, most members reveal little knowledge of the much greater range of problems with which the Committee deals—indeed it is difficult to see how they could unless they made a careful study of them.

The figures for attendance seem to substantiate the view that interest is less, and they also give a valuable clue to the actual working of the Committee. Whereas growing expenditure, a larger number of accounts, and many new problems have caused members to meet more often in each session, the number attending has recently dropped. Originally the Committee met about once a week or less from early March to July. Meetings numbered perhaps a dozen each session and rarely reached twenty. At the end of the nineteenth century the number of meetings tended to increase, and between 1900 and 1915 the average was seventeen per session. After 1915 the Committee worked much harder and the number rose until, in the thirties, several complaints of overwork were made.[1] The average between 1920 and 1949 was thirty meetings per session. For the last twenty years the Committee has been appointed in or about November, it has usually met once to decide its programme and has not started work until the end of February when the first of the Auditor General's reports are available. From then until Easter it has met once a week; while from Easter, when more material is available to work on, it has met twice a week until July. This pattern is rather rigid and without altering the procedure seriously it is difficult to avoid the conclusion that the Com-

[1] See P.A.C. 2 R. 1935–6. 1, and also H.C. 189—1 of 1945–6, Evidence Q. 3730. See Appendix 7 below for numbers of Committee meetings.

mittee's limit has been reached. Special reasons and circumstances explain those few occasions when more than thirty meetings have been held in any one session.[1]

The heavier programme made little difference to attendance until recently. Whereas the average number of members who could have been expected to attend in 1870 (when the Committee numbered eleven members) was eight, and in this century up to 1939 (when the Committee was fifteen members) nine or ten, today only seven or eight will be present. Also, whereas the majority of members attended some 75 per cent. or over of the meetings in 1870 and 70 per cent. at the beginning of this century, now members attend less regularly and there has been a marked drop since 1945.[2]

These figures indicate a decrease in attendance but do not give the whole picture for three reasons. First, the position of one of the members, the Financial Secretary to the Treasury, is unique. This junior minister is always appointed *ex officio*.[3] Until 1907 Financial Secretaries attended the Committee normally and usually very regularly. From 1908 they attended irregularly, but from 1922 they have practically never attended though they are treated as full members. To all intents and purposes the Committee thus consists of fourteen members only.[4] Again, it is customary for the chairman and some one or two members to attend more regularly, while others attend less regularly than the figures above indicate.[5] Finally, to say that seven or eight members attend the Committee does not mean that they are there all, or even most, of the time. To be recorded as present it is only necessary to attend for a moment or two. In practice, members come and go freely. When the Committee

[1] For example, in 1941–2 there were fifty-three meetings. A special inquiry was held and in war-time conditions members could and were willing to give their time. In 1945–6 there were forty meetings. The Committee was appointed in August to finish the examination of the accounts left over from the previous year.

[2] For details see Appendix 8 and Appendix 9 below. The reasons for this post-war drop are not known. Time may show that it is temporary and peculiar to the members serving in this period.

[3] Before 1895 one of the 'Joint Secretaries to the Treasury' was always nominated.

[4] See Appendix 10 below for details of this change and the reasons for it.

[5] See Appendix 9 below.

met at 2.30 p.m., which was Question Time, movement was continuous,[1] and even now, when it meets at 3.45 p.m.,[2] there is still much coming and going, and breaks of a few minutes for want of a quorum (five) are not uncommon. It is perhaps significant that in 1946, for the first time, two meetings had to be adjourned because no quorum attended.

A clearer picture of the Committee is now beginning to emerge. Seven or eight members, some of whom may leave from time to time during a meeting, attend about thirty times each session to discuss points raised by the Comptroller and Auditor General after an audit and investigation of the accounts by him and his department. They may be senior members of the House and their chairman certainly is. They may, but probably do not, know much about accounts and accounting, but most have probably had some parliamentary and committee experience. But this is still by no means the whole picture, as a description of the actual procedure will reveal.

The Committee proceeds by way of interrogation of witnesses in the normal fashion. It has the power to call any person whom it considers can aid its deliberations, but, in fact, it depends almost wholly upon the Auditor General, the Treasury Officers of Accounts, and the Accounting Officers of the departments, together with whatever experts these latter care to bring with them.

The Comptroller and Auditor General and the Treasury Officers of Accounts have gradually been accorded a special status in the Committee and though called as witnesses they are in practice much more than that. The Auditor General is naturally the key man. His reports provide the starting-points and the information he has is more complete than that of any other witness. A whole year's work of his entire department is available to the members, though very little of it is actually included in his reports. And though he is technically a witness, as he must be since this is a select committee of the House, he has become much more than a witness. He attends every meeting at which evidence is taken and at deliberative meetings 'when required'.[3] He aids the members at meetings by turning up

[1] See H.C. 161 of 1930–1, Evidence, Qs. 3761–2 and 3809.
[2] A war-time change.
[3] H.C. 189—1 of 1945–6, Evidence, Q. 4582.

papers and furnishing information quickly. Behind the scenes his influence is very great indeed. On the mornings of Committee meetings, he confers with the chairman for an hour or two and they run through the business of the day.[1] The Auditor General briefs the chairman and suggests lines of inquiry and possible questions. It is also said that he indicates the answers the chairman might reasonably expect to receive.[2] If the chairman does not receive them, he will usually go farther and perhaps invite the Auditor General to put his views to the Committee. By becoming the spokesman for the Auditor General, who cannot himself put questions in committee, an amateur chairman can ask not only the questions which the experienced committee man might put, but he can also act as an expert interrogator. And though the Auditor General is but a witness, he sits on the members' side of the semi-circular table and, to departmental officers under interrogation, he must seem to be ranged against them.

The permanent Treasury witnesses, the two Treasury Officers of Accounts, have a special, though less important part to play.[3] They attend meetings at which evidence is taken and have the papers relevant to those meetings circulated to them as though they are actual members. They attend as the officers who have a special responsibility for the form and technical details of the public accounts and as Treasury representatives to put that department's views and comments.

Before this tribunal, consisting of some six or eight members, the Clerk of the Committee, the Treasury Officers of Accounts, the Comptroller and Auditor General, and the Secretary of his department, come the Accounting Officers one by one.[4] They explain their departments' mistakes, they justify their decisions, and, often, they admit charges and promise that there will be no recurrence, knowing that this course is often the easiest for all concerned.[5] The Accounting Officers are usually the permanent

[1] Sir Gilbert Upcott, H.C. 189—1 of 1945–6, Evidence, Q. 4299, and Mr. Osbert Peake, ibid., Q. 3929.

[2] W. I. Jennings, *Parliament*, p. 332.

[3] Before 1913 there was only one.

[4] See Appendix 6 below for a diagram of the Committee in session.

[5] When he was chairman, Mr. Peake commented, 'witnesses who seek to conceal nothing from it have little to fear from its activities' (*Public Administration*, vol. xxvi, pp. 82–83).

heads of the departments, and though the Committee insists that their responsibility for the accounts shall be full and personal, it is in practice neither. Overworked as they all undoubtedly are, they cannot keep a direct hold on all financial affairs and, if required to attend the Committee, they must and do learn a brief. One Accounting Officer has said that 'to examine that [the Comptroller and Auditor General's report] and prepare for examination upon it, is a task requiring several weeks of such time as one man can spare from the daily "running" of a big Department'.[1] Not only do they come briefed, but they are often accompanied by subordinate chiefs of branches, for the Committee's questions sometimes range widely. In addition, subordinate officers sit behind them in the Committee ready to supply their chiefs with information and, according to Mr. Glenvil Hall, 'civil servants arrive with masses of files in case anything has to be turned up at a moment's notice'.[2]

The evidence of the Accounting Officers is often supplemented by written memoranda furnished on request. On rare occasions the Committee has invited unofficial witnesses. These cases have usually occurred in war-time when members were inquiring into irregularities concerning contracts, and where it appeared that natural justice demanded that the other side should be heard. Ministers, too, have been invited to attend, but only very rarely. Under normal conditions the Public Accounts Committee is concerned only to comment on the accounts and the actions of those who are directly responsible for them. Ministers and outside witnesses are unnecessary and the whole atmosphere changes when they appear.[3]

Since the chairman comes well briefed, it is not surprising that much of the interrogation of witnesses is carried out by him alone. This is primarily a gathering of experts and the majority of Committee members play a small part in the proceedings. At most only one or two of them add anything useful and, now that the Committee works against time, the chairman tries to hurry

[1] Sir Charles Harris, N.E.C. 9 R. 1918, App., p. 135.

[2] H.C. 189—I of 1945–6, Evidence, Q. 3369.

[3] This is often due to the demeanour of the witnesses. They usually regard themselves as defendants. Moreover, they do not understand the Committee's methods.

members along to the next business. They appear, therefore, rather in the role of jurors who will come later to some conclusions on the matters at issue. Thus, proceedings are very often an enlarged version of the following example taken from the proceedings of the Committee in 1895:[1]

Q. 1025. *Accounting Officer*—I can give you a further explanation if desired.

Q. 1026. *Chairman*—Will you kindly do so, quite briefly? [Explanation follows.]

Q. 1028. *Chairman* [to Auditor General]—Have you anything further to add after hearing the explanation which Mr. Yorke has given?

—No; I have nothing to say on the explanation now given.

Q. 1029. *Chairman* [to Auditor General]—You think it is quite satisfactory?

—Yes.

Q. 1030. *Chairman* [to Mr. Ryder, Treasury witness]—Are you satisfied upon the point?

—I think the Treasury will be satisfied.

In this fashion the accounts which are to be inquired into are disposed of, while those taken without a witness are passed automatically. By July the Committee has, thanks to the Auditor General's sieve, passed in review all the public accounts, and it remains only to report.

The form and arrangement of reports have changed but little since the early days. A first report is issued in March if and when an 'excess' has occurred requiring an excess vote in the House. An 'excess' is considered prima facie undesirable. The appropriation account explains it, the Auditor General investigates and comments on it, and, finally, the Committee reports upon it. Occasionally, reports on specific subjects are issued in the course of a session in order to attract the attention of the House.[2] The main report of the year, however, usually appears in July. It deals with the whole variety of subjects to which the Committee wishes to draw attention. It is brought

[1] P.A.C. 3 R. 1895, Evidence, Qs. 1025–30 (slightly simplified by the author).

[2] For example, P.A.C. 2 R. 1946–7, *Losses incurred by the Exchequer as the result of Currency and other Transactions by Members of the Armed Forces and Civilian Organisations serving in Europe.*

up by the chairman just before the end of the session and usually approved without a division by the Committee. In recent years it has usually comprised a section of comments on matters common to all or many departments,[1] followed by brief comments and recommendations on points in any of the particular accounts which deserve mention. Matters referred to are outlined very briefly and judgements and recommendations are short, firm, and measured. The proceedings, the memoranda put in by departments, and the evidence taken by the Committee are also reported to the House and published.

Reports are technically made to the House of Commons, the source of the Committee's being, but in fact it is to the Treasury that much of their contents is directed.[2] When the Committee makes a comment, 'it is for the Treasury to take the matter up with the department concerned'.[3] This has been a feature from the earliest days for, when the Committee began to inquire what action had been taken to implement recommendations, the Treasury adopted the practice of writing minutes on reports for the departments concerned. These minutes are reported to the Committee in the next year and are printed with the evidence. And although the reports have no force in themselves and the Committee cannot directly disallow charges or command action, the Treasury acts under some compulsion for, by long-standing convention, the recommendations contained in reports must be implemented. The full weight of a body of senior members is behind reports, and from the very beginning the Treasury recognized that this attention was both constitutionally desirable and the necessary price to be paid for the invaluable support the Committee gave to it in its dealings with other departments. By 1882 this position was made very clear when a Treasury Minute recorded the fact that 'my Lords consider it their duty either to defer to the recommendation, or, if they think that the question has not been sufficiently considered, to submit a carefully prepared argument

[1] For example, in P.A.C. 2 R. 1947–8, the general section included paragraphs on the simplification of accounts, the classification of estimates, and industrial staff employed by government departments.

[2] Their normal fate at the hands of the House is to be 'brought up and read', to 'lie upon the Table; and be printed', all of which is purely formal.

[3] E. Hilton Young, *The System of National Finance*, 3rd ed., p. 111.

against it for the further, and, probably, final decision of the Committee'.[1] Since many of the comments made have the whole-hearted agreement of the Treasury in any case, it 'is common indeed to find an opinion expressed with judicial mildness by the Committee enforced with far stronger language by the Treasury in communicating it to the department. Where the Committee has roared as mildly as a sucking dove, the Treasury roars like a Libyan lion'.[2]

The combined weight of the Committee and the Treasury is enough to ensure that departments take notice of and implement recommendations. It is well known that departments entertain a lively apprehension of the Committee. Every investigation has made this clear and Mr. Herbert Morrison has said that it is 'a real factor in putting the fear of Parliament into Whitehall'.[3] But more than that, it is regarded as an actual crime for a department to ignore a recommendation. 'My Lords must point out', ran a Treasury Minute of 1884, 'that it is hardly respectful on the part of a public department to the Committee, and to Parliament itself, not to make an effort' to comply.[4] Even further, departments may not delay action, for the investigations of the following year will inevitably make clear the omission to act and this will almost certainly lead to further censure.[5] It may be added that what applies to departments in this respect applies equally to the Treasury which can be and is, of course, examined like any other department.

The result of the Committee's success in devising machinery for implementing its recommendations is that its views carry the greatest weight, and may even transcend those of ministers themselves. On this point also, Mr. Morrison gave the results of his experience to the Procedure Committee when he said 'I have myself, in the course of arguments within the Government, sometimes been pulled up on the ground that . . . the Public Accounts Committee have said so and so . . . and one is spoken to in terms that "this is a ruling which no Minister dare

[1] Treasury Minute, 6.6.1882, printed in P.A.C. 1 R. 1883, App., p. 22.

[2] Hilton Young, op. cit., pp. 111–12.

[3] H.C. 189—1 of 1945–6, Evidence, Q. 3227.

[4] Treasury Minute, 13.11.1884, printed in P.A.C. 1 R. 1885, Evidence, p. 12.

[5] See, for example, P.A.C. 2 R. 1935–6. 4 and Treasury Minute thereon.

ignore".'[1] Its recommendations tend, in fact, to become rules and 'Reports of the Public Accounts Committee . . . form a body of "case law" relating to many questions of public accounting'.[2] The more important and permanent of these rules are contained in the *Epitome*, which is thus a 'convenient work of reference'[3] for the case law of national accounting and is used as such in departments. The ability to get its recommendations implemented is one of the Committee's greatest achievements and it is based, like many of the useful practices in British government, on convention. It arose out of the harmony of views existing between early Accounts Committee members and the Treasury, and it was the Treasury's enthusiastic backing in the early years which enabled the Committee to emerge as the final authority in this sphere.[4] In its turn, the Committee backed the Auditor General and he found its support to be 'the sanction on which it all depends'.[5] He, too, could wave the same big stick which the Treasury found so useful.

The truth of Gladstone's conception of the Committee as completing the circle of control is now clear. The audit is completed by the scrutiny, judgements, and recommendations of the Committee and, most important, by action. The whole is backed by the weight of the House itself, though it is important to note that that weight is applied without its own active intervention. Deputing its duties to the Accounts Committee, the House trusts it and allows it to order remedial action of its own accord.

Far from suffering by reason of the negligence of the House it is, perhaps, because the Committee is able to bypass its lengthy and politics-ridden processes that action is achieved so smoothly. Indeed, it cannot be said that the Committee loses anything by reason of this neglect, though it has been consistent. Its reports are never formally approved[6] and have almost always

[1] H.C. 189—I of 1945–6, Evidence, Q. 3228.

[2] N.E.C. 7 R. 1918. 12.

[3] *Public Administration*, vol. v (1927), p. 228.

[4] See, for example, Treasury Minute, 6.6.1882, printed as Appendix to P.A.C. 1 R. 1883.

[5] H.C. 161 of 1930–1, Evidence, Q. 3758.

[6] With one exception which occurred as recently as 1947. See H.C. Debates, 21.7.1947, cols. 876 ff.

been ignored. By an amendment to Standing Order No. 14 in 1934, it is provided that reports may be debated on one of the allotted supply days but, in fact, they never have been. This is natural enough. Important as is much contained in reports, it is only when they mention a subject of particular current interest, of a scandalous nature or with political repercussions, that the House finds them interesting enough to give time for discussion.[1]

Apart from these special debates, only one attempt has been made to provide a regular annual debate on reports, and that attempt, in the years 1905–10, showed conclusively that reports were generally unsuitable.[2] They contained references to many different topics, many of them of a 'dry and repulsive kind' so far as politicians were concerned, and it proved impossible to avoid scrappy and uninteresting debates on a variety of topics. Although demands for an annual debate have been made from time to time, it is clear enough that such a debate would be normally neither necessary nor useful. If and when a subject of interest or sufficient importance occurs, the attention of the House is assured. This being the case, it is surely one of the Committee's advantages that it can do its work adequately without taking the time of an already overburdened House. Though it receives little attention from the Commons and from the press, the procedure it has evolved and the authority its views carry ensure publicity and action in the places that most matter.

IV

This description of the procedure and technique of the Accounts Committee makes it possible to analyse the nature of the control it effects and to confirm the conclusions drawn from its long history.

It is, first, *expert* control. Despite the fact that it is an external control of the administration, it is conducted at well above an elementary technical level. The Committee makes full use of an expert audit, the aims of which are harmonized with its own.

[1] Debates of this nature occurred in 1873 (H.C. Debates, 29.7.1873, cols. 1189 ff.); 1916 (24.10.1916, cols. 1005 ff.); 1942 (7.10.1942, cols. 1239 ff.); 1947 (21.7.1947, cols. 876 ff.).

[2] See H.C. Debates, 26.7.1905, cols. 420 ff.; 23.8.1907, cols. 1387 ff.; 16.12.1908, cols. 1897 ff.; 1.7.1910, cols. 1236 ff.

It pursues its inquiries on the basis of the audit and its chairman is guided by the officer who conducts the audit. It hears evidence from experts only and most of its work is done by the inspired chairman and one or two more useful (that is, less amateur) members. The remainder have a less active role and do little more than to add the weight of senior members to recommendations in reports. Yet it is not, therefore, to be supposed that the Committee could be made smaller and more expert. The weight added by less active members is of great value and any attempt to modify the Committee in the direction of a professional *Cour des Comptes* would cause it to lose the strong position it has won for itself by its long life and continuity as a representative committee of the House. The same objection would apply to its dividing into sub-committees. To change its composition or procedure would be to destroy an old and tried machine and to substitute a new and unknown one, which could not expect to take over unchanged the weight and prestige of its predecessor.

It is, second, a primarily *financial* control. The Committee is exactly what its name indicates, an 'accounts' committee. Its work lies mainly in the realm of accounts and accounting. Its lines of inquiry are derived from an audit and so is much of its information. The remainder comes mainly from witnesses who are financial officers. Mr. George Benson, after long experience, was undoubtedly right when he said that the main job of members is 'the checking of an audit: it is not the question of investigating current expenditure' and that the Committee is 'primarily concerned with the question of what has happened to its figures'.[1] Hence, it is only indirectly and in the second place interested in economy and efficiency. Yet its influence and control in this sphere have been and are very great. From the days when the Comptroller and Auditor General first began to bring up the cases of waste which he found he could detect in the course of audit, this aspect of the Committee's work has become more and more important, until long experience has made it powerful and it has become the recognized authority on such subjects as contracts. Nevertheless, its limits in this field are clear. The Auditor General's audit and its own procedures

[1] H.C. 189—I of 1945–6, Evidence, Q. 3953.

are not adapted to the many and complicated techniques of an efficiency audit. It has neither the time nor the machinery to investigate properly current activities or to survey wide problems of organization and methods. To modify it would be to destroy its established position in the system and to endanger its ability to do its primary job of checking an audit.

It is, third, a *judicial* control. 'The law is clear, the past actions of the Department are clear' and members 'have to decide whether the law and the past actions of the Departments have coincided.'[1] The Committee also exists to settle disputed points. To do so it has adopted a semi-judicial procedure with expert evidence on the facts and the law and has given its reports a judicial tone. At the same time, Committee recommendations have acquired almost the force of law for departments. Mr. Osbert Peake summed it up when he told the Select Committee on Procedure that its position was 'that really of a judicial body'.[2] Yet it must be remembered that this position is purely conventional and that, though it is now traditional and established, it depended originally on the goodwill which existed between the Committee and the Treasury. The procedure as then worked out created a subtle yet powerful link between Parliament and the executive.

It is, fourth, a *non-party* control. This arises from the judicial nature of the Committee's procedure and has been found worthy of note throughout its existence. Mr. Austen Chamberlain described it as 'a Committee of judges . . . putting aside for the time all party considerations'.[3] The questions asked in committee and the rare divisions which occur are almost never on party lines and, indeed, hardly could be considering the nature of much of the work done.[4]

It is, fifth, a control the main effect of which is *deterrent*. It is thus impossible to assess the Committee's value in any quantitative terms. It is only possible to judge from the consistent

[1] H.C. 189—I of 1945–6, Evidence, Q. 3958 (Mr. George Benson).
[2] Ibid., Evidence, Q. 3966.
[3] H.C. Debates, 28.6.1921, col. 2085.
[4] See the evidence of Mr. Gladstone (H.C. Debates, 29.7.1873, col. 1227); Sir Ughtred Kay Shuttleworth, a former chairman (28.2.1890, col. 1532); and Mr. Osbert Peake, a former chairman (H.C. 189—I of 1945–6, Evidence, Q. 4065).

evidence of witnesses from all sides who testify to its worth in this respect and from the knowledge that any effective audit and scrutiny such as this, by its very inevitability, must have such an impact and is, of course, intended for that very purpose.

It is, finally, a control which *though operating* ex post facto *is not a mere post mortem.* For though the Committee's lines of inquiry are old by the time it comes itself to look at them, that is, as we have seen, by no means the whole process. The Auditor General conducts a running audit and wipes out most minor errors and faults almost immediately. Most of the points which remain are disputed or unclear and speed of inquiry would help little. Also, much expenditure is continuous and the time factor hardly matters, especially as the Auditor General makes a special effort to report on all new expenditure, however small, of which he has doubts, if he believes it will grow in the future. The Committee itself habitually pursues its inquiries into the present and its decisions affect future expenditure. It thus carries out a process of continual improvement. Sidney Webb dealt with the charge that the Committee worked in the past by saying 'the fact that post mortem examination does nothing to keep the patient alive is no proof that the existence of a system of post mortem examinations does not prevent murders'.[1] Finally, the need for speed is more apparent than real in the case of this particular Committee whose whole procedure depends upon accounts and an audit which, by their nature, are *ex post facto* records. If and when a point of sufficient importance does arise, the Auditor General reserves the right to report immediately to the House of Commons.[2]

It is to these qualities that the Public Accounts Committee owes its success. An accounts committee ought to be expert, for it deals with complicated and technical questions and discusses them with experts. It must be primarily a financial control if it is to use to the best advantage the fruits of the audit. Its ability to achieve the reputation of being judicial and non-party means that it can operate with an assurance, a certainty, and an effect which bodies with political affinities cannot hope to achieve. Its inevitability with the consequent

[1] N.E.C. 9 R. 1918, Evidence, p. 138.

[2] H.C. 161 of 1930–1, Evidence, pp. 365–6. He has never yet done so.

deterrent effect thereof and its achievement in securing Treasury co-operation to implement reports are probably its most valuable characteristics. Finally, although it must by reason of its procedure be a control which tends to operate well after the event, there is no reason to suggest that a pure accounts committee ought to strive to operate a current control.

CHAPTER VIII

THE ESTIMATES COMMITTEES OF 1912–14 AND 1921–39

I

ALTHOUGH the Estimates and Expenditure Committees were created to work in the same field, the tasks which the various bodies have chosen to do and the procedures they have adopted have differed widely. For purposes of examination they fall naturally into two groups. The first comprises the Estimates Committees of 1912–14 and 1921–39 which sat in full committee to examine the estimates, taking those words literally, though with various minor modifications of meaning. The second group, which will be examined in the next chapter, comprises those committees which investigated current expenditure in various ways, using some sort of sub-committee system. This group includes the Expenditure Committees of the two wars and the present Estimates Committee, which has retained much of the procedure and some of the functions of the war-time body which preceded it.

The terms of reference given to the two Estimates Committees (1912–14 and 1921–39) were very similar. The Committee of the inter-war years was directed, as its predecessor was not, 'to suggest the form in which the estimates shall be presented for examination', but the main tasks were formally identical. The difficulty, as we have seen, was to translate into practice the words 'examine . . . the estimates'.

The meaning given to the words depended upon the prevailing opinion in the House and, more immediately and directly, upon the personal views of the chairman of the day. The first and most obvious view was to regard the Committee as existing to do for the House that which the House did not do for itself, that is the detailed examination of the published volumes of estimates. It will be recalled that, from 1888, the weakness of the Commons' procedure in this respect was causing M.P.s some concern. Those who in the first decade of the twentieth century demanded an estimates committee, clearly intended it to cover

the shortcomings of the House. The National Expenditure Committee of 1902–3, which was the outcome of this concern, concluded that 'the examination of Estimates by the House of Commons leaves much to be desired from the point of view of financial scrutiny'.[1] It reviewed various proposals for filling the gap and finally recommended a select committee. The close connexion in the minds of members between the work of such a committee and the procedure of the House may be seen in their recommendation that 'the consideration of this class [of the estimates] by the House of Commons in Committee of Supply shall if convenient be deferred until the presentation of the Report of the Estimates Committee thereupon'.[2] They believed that their proposal would 'enhance the value of discussion in Supply'.[3]

When the first Committee was appointed in 1912 its chairman, Sir Frederick Banbury, was anxious to use it in this way and hoped to make it the probing vanguard of the House in a campaign on the estimates. He therefore attempted to criticize the money figures in order to effect cuts and to supply the House with ammunition in the form of information. He stuck closely to the published volumes. 'The Committee have agreed that in taking the Office of Works Votes, we will go through the Votes item by item', he told a witness.[4] The experiment of 1912–14 revealed weaknesses, but they were not sufficient to deflect parliamentary opinion from its original view of the place and functions of an estimates committee. The National Expenditure Committee of 1918 was, indeed, even more explicit than that of 1903 about the desirability of connecting the work of the proposed body with the supply debates, and went so far as to suggest that the supply votes on committee reports should be free.[5]

Early reports, including those of 1912–14 and of 1921–4, were therefore clearly intended for the use of the House in Committee of Supply. A short experience, however, showed that this conception of the functions of an estimates committee was a mistake. It was difficult to arrange the votes taken in supply to fit in with reports. In 1922 Sir Frederick Banbury complained

[1] H.C. 242 of 1903, p. vii. [2] Ibid., p. viii. [3] Ibid.
[4] E.C. R. 1912–13, Evidence, Q. 182.
[5] See N.E.C. 9 R. 1918. 17.

to the House of failure in this respect and he hoped for bette correlation in the future.[1] In 1923 and 1924 first reports wer closely followed by debates on the votes they considered, but was found that the Committee did not deal with the type c subject the House wished to discuss in supply debates. Indeec to a large degree it could not because M.P.s tended to take th opportunity to discuss policy matters from which the Selec Committee was barred.

Having failed to correlate the work of the Committee wit that of the House, Sir Frederick Banbury and his successor still concentrated on the money figures in an attempt to secur accuracy and fineness of estimating and to bring expenditur down. They hoped that their work would discourage depart ments from free spending and that the results would be seen i future estimates. They existed to see 'whether or not the polic of the Government can be carried out equally efficiently at less cost'.[2] Their experience proved, however, that this laudabl object is not to be attained by the method they used of workin through the estimates themselves. The published figures do nc tell what it is really necessary to know, nor were the Committee techniques and skill adequate to the task. The expert and prc fessional 'Examiner of Estimates', whom they demanded, wa never appointed and it is not easy to see how such an office could be effectively fitted into the British system.

But experience was not wholly negative. Time showed th value of making general reviews of departmental work and c examining the activities represented by blocks of expenditur Such examination brought to light the real problems and cause of waste which were often not directly connected with financ at all but were, nevertheless, susceptible to committee investiga tion. Later, under Sir Vivian Henderson and Sir Isadore Salmor the Committee investigated such subjects as the defence prc gramme, methods and procedures of contracting, the control c borrowing by local authorities, and expenditure on research an publicity. The estimates volumes here played a comparativel small part and the Committee relied much more on the poin they could pick out of departmental memoranda. The obje

[1] H.C. Debates, 1.8.1922, col. 1363.
[2] E.C. 1 R. 1922, Evidence, Q. 4.

was still economy, but the Committee was now attempting to get back to the real causes of waste. It is true that it was no longer an estimates committee in the strict sense, but waste is not to be eradicated by examining money figures which are only one way of expressing the cost of action. The quality of the work done in the years immediately before the Second World War showed how much more promising was this approach.

II

The various concepts of the functions of an estimates committee have been considered at some length, because they explain in part the failure of these two experiments. No committee could do the jobs which they attempted for the greater part of their existence. That is, however, only a partial explanation of their failure for, as experience showed the futility of examining estimates, it served equally to reveal the weakness of the procedure and techniques which, following traditional lines, the Committees chose to adopt.

The importance of the views of chairmen was as great in matters of procedure as it was in defining the tasks to be done. We have seen that it was their views of the functions of an estimates committee which governed the activities of the Committees. Further, it fell to them to choose the lines of inquiry and method of attack. They selected items for the agenda, they did what little preparation was done, and they conducted the inquiries. Thus, the character of the work done year after year was stamped with the personalities of successive chairmen. The mark of Sir Frederick Banbury was very obvious in the work of the first years, while the impact of Sir Vivian Henderson's original ideas was clear in 1926 and from 1932 onwards.

In general, the chairmen were parliamentarians of some experience and the first two, Banbury and Sir John Marriott, were distinguished members. Most of them had had some service on the Committee before they led it, and they therefore knew something of its workings. What other qualifications they had besides interest and comparative seniority is difficult to discern. Except from 1912–14, when the example of the Accounts Committee was followed, they were all members of the majority party. This was apparently of little importance for party

alinements are largely irrelevant to committee work of this type. Nevertheless, a leader who is of the majority party may be assumed to accept more happily the policy implied in the estimates than one who is not. In order to avoid a possible overlap in the functions of the Estimates and Accounts Committees, Sir Vivian Henderson was appointed to the Accounts Committee when he was chairman of the other body in 1927. He was again appointed to both Committees in 1932 and from then until 1939 chairmen served regularly with the Accounts Committee. This practice has also been followed since 1946 and for the same reason.[1]

The calibre of the other members is difficult to assess though an analysis of the service records and attendance figures gives, perhaps, the best clues. The members were all private members, with the exception in 1921 and 1922 of the Financial Secretary to the Treasury. His presence, however, was clearly embarrassing to both himself and the Committee, for he is indirectly responsible for all the estimates and is directly responsible for a portion of them.

In a committee of private members, the only test of value can be the experience which may be presumed to come from service, for any special knowledge and aptitude arising out of members' professions or interests are almost impossible to establish. The fifteen members of the 1912–14 Committee were experienced M.P.s, though they were not perhaps so distinguished as their colleagues of the Accounts Committee. The 1921–39 Committee was also at first a fairly strong and experienced body. Six of its original members had served on the war-time National Expenditure Committee and two were members of the Accounts Committee. But as time went on and the Committee earned the reputation of being a failure, it became difficult to get M.P.s to serve and the quality and experience of the members fell.[2] In contrast to the Accounts Committee, the personnel changed rather rapidly as M.P.s served for a session or two and left. In addition, many of this quickly changing personnel were new-comers to the House. Of the total number appointed between 1921 and 1939 one-third

[1] See H.C. 189—I of 1945–6, Evidence, Qs. 4357–8.
[2] See H.C. 161 of 1930–1, Evidence, Q. 2585.

stayed only one session and less than one-half served for more than two years. In normal years, the annual turnover varied from four to seven out of the twenty-eight, while in post-election years from twelve to seventeen new members were appointed. Thus, normally up to one-quarter of the committee in any year were new to the work and in post-election years about one-half. On the other hand, it should be noted that one or two of the most useful members served for many years.[1]

These figures show that most members were without the knowledge that comes of experience. If two years' service may be said to be a minimum before they could be of much value, then there was always half the committee or more who were probably of little help. In post-election years as many as twenty of the twenty-eight were sometimes in this category, and between 1929 and 1932 the number of inexperienced members was very high indeed. It is true that service cannot ensure that members do learn the job—they may not attend the meetings or they may take little interest—but lack of it makes it very unlikely that they will add very much of value.

The record of attendance at meetings adds even more gloomy evidence and it also shows what the Committees actually looked like in session. Like the Accounts Committee, they did not begin work till late February or March and usually worked from then until July. Sitting as one body,[2] the number of meetings possible could not have been more than about thirty. In fact, it was less. From 1921 to 1928, the average was about twenty-five meetings each session. The few years that followed were not typical, but in the next settled period, from 1932 onwards, the number varied between fifteen and twenty-two each session and the average was nineteen.[3] Furthermore, as the number of meetings dropped, so did the attendance, and compared with the Accounts Committee it was poor. In the 1920's, about fourteen or fifteen attended some part at least of each meeting. From 1932 to 1939 the figure was twelve to thirteen. Since there was much coming and going, the number in the committee room at any one moment was frequently not much

[1] Sir Patrick Hannon served for seventeen years and Colonel Spender Clay for thirteen.

[2] Except in 1926.

[3] See Appendix 7 below.

above the quorum of seven. Further examination of attendance records also shows that the chairman quite naturally attended almost all the meetings, and so did two or three other members. The majority attended about half the meetings and a few came only once or twice. Thus there was a nucleus of regulars who may have been, but were not necessarily, the useful core of the Committee and far too high a number of members who probably knew little of what was in progress.[1]

The procedure was that of the normal select committee and was based more particularly on Accounts Committee practice. But there is no doubt that it lacked the incisive character of Accounts Committee proceedings. There was no Comptroller and Auditor General to prepare the ground and brief the chairman, and both chairman and members were less expert. The result was that the interrogation of witnesses was less acute and much more meandering. If a large number of members did happen to be present the proceedings became even slower and less incisive as each put his amateur questions, and too many showed that they had little idea of what they were after. There was no virtue in a large committee in circumstances such as these.

The difficulties of this technique of interrogation applied especially when the chairman was bent on examining the estimates figures. With little preparatory work besides the decision to take a particular vote and the chairman's preliminary search for likely points, members were forced to go through the chosen estimate with the Treasury officer and the departmental officer responsible for it. Neither of these officials could be expected to be an enthusiastic critic of what was, in practice, his own work. Occasionally a worth-while point which stood out in the figures was found, usually not. All too often the Committee took only minor points. Only once, in 1927, was an attempt made to survey the whole field in a preliminary steering sub-committee, which picked likely votes for further examination, but the experiment was not followed up.

Some chairmen, it is true, saw the futility of examining detailed figures and gave some thought 'as to the best way to

[1] See Appendix 11 below for a comparison of the attendance at the Public Accounts and Estimates Committees in the session 1937–8.

proceed in order to avoid a sort of browsing over the Estimates'.[1] Their attempt to investigate the actual activities represented by a block of expenditure or the conduct of business in departments with an eye to efficient management and methods was sound in principle, but was of little use unless they could find good points on which to base inquiries. Often chairmen examined both estimates and departmental memoranda and picked hopefully what experience told them might be profitable starting-points. The subjects chosen in this way showed that it is not very difficult to find promising points and experience soon leads to a fair knowledge of what to look for and where the black spots are. But whatever the chosen job, the volumes of evidence bear witness to the fact that progress was always slow in full committee. Too little ground was covered and that inexpertly.

The failure of the Estimates Committees, it is already becoming clear, was due to the impossible task they tried to perform and to their procedure and techniques. A survey of the sources of information they tapped helps to confirm the argument. The range of sources was wide enough certainly. Members had at their disposal the estimates and departmental memoranda; they could call for whatever further returns they wished; they called before them more Treasury and departmental officers than did the Accounts Committee; and they also paid visits to see for themselves. The snag in each case lay in the fact that members were unable to make the best use of their sources.

The estimates, which were originally intended to provide the starting-points of their inquiries, did not as we have seen prove so useful a source of information as was expected. Being financial statements, they give little help in uncovering waste which arises from other sources. In any case, they demand the scrutiny of experts before they give up their secrets. One expert was, indeed, added to the Committee in 1926.[2] From that date a Treasury officer was 'in attendance' at their meetings, but whatever help he gave he was not and could not be an 'Examiner of Estimates', though he was the most any government was likely to concede.

The same type of difficulty applied to the memoranda which

[1] E.C. R. 1928, Evidence, Q. 336.

[2] See E.C. 3 R. 1926. 5.

departments submitted to the Committee. At first, they were produced on demand and dealt with specific points on which additional information was requested. Later, departments began to forward in advance long general reports on their organization and work, on the cost of the services they rendered, and the results achieved, and, if the Committee had made previous investigations, on improvements effected as a result of earlier recommendations.[1] From 1932 these memoranda, as much as the estimates, formed the starting-points of inquiries. In a sense they corresponded to accounts couched in both monetary and non-monetary terms and gave a clearer picture to amateur investigators than they could otherwise have obtained. But in no sense were they complete and detailed records of a department's actions and they were not, of course, examined by any expert parliamentary officer, for none existed. Whatever statistical and other information they contained had to be taken at face value by a committee of laymen. No scientific tests of efficiency, financial, statistical, or comparative, were applied either by the Committee or by the Treasury. At most, departments compared current results with those they had achieved in former years.

Information derived from the estimates and memoranda was supplemented and clarified by interrogating departmental witnesses, including not only the Accounting Officers but also the responsible Treasury officers and many other departmental officers of all sorts. Occasionally, too, evidence was taken from unofficial witnesses.[2] But the value of witnesses depended entirely on the ability of members to extract information and, in practice, the standard of questioning proved to be low. Members often roamed into the forbidden field of policy and not seldom proved themselves wholly ignorant of elementary facts of administration. The absense of a skilled investigator and previous research meant that the chairman had to rely entirely on his own skill and knowledge and answers had normally to be accepted at their face value. While in no circumstances could committees equipped as these were expect to probe deeply, the

[1] See, for example, E.C. 1 R. 1932–3, Evidence, Q. 2, and 2 R. 1936–7, Evidence, Apps. 1–7.

[2] See, for example, E.C. Reports for 1927, Proceedings, p. xxxvii, and also E.C. R. 1933–4. 21.

facts that most members attended irregularly and sessions were loose and sprawling, meant that examination was all too often conducted at an elementary level.[1]

The reports of the Estimates Committees naturally reflected the mediocrity of their inquiries. In the years 1912–14 they were issued, like those of the Accounts Committee, towards the end of the session, although many members hoped that they would be used in supply debates as the National Expenditure Committee had recommended in 1903. In the first years after the new Committee was set up in 1921, an attempt was made to make reports available to the House early in the session. The first reports of the years 1923–5 were presented in April or May in time for the supply debates on the votes to which they referred. They were, however, little used and the attempt to produce reports to influence the House in debate was abandoned. Until 1929 two or three reports were presented annually but, thereafter, it became usual to issue one full report covering all the estimates examined at the end of the session. Like the reports of the Accounts Committee they were addressed, in fact though not in form, to the Treasury and the departments rather than to the House.

The early reports and those of 1929–32 were useless. Sir Vivian Henderson's Committee of 1926 presented one good report, and from 1932 they gradually became longer and more valuable and their worth was reflected in the minutes the Treasury wrote on them.[2] From the number and nature of recommendations adopted in the thirties, it seems that the Committee was beginning to do valuable work if only on a small scale. Like the Accounts Committee, the Estimates Committees achieved what effect they did have without the active support or interest of the House. The hope of members that reports would affect discussion in supply proved unfounded,[3] and as the

[1] Notice also another method of acquiring information. Although given no powers 'to adjourn from place to place', the Estimates Committee did make visits, e.g. in 1922, 1923, 1926, 1927, 1930, 1934, and in later years.

[2] In 1912 and 1913, and from 1926, the Treasury wrote minutes on Estimates Committee reports in the same way as on those of the Accounts Committee.

[3] There was also a specific debate on the reports of 1922, but the experiment was a failure. See H.C. Debates, 1.8.1922, cols. 1362 ff.

Committee of 1921–39 took up only minor points for much of its existence, the chance of its work attracting notice in the House was small. But since the Treasury wrote minutes on reports, there was, in any case, little need for regular debate or notice.

III

The failure of the Estimates Committees is clear. When they tried to examine the estimates figures their difficulties were insurmountable.

> Faced with a vast collection of intricate and detailed figures and without any systematic sub-division of the field, in default of boundless leisure and knowledge its members are frequently at a loss for useful lines of inquiry. They have nothing corresponding to an audit to rely upon. And, with the best will in the world, the Treasury cannot help them very much, since, in their previous examination of the Estimates and in their general supervision of administration reflected in the Estimates, the Treasury will already have carried out their duty of ensuring the utmost economy in their opinion attainable.[1]

When, on the other hand, they tried to conduct general reviews of current expenditure and to look to departmental methods, organization, and conduct, they achieved rather more promising results. The progress of the Committee in the later thirties bore witness to this fact. The approach via the estimates was shown to be neither the only nor the most useful one. A select committee had every right to review action taken and methods used; it could point out the places where the administration seemed, to its amateur masters, to have failed or where action appeared to be slow, inefficient, or unnecessarily costly. To report on these topics did not necessarily mean involving itself in the impossible and unpopular task of telling departments how to run their own business. On the other hand, it did stimulate the departments to efforts to avoid waste and gave the House what it most needed—more knowledge about the conduct of business and a handy weapon for control.

That the Estimates Committee in its later years failed to

[1] Sir Gilbert Campion in his Memorandum to the Select Committee on Procedure, H.C. 189—I of 1945–6, App. p. 35.

perform these functions adequately was due to its procedure and methods. While it sat as a single, unaided body, its potential capacity was too low and the standard of its interrogation poor. Its proceedings were amateur, loose, and often ill-informed. That is not to say that an expert parliamentary officer and staff ought to be provided. The Expenditure Committees and the present Estimates Committee have achieved fair success without them and it remains to discuss the possibilities and difficulties of expert assistance. It is not to say, either, that a sub-committee system would have enabled the Committee to succeed. It was indeed tried in 1926 and it did not impress. A sub-committee system demands regular attendance because the quorum is so much more easily endangered. To ensure the success of such a system, members have to be assured that their committee is attempting a practicable job and that they will play a significant part in its work. Regular attendance on any scale can only be ensured if enthusiasm is high. In this case it was not, because members believed the Committee to be a failure.

CHAPTER IX

THE NATIONAL EXPENDITURE COMMITTEES AND THE PRESENT ESTIMATES COMMITTEE

I

THE lessons to be learned from the Estimates Committees are mainly negative. In contrast, the experience of the war-time Expenditure Committees and the valuable, if as yet tentative, corroboration of the present Estimates Committee provide positive evidence of the possibilities and the limitations when a committee performs practicable functions and is organized to the best advantage and, when, as a result, interest and enthusiasm are high.

Although this group of committees presents a contrast with the Estimates Committees, caution is necessary when drawing conclusions. The Expenditure Committees functioned in war or in abnormal conditions. During war, members had more time and tremendous enthusiasm, while the scope for their activities was much increased by reason of the wider range of state activity. And although the present Estimates Committee is working in more normal conditions, it is as yet perhaps too early to reach definite conclusions about it. Nevertheless, there is much to be learned from war-time experience that is useful for peace conditions, and the conclusions to be drawn from an examination of experience so far in the post-war Estimates Committee are valuable pointers.

The tasks which the Expenditure Committees and the present Estimates Committee have chosen to do are very similar. Broadly speaking, they have inquired into selected pieces of current business, either completed or in hand, and have reviewed them with an eye to their efficient conduct. The relative importance attached to speed of action, to economy of men and material, and to financial considerations has varied with the circumstances and needs of war and peace. One limitation of some importance for the future is apparent. The Estimates Committee is directed to examine 'Estimates presented to this

House', and is, therefore, not empowered to investigate the affairs of the nationalized industries except where Parliament is asked to make grants. Since it is intended that these industries will be, as far as possible, self-supporting in the future, the conduct of their affairs and the many problems common to them all which will demand investigation, will be beyond an estimates committee with powers as at present.

So far as the scope of their work is concerned, these Committees have conducted four types of inquiry—broad, 'horizontal' reviews, some very wide indeed; reviews of departments and other organizations spending public money; inquiries into problems or aspects of a department's work; and, finally, small 'case'-type inquiries into suspected abuses or irregularities. Again, the stress has varied from time to time with the needs of the moment.

The absence of any preliminary expert check, audit, or research has not prevented these Committees from finding useful starting-points. It was to be expected that, at first, the approach would be hesitating until experience taught the type of inquiry that could be conducted and familiarity brought a knowledge of the main problems and weak points. Both Expenditure Committees invited information and suggestions from M.P.s and the public, but both relied mainly, in practice, on the inquiries suggested by their own members and by one inquiry leading to another. Rough and ready though their methods were, Committees have not experienced difficulty in finding worthwhile subjects for investigation. When, after 1939, machinery in the form of a co-ordinating sub-committee was developed to examine, allocate, and define subjects for inquiry, it seemed that this problem was solved.[1]

One interesting result of the Expenditure Committee's appeal in 1939 to the public for suggestions must be mentioned. A growing volume of letters began to come in and they provided a minor source of lines of inquiry. They numbered 'just on a thousand files'and most of them were sensible communications complaining of waste, inefficiency, or undesirable practices in the informant's place of work. At first, these letters were sorted by the Committee clerks and those that deserved further

[1] See below, pp. 214–16.

attention were passed to sub-committee chairmen. Later, an informal sub-committee of members examined the most likely suggestions. Towards the end of the war, letters were placed on a list which was considered at frequent intervals by the co-ordinating sub-committee looking for promising subjects.[1] This correspondence had a certain value in providing a rough spot check on the minor abuses which, while often local scandals, would not otherwise come to Parliament's notice. It depended, however, on public interest and that has not been maintained in peace-time, for the present Estimates Committee does not receive such complaints. On the face of it, though, there is no reason why such an 'intelligence' system should operate only during war. Patriotism, the absence of party politics, and the wide scope for minor abuses explain the war-time correspondence, but in the present circumstances, for example, it is hard to believe that an appeal for help would not produce some response, and certainly M.P.s in their role of mouthpieces for the complaints of their constituents ought to be able to produce points worthy of investigation.

II

Given practicable functions and useful starting-points, the success of a committee's work depends upon its ability to probe and its capacity for work. There can be no doubt that the success of the Expenditure Committees and the initial success of the Estimates Committee since 1946 were due largely to the sub-committee system they evolved and developed. For that reason it warrants careful attention.

The system developed during the Second World War was the most notable advance made by any financial committee. The Expenditure Committee was willing to experiment freely and it moved forward quickly to the most useful arrangement of its members. The careful attention given each year to its procedure and organization resulted in constant modification and there

[1] Throughout the war many letters were passed on to the departments for investigation and action, the informant's name being suppressed. Hence, minor wrongs were righted without the need for committee inquiry and report.

was finally evolved a smoothly working machine with a high capacity for good work.

A sub-committee system was, however, by no means new in 1939. The first National Expenditure Committee of 1917 was intentionally made big enough to divide. The full Committee conducted large-scale inquiries only, while sub-committees were directed to investigate the activities of groups of departments with related or like duties. In 1917 and 1918 there were six such groups of four to six members each, and, in addition, two special groups to investigate particular problems to which the House had directed attention.[1] In 1919, however, the system was modified. Sub-committees were still allocated departments for investigation, but the choice was dictated rather by the time available to sub-committees than by similarity of function. By 1920 only one of the sub-committees was investigating a group of departments with similar or related functions. At the same time, the end of the war and the imminent return of party politics and more normal political life made it necessary to cut down the number of sub-committees and to increase their size. By 1920 there were only three investigating groups of eight or nine members each.

A system such as this was adequate enough if it was intended to examine departments only and if wider problems were left to the full Committee. But if 'horizontal' subjects are to be considered on any large scale, either the full Committee must sit more often, which would cut down the possible number of sub-committee meetings, or such subjects must be allocated to sub-committees. Obviously the second is preferable if it is possible, because a full committee meeting is notoriously wasteful of man-power and keeps down the capacity for work. At the same time, as we shall see, a small group can conduct inquiries more efficiently than can a large one. Early in the Second World War the Expenditure Committee found that its main task was to be the investigation of just such wide problems, not easily definable in terms of departments, and that the volume of work to be done was very high. It therefore became necessary to modify the system used by the first Expenditure Committee.

[1] See Appendix 2 below for a chart of the sub-committee system from 1917 to 1920.

At first, however, in 1939 the organization of the new Expenditure Committee did follow fairly closely that of its First World War predecessor. Although its terms of reference confined it to war expenditure, total war meant that, in fact, most departments were incurring charges which could properly be examined. Hence most departments were subject to review and the Committee's work was divided on departmental lines. Seven investigating sub-committees, each of four or five members, were allocated departments either singly or in related groups. The sub-committees were named as follows: Army Services; Navy Services; Air Services; Supply Services; Home Defence Services; Transport Services; Trade, Agriculture, and Economic Warfare.[1]

One important new feature did, however, appear. A co-ordinating sub-committee, consisting of the chairman and the sub-committee chairmen, was appointed to co-ordinate the work of the investigating groups, to study 'horizontal' problems, and to investigate those departments whose functions had wide significance as, for example, the Treasury and the Ministry for Co-ordination of Defence. It thus assumed some of the tasks which, in the First World War, fell to the main body, and the arrangement minimized the waste involved in meetings of the whole body which could now gather initially to decide its procedure and organization and to appoint sub-committees, and, thereafter, only to consider and approve the work and reports of the various groups.

Close attention to changing needs and observed results led to constant modifications at intervals throughout the war. The changes were in two directions. First, the co-ordinating sub-committee was developed, and, second, the sub-committee system was modified from year to year strictly according to the changing needs of the situation.

Two years' experience was sufficient to reveal the possibilities of the steering sub-committee. A special report of 1942 asked the House to give the steering sub-committee extensive powers

[1] At first there were six sub-committees. The seventh was added when the Committee membership was increased to thirty-two early in 1940. See Appendix 3 below for a chart showing the sub-committee system and its various modifications from 1939 to 1945.

to 'review, co-ordinate, and direct the work'.[1] They included powers normally resident in the full Committee to appoint further groups and to nominate members to sub-committees. The full Committee was to confirm its actions within twenty-one days. The reasons for these proposals were stated to be the need to be able to make changes with increased ease and the need to avoid calling the full body together to consider single items of detail. In place of its investigating duties the steering sub-committee now developed a new function, that of preliminary consideration of possible subjects for inquiry. Likely subjects were picked, defined, and allocated to the investigating groups. The change was noted in the first report of 1942–3 which stated that the steering sub-committee was 'to determine what inquiries should be undertaken . . . and to allocate' them.[2] By this means the investigating groups were set to work on promising lines and had not to waste time and effort boring their own trial holes. At the same time, their experience and suggestions could be communicated to the steering sub-committee via their chairmen and the arrangement avoided overlapping inquiries.

One effect of the increasing importance of the co-ordinating sub-committee was that it became necessary to enlarge its membership both to make it more representative of the Committee and to increase the contacts between it and the investigating groups. Originally seven members, it was enlarged in 1942 to thirteen and comprised the eight chairmen and five 'roving members' who were empowered to sit with any sub-committee.[3] In 1943 only one such roving member, Sir Adam Maitland, was appointed.[4] He was formally recognized as deputy-chairman of the Committee, and he and Sir John Wardlaw-Milne, the chairman, maintained sufficient contact by their own efforts. In the two years that followed, when there were fewer sub-committees, the co-ordinating group was made up of the chairman, the deputy-chairman, the sub-committee chairmen, and the most senior members of the Committee.[5]

[1] N.E.C. Special Report 1941–2. 11.

[2] Para. 2.

[3] See N.E.C. Special Report 1941–2. 4.

[4] See N.E.C. 1 R. 1942–3. 2.

[5] The co-ordinating sub-committee of 1944 numbered ten and that of 1945 nine.

The co-ordinating sub-committee was a distinct success. It relieved the main body, saved time, ensured smooth co-ordination, and, above all, it solved the problem of choosing lines of inquiry. The post-war Estimates Committee adopted the expedient and its steering sub-committee resembles those of the later war years. Its duties are, however, much lighter now that committees are working at a peace-time pace.

The development of the co-ordinating sub-committee made possible the alterations in the organization of the sub-committee system which the changing character of inquiries made necessary. These alterations were carried out in two phases. By the session 1941–2 experience had shown that there was need to investigate a few major subjects on the widest scale and, accordingly, the original system described above was modified in favour of allocating to sub-committees wide fields for study in place of departments. Later, in the session 1943–4, when these major inquiries were completed, a new arrangement was devised. Sub-committees were no longer allocated special spheres of interest, but were instead available for any inquiry. The co-ordinating sub-committee chose specific, manageable, and well-defined assignments and allocated them as convenience dictated. In this way the greatest use was made of each group. In 1943–4 six investigating sub-committees were appointed, designated simply 'A', 'B', 'C', 'D', 'E', and 'F'. In 1944–5 when there was less work to do, there were only four, designated 'A' to 'D'.

The results obtained fully justified the sub-committee system and the Select Committee on Procedure of 1945–6 was left in no doubt as to its value. Sir John Wardlaw-Milne and Captain Diver were strongly of the opinion that the success of their Committee was due more than anything else to its organization, and Sir Gilbert Campion proposed some such system in his draft scheme for a Public Expenditure Committee.[1] It is not surprising, therefore, that the post-war Estimates Committee, which was much influenced by the Expenditure Committee, adopted an organization which resembled that used in its last two years. Once again the worth of a sub-committee system is

[1] See H.C. 189—I of 1945–6, App., para. 22 (2) and Evidence, pp. 206 ff., especially Q. 4428.

being proved and it has been retained unchanged.[1] From 1946 to 1948 there was a co-ordinating sub-committee ('A') of seven members and three investigating sub-committees ('B', 'C', 'D') of nine members each, with the Committee chairman an *ex officio* member of all groups. Each investigating group was available for any inquiry. Other groups for special tasks were appointed as necessary. In 1949 the enlarged Committee of thirty-six was divided into five investigating groups of seven members. Experience in 1949 showed that the Committee was correct in its belief that attendance was high enough to allow of smaller groups, and that there was enough work for five sub-committees.

Practice, then, seems to have confirmed the value of the system evolved in the last years of the war. Given a co-ordinating sub-committee to choose and allocate inquiries, there is little need to designate particular fields of study to investigating groups. A collection of unspecialized groups makes the best use of members' time, and the system is flexible enough to make possible the study of problems of any size and nature without formal alteration.

Whatever the arrangement of groups, there can be no doubt that any well-organized sub-committee system in an enthusiastic committee is far superior to a single group committee from the point of view of capacity for work. Given the confidence of the main committee and the House in their work,[2] three or four sub-committees, meeting once or twice a week (the limit under normal conditions), can, other factors being equal, cover three or four times as much ground as a single group body and probably more, for, as we shall see, sub-committee procedure is streamlined. Moreover, attendance figures show that whereas full committee meetings may draw anything from a bare quorum to two thirds of the members, a system of sub-committees ensures more regular and active participation. Attendance tends to be higher because it is easier to call together a small number and, in addition, sub-committees can and do sit in the mornings. It is an important fact, too, that a small group offers

[1] See Appendix 4 below for a chart showing details of the sub-committee system in the Estimates Committee.

[2] This confidence is very important. In both wars there were occasionally complaints that reports were the work of some two or three members only.

greater scope for the active participation of all members, who naturally like to feel they are playing an important part in the investigations and who are, therefore, prepared to give their time, of which they have little enough to spare. Captain Diver in evidence to the Procedure Committee remarked on this point, saying that in his experience attendance tended to be intermittent in a big committee, but that, in a small group, 'you get far more keenness to attend' and there is 'greater interest on the part of the Members who are taking part in it'.[1]

The figures are conclusive on these points, though they must be used with great caution. In the case of the National Expenditure Committees, they worked in war when members found themselves with a great deal more time than they have in peace. The demands of party politics and a full programme in the House were lightened and members were anxious and eager to give time to what they rightly felt to be important war work. Hence the figures for the Expenditure Committees, especially in the years 1940 and 1941, reveal the vast potential of a sub-committee system under the most favourable conditions and they represent the absolute limits, not likely to be reached in peace-time.

The tremendous capacity of the Expenditure Committees was revealed at its highest in 1940 and 1941.[2] In these peak years, meetings of the full Committee and its sub-committees totalled 400 a session. Even under war conditions the Public Accounts Committee never met more than fifty-three times in a session. In the same years, the investigating sub-committees met on an average fifty to sixty times each per session. This meant meeting perhaps as many as three or four mornings in some weeks. Under these circumstances the burden falling on sub-committee chairmen was very heavy indeed. Towards the end of the war, when the pressure of committee work was less and members' ordinary cares and duties were greater, the sub-committees met on an average thirty times each per session, that is, about as often as the Public Accounts Committee in normal years.

[1] H.C. 189—I of 1945–6, Evidence, Q. 4397.

[2] See Appendix 7 below for detailed figures. The Expenditure Committee of 1917–20 did not work nearly so hard as its successor in the Second World War.

The best guides to what can normally be expected, however, are the figures for the post-war Estimates Committee.[1] Generally speaking, between 1946 and 1950, the regular investigating groups of the Committee met between twenty and thirty times a session and, in addition, there were steering sub-committee and full committee meetings. With success and, consequently, keenness, the number of meetings tended to rise. Unless, however, members work during the adjournment the figures for these years probably represent the limits in peace-time. The Estimates Committee is an enthusiastic body doing popular work and it had the example of the war-time years before it to spur it on. It is, therefore, noteworthy that the average figure for sub-committee meetings corresponds roughly with the general average in the Accounts Committee, which is a strong and senior body generally believed to set an example of unremitting industry. Since the Estimates Committee was divided into three, and from 1949, five sub-committees, its greatly superior capacity for work is obvious.

Besides a much greater total number of meetings, attendance tends to be more satisfactory where there is a sub-committee system. During the First World War, higher attendance in the small groups was a feature. A sub-committee of nine members in 1918 had an average attendance of seven at its nine meetings, while in 1920 five or six out of eight members attended a sub-committee's twelve meetings. During the recent war attendance was very high indeed, especially in the peak years. In the session 1939–40 the five members of the Army Services Sub-Committee attended on an average fifty-seven out of the sixty-two meetings, and other groups were not far behind.[2] These figures are abnormally high, and more useful guides are those for 1943–4, the last full year. In this year, most members attended three-quarters or more of the meetings and almost all more than one-half. The most useful figures are, once again, those for the Estimates Committee.[3] The records of attendance at meetings at which evidence was taken show that when sub-

[1] See Appendix 7 below for detailed figures.

[2] For detailed figures of the attendance of individual members see Appendix 12 below.

[3] For detailed figures of the attendance of individual members see Appendix 13 below.

committees consisted of nine members (plus the chairman) six or seven could be expected to attend. It was infrequent for less than six to attend except at the visits the groups sometimes made, which took up more time and often necessitated a journey. Even so, four to six members could be expected to make such visits. There was, therefore, little trouble about securing the quorum of four, and in 1948 the Committee was clearly confident that groups of seven would experience no difficulty in securing a quorum of three. The attendance records in the session 1948–9 substantiate that belief, for the average attendance was five to six.

The claims made to the Procedure Committee by Sir Gilbert Campion, Captain Diver, and Sir John Wardlaw-Milne are fully substantiated by these figures which present also a striking contrast with those for the pre-war Estimates Committee. Yet it is not to be supposed that the system could be much extended. The limits are two. First, it has already been noticed that the number of meetings in each session probably cannot much exceed thirty which means one, perhaps two, meetings a week for a large part of the session.[1] Second, the number of M.P.s able to give that amount of time regularly is limited and the standing committees already make big demands on the available man-power. Hence the numbers available to serve on the Estimates Committee and, therefore, the number of sub-committees (which ought not to be much smaller than six or seven members) cannot be multiplied indefinitely. The question of man-power is, indeed, a difficult one, and witnesses at the Procedure Committee said it must be the limiting factor when considering the possibility of extending the use of committees.[2]

The foregoing evidence indicates the large number of meetings and high attendance which are the features of a sub-committee system. An examination of the procedure in the Expenditure and post-war Estimates Committees shows further that such a system is more efficient in this respect also.

In these Committees the meetings of the groups consisted

[1] With additional full committee meetings.

[2] See, for example, the first report of the Committee, H.C. 9—I of 1945–6, Evidence, p. 34, and also H.C. 189—I of 1945–6, App., para. 18, and Evidence, Qs. 4394 and 4466.

of about four to seven members (rather less in war-time). The small numbers, together with the fact of being but *sub*-committees, enabled chairmen to work in a less formal manner and made the taking of evidence an easier job.[1] Some chairmen consciously tried to generate a friendly atmosphere believing that the best results are obtained by doing so.[2] The experienced chairmen of the post-war Estimates Committee achieved a high standard of questioning and a rapid rate of progress. Much depended, of course, on the fact that their inquiries were assigned them in a fairly precise form and they knew what they were after. Much, too, depended upon their experience and preparatory work for each meeting. But given these initial conditions, it is still clear that the greater success of these compact investigating groups was in no small measure due to the facts that their members were few and relatively well informed by reason of fairly regular attendance and more active participation, and also that they could be more easily guided in questioning and kept to the point. Evidence given to the Procedure Committee supports this. Captain Diver stressed the stimulating effect on members of the fact that 'each of them is going to play quite a large part in the enquiry himself if he wishes', and Sir John Wardlaw-Milne added that, in his experience of the Expenditure Committee, 'all the documents which were coming before the Sub-Committee on any day had been read by each Member of that Sub-Committee'. He contrasted this, as well he might, with the case of the pre-war Estimates Committee where 'very few of the Members knew anything about what was going to happen on that particular day at all'.[3]

The result of a larger total number of meetings and a rapid rate of progress was that inquiries could be made at greater length and more exhaustively than would be possible in a single group committee. A greater, if not more thorough use of the available sources of information was, therefore, to be expected. Evidence was taken not only from accounting and financial officers but from technical officers and from representatives of

[1] The war-time Committees normally did not keep verbatim records of evidence, but the present Estimates Committee does so and minutes of evidence are published.

[2] See, for example, E.C. 1 R. 1947–8, Evidence, Qs. 1 ff.

[3] H.C. 189—1 of 1945–6, Evidence, Qs. 4397–8.

industry, commerce, and labour.[1] The numbers called before the Committees we are considering here were much higher than before any previous committee. The National Expenditure Committee recorded that between 1939 and 1945 it had examined over 3,575 witnesses,[2] and in the session 1941–2 alone over 1,000 witnesses gave evidence.[3] Once again, the figures for the post-war Estimates Committee are more useful as a guide to what is possible in peace-time. In the session 1946–7, 270 witnesses were heard and in 1947–8 the number was 227. At the same time, whereas the Expenditure Committee took evidence extensively from private persons, the Estimates Committee, working on a smaller scale and in circumstances where the state is not actively engaged in every field of industrial activity, has not found it necessary to interrogate non-official witnesses to anything like the same extent. But it is clear, nevertheless, that the tradition of not calling outside evidence has been broken.

One important method of facilitating committee inquiries was the appointment by many departments of liaison officers, who have proved of great value in the sometimes difficult task of contacting the right sources of information inside departments. Their continuation in peace-time is proof of the usefulness of their functions.[4]

In the matter of departmental memoranda, descriptive and statistical, the Committees we are considering did not improve upon the methods of the Estimates Committees. Useful as the information was, the same limitations applied. The use of standard units of measurement to compare costs and other methods of performance measurement are still largely undeveloped by the Treasury and the departments. Hence they are unable to supply information based on such methods. In any case, what figures are produced must be accepted more or less at their face value by committees who have no experts to examine them, to apply tests and make comparisons where appropriate, and to bring to bear the relevant knowledge and experience. Methods of testing performance have, of course, a limited application and a great deal of administrative action cannot be

[1] See, for example, N.E.C. 4 R. 1939–40, App. 1.
[2] N.E.C. 8 R. 1944–5. 3.
[3] N.E.C. 21 R. 1941–2. 1.
[4] See above, pp. 151–2 and 163.

measured by any yardstick. Even so, there appears to be need for information of this nature and some attempts were made by individual members of the National Expenditure Committee in the Second World War to persuade their colleagues that expert staff was necessary to their work.[1] They met with firm opposition, however, for there has always been a strong prejudice against using paid officers to aid committees in their work of assessing administrative action. It is held that the dangers and disadvantages of professional experts far outweigh the shortcomings of a body of experienced laymen, some at least of whom have business experience.

Finally, yet another result of dividing the Committees into groups of a convenient size was that inspections and visits have become a more normal part of committee procedure, and they have acquired a function which Mr. Peake has aptly described as that of 'a glorified clerk of the works'.[2] From reports it is clear that acute and well-informed men of affairs, as many committee members are, can derive much value from a look for themselves. During the war, visits were often in the nature of surprise raids, but the Estimates Committee has worked in a more formal manner when paying its less frequent visits.

Summing up, it can be said that the comparative success of the Expenditure Committees and the present Estimates Committee has been due in a large degree to the intelligent use made of sub-committees. The sub-committee has proved to be the most useful sized unit for select committee inquiry into administrative action. Committees using a system of sub-committees are superior in the number of meetings possible and in the attendance at those meetings, in the number of witnesses who can be examined, and in the standard of questioning. They are flexible, and experience has shown that sub-committee work can be adequately co-ordinated.

In contrast to the developments in committee organization, these Committees have made no improvements in the technique of handling and assessing information. More witnesses can be examined more competently and inspections are now normal. But these are modest advances, although they represent perhaps

[1] See H.C. 189—I of 1945–6, Evidence, Qs. 4543 and 4567.
[2] Ibid., Q. 4000.

all that is possible unless resort is to be made to professional examination of departments, using well-defined standards and criteria applied by expert officials. This possibility remains to be considered.[1]

III

Whatever the apparent improvements in method and technique, committees must be judged in the final analysis by their reports. In view of their conception of their functions and their different procedure, it is not surprising that the reports of the Expenditure Committees and the present Estimates Committee have differed considerably from those of the earlier Estimates Committees both in form and in the nature of their contents. Where investigations are carried out by sub-committees, draft reports are submitted to the full committee which considers and approves them and reports formally to the House. Normally, consideration by the full committee does not mean alteration and the members of the present Estimates Committee make it almost a formality on the grounds that not having heard the evidence they are in no position to judge. Reports come up for consideration as they are completed and are approved and presented to the House in a continuous series throughout the session. The Expenditure Committee of 1917–20 presented twenty-six reports in four years. Its successor issued one hundred routine reports, two special reports, and ten memoranda (to the Prime Minister and the War Cabinet) in five and a half years. The Estimates Committee presented forty-five reports and one special report in four sessions from 1946 to 1949. Usually each report has contained the results of a single, specific inquiry, and, hence, has treated one subject or a few subjects only. In this respect they have differed from the reports of the Accounts and earlier Estimates Committees which contained paragraphs on many subjects. They have also been much more detailed and have included a great deal of information.

It is generally agreed by all witnesses that the reports of the Committees which we are here considering have been of a high standard. This assessment is based, as it must be, on comparison with reports of other committees. Apart from the importance

[1] See below, pp. 253–4.

and value of the recommendations they have contained, they have also been useful in educating the House and the public,[1] and in giving much-needed publicity to the work, the virtues, and the faults of the administration. The paragraphs of the reports of the first Estimates Committees were generally too brief to educate or to explain and comment in detail.

During the last war most Expenditure Committee reports conformed to a set pattern and the Estimates Committee adopted and has retained it. A well-written section comprising a précis of the evidence is followed by comment, conclusions, and recommendations, and, finally, a brief summary of recommendations is added for quick reference. This set pattern probably arises from the fact that many preliminary drafts of reports are prepared by the clerks in the Committee Office where this format has found favour. Once drafted, the layout of the report at least is not likely to be changed.[2] Besides clarity, this form has the advantage that the précis of evidence can be sent in draft to the departments concerned for checking as to accuracy of fact. Departments then have no cause for complaint on that score and the House is not misinformed.

Unlike the reports of the other committees we have considered, these do not lend themselves to answer by Treasury minutes. The Expenditure Committees often reported on matters on which the Treasury could not properly issue authoritative directions to departments, and the Estimates Committee does the same today. This is due both to the subjects on which recommendations are made and to the fact that such committees as these do not normally comment on accounts or estimates, which are the special concern of the Treasury. Replies to recommendations have been made by other methods. In the First World War the replies were mainly in the form of written answers to parliamentary questions asking what action had been taken. From 1939, departmental and Treasury replies were given in the form of memoranda sent to the Committee and published by it in separate reports in order to give publicity. The Estimates Committee has continued this practice. 'It is

[1] In so far as the public reads them. See Appendix 14 below.

[2] Preliminary drafting by the clerks may well account for a striking consistency of style in many war-time reports.

only fair to Departments', the Expenditure Committee stated, 'that their comments on Your Committee's recommendations should be set out in full.'[1] But experience soon showed that publicity not only ensured fair play and kept the House informed, but put severe pressure on departments to produce reasonably prompt and satisfactory replies and to justify fully any disagreement. For this reason and because of its prestige and nuisance value, the Expenditure Committee was able to ensure the careful, if not always speedy consideration of reports. The Estimates Committee has achieved much the same result.

Attention, however, does not always mean action, and if a department demurs a committee can do little except to press its point and, by drawing attention to it in a further report, attempt to arouse the House itself. This it may well fail to do, though nagging questions in the House will secure high level attention even if no change in a department's view. It is difficult, in fact, to see what further measures to ensure notice and action could be taken unless and until the House is prepared to back its committees more actively. But, on the whole, action is normally satisfactory, for departments do not gratuitously ask for trouble. Where recommendations are rejected, there is usually enough element of doubt to give the department a case, and if it is prepared to stand over its decision, only the House can force it to change. Finally, it must never be forgotten that committees have a strong deterrent and inspiring effect and that their very existence, to say nothing of the possibility of an impending inquiry, is as valuable as the reports and recommendations they make.

In common with other financial select committees, these Committees achieve their results without the conscious aid of the House. More notice has perhaps been taken of recent reports, mainly because they have tended to deal with more topical issues and with striking cases of waste and failure. It is noticeable that the reports of the Estimates Committee are evoking more interest than those of earlier committees mainly for this very reason that they are often topical and sometimes mirror the present insistent demand for economy.

[1] N.E.C. 11 R. 1939–40. 3.

This survey leaves no doubt that the Expenditure Committee of 1939–45 and the post-war Estimates Committee, which followed its lead, mark a big advance on the earlier Estimates Committees. There can be no doubt either as to the reasons. First, a review of current expenditure by select committee is possible, while a scrutiny of estimates is not. Second, the evolution of a sub-committee system has enabled the Committees to cover enough ground to be effective and to cover it efficiently enough to earn the reputation of being useful.

Such a conclusion, however, must not blind one to the fact that their examination of expenditure is neither exhaustive nor professional and expert. These Committees working in the field of current expenditure conduct only general and comparatively amateur reviews of selected blocks of expenditure, departments, and questions, all picked by a haphazard, though apparently effective method. Their questions and their examination of written information are those of the intelligent layman. Their work is preceded by no exhaustive professional examination of the whole field. Whereas the Accounts Committee functions at the culminating stage of a long professional examination, Estimates and Expenditure Committees perform for themselves the only external investigation of efficiency that is made. Indeed, an expert and scientific review of the processes of administration (even where applicable) is, as yet, hardly attempted even internally by the Treasury. But such an 'efficiency audit' would be an essential preliminary to any parliamentary inquiries which are to be more than the present amateur general reviews. Whether and how far such expert investigations are even possible and, if so, how they may best be arranged and used to promote the efficiency in government, which is the ultimate goal, remains to be considered.

PART IV

NEW MACHINERY

CHAPTER X

THE PROPOSAL FOR A PUBLIC EXPENDITURE COMMITTEE

I

In the course of its inquiries the Select Committee on Procedure of 1945–6 had occasion to examine the whole subject of control of expenditure. The proposals it considered and the witnesses it heard represented the best instructed opinion that was available, and this study would not be complete without a careful consideration of the important recommendations it made for a 'Public Expenditure Committee' to include and supersede the existing bodies.[1]

It was natural that the Procedure Committee should examine the problems of expenditure control, for they fell within its terms of reference, but they were, in fact, thrust directly on members since the comprehensive scheme for reform of parliamentary procedure, put forward by the then Clerk of the House and on which they based their inquiries, contained important comments and proposals on this subject. The criticisms Sir Gilbert Campion made and the conclusions he drew impressed the Committee and it accepted his plan for combining the functions of the Public Accounts Committee and the Estimates Committee in a new body.[2] This project was, however, strongly attacked by some important witnesses before the Committee, including the Government spokesmen and, in the subsequent debate on the report in the House, Mr. Morrison flatly rejected it.[3]

[1] The third report of this Committee which deals with this subject, together with Sir Gilbert Campion's proposals, is published as H.C. 189 of 1945–6. The report, together with the minutes of evidence, is published as H.C. 189—I of 1945–6. See Report, paras. 36–44, and App., paras. 19–22. For the evidence of various witnesses see Evidence, Qs. 2226–333, 3190–441, 3916–4620, and pp. 97–98.

[2] Para. 44.

[3] See H.C. Debates, 4.11.1947, cols. 1557–8.

Sir Gilbert Campion's proposals were contained in a written memorandum submitted to the Committee.[1] They represented not solely his own views, but were the work of himself and of the principal officers of his department. Hence they incorporated the opinions of the clerks who served the financial committees and who alone knew intimately the day-to-day working of the system. These proposals were also backed by memoranda and evidence from Sir John Wardlaw-Milne and Captain C. R. P. Diver, both of whom had been connected with the National Expenditure Committee, the one as chairman, the other as clerk.

The case put forward by the Clerk of the House and his supporters was rooted firmly in experience. Their knowledge and observation of the system led them to four main conclusions. First, the examination and control of expenditure by the Accounts and Estimates Committees were incomplete and unsatisfactory. Second, the functions and organization of the war-time National Expenditure Committee ought to be retained. Third, the functions of the Accounts Committee and those of Estimates or Expenditure Committees overlap, for these Committees may and do work in the same field. It 'is impossible to confine a subject of expenditure of any importance to a single year. The three years period covered by the Accounts and the Estimates is the natural unit for this purpose'.[2] Fourth, methods of liaison between committees have been unsuccessful in the past and no system based on separate committees can avoid cases of duplicated work and consequent friction. A more complete and unified system is necessary. They therefore proposed a 'Public Expenditure Committee' to cover the whole field more adequately and efficiently. It was to be organized in a manner resembling that of the war-time Expenditure Committee.

Such a proposal was not new. In 1918 the Select Committee on National Expenditure canvassed the idea when it was considering methods of improving the procedure of the House in financial matters. In a written questionnaire to witnesses it put forward a detailed draft scheme for a single committee combining the functions of the Accounts and Estimates Committees.[3]

[1] The memorandum was supplemented in evidence by himself and Captain C. R. P. Diver. [2] H.C. 189 of 1945–6, App., para. 21.
[3] See N.E.C. 9 R. 1918, App., pp. 121–2.

The replies revealed a sharp difference of opinion, but the Committee reported against the scheme on the grounds that 'the two matters [accounts and estimates] should be kept separate'.[1] When the problem came up for examination again, in the Procedure Committee of 1931, the Comptroller and Auditor General, Sir Malcolm Ramsay, revived the proposal.[2] He suggested, in place of the two Committees, an enlarged Accounts Committee working in sub-committees and pursuing its inquiries more widely than before. The Procedure Committee, however, rejected any amalgamation on the same grounds as the 1918 Committee, that 'Estimates and Accounts are separate matters',[3] but it did recommend a closer working arrangement between the two bodies.

It is possible to obtain from Sir Gilbert Campion's memorandum and from his evidence and that of Captain Diver a fairly detailed picture of the proposed committee. The scheme they outlined bears a very close resemblance to the draft proposals put forward in 1918. The new committee was to number between thirty and thirty-five and it would combine the functions of the Accounts Committee with those of the Expenditure Committee rather than with those of the pre-war Estimates Committee. Captain Diver suggested tentatively the following terms of reference.

> To make an examination, not involving criticisms of Government policy, into the details of public expenditure defrayed out of moneys provided by Parliament and to report what economies, if any, may be effected therein, to examine the accounts showing the appropriation of the sums granted by Parliament to meet the said public expenditure and to report their observations thereon, and to suggest the form in which the Estimates and Accounts shall be presented for examination.[4]

The powers of the committee would resemble those of the National Expenditure Committee and it would have referred to it the estimates and the accounts. Favouring as he did 'the accounts approach to the matter', Sir Gilbert Campion thought

[1] N.E.C. 9 R. 1918. 8.
[2] H.C. 161 of 1930–1, Evidence, p. 368 (vi) and Qs. 3805–19 and 3856–60.
[3] H.C. 129 of 1931–2, para. 10.
[4] H.C. 189—1 of 1945–6, Evidence, p. 228, para. 7.

that 'the main purpose of this scheme was rather to strengthen the work and improve the work of the Public Accounts Committee by letting it look forward, than, shall I say, to improve the work of the Estimates Committee by letting it look backward'.[1]

The Comptroller and Auditor General would aid the proposed body as he does the Accounts Committee. Further, it was hoped that he could perhaps extend his investigations more widely than he had in the past, though it was clearly understood that he and his staff could not pursue their inquiries in the departments over the whole field the committee itself might wish to cover.[2] No essential change in his duties and status was contemplated, but the new committee would have, in addition, the services of a staff of House of Commons clerks such as the Expenditure Committee had enjoyed. Together, the Auditor General and these clerks were expected to provide adequate expert assistance and no new officers or staff were contemplated. The number of clerks and the nature of their duties were outlined in evidence by Sir Gilbert Campion and Captain Diver. They made it clear that these officers were intended to perform only the same functions as the war-time staff of the Expenditure Committee. Their duties were 'to know how to get the information that the committee wants, not to conduct the inquiry for them'.[3] The fears expressed by Mr. Morrison of trained clerks 'looking for trouble and ferreting out things',[4] let alone of 'another rival administrative set-up in the Palace of Westminster'[5] were, so far as can be judged, quite unwarranted.

The proposed organization of this committee resembled that of the Expenditure Committee in its general lines.[6] A series of six sub-committees, each of five or six members, would be set up to carry out the work of investigation. Four of them would divide the departments between them into groups for investigation as follows: defence services; Treasury and central government; trade, industry, and transport; social services. These groups could be varied if experience demanded it. Since it was intended that the functions of the Accounts Committee should

[1] H.C. 189—I of 1945–6, Evidence, Q. 2301.
[2] Ibid., Q. 4543.
[3] Ibid.
[4] Ibid., Q. 3270.
[5] Ibid., Q. 3260.
[6] See Appendix 5 below for details.

be fully covered, each of these sub-committees would have to examine at least the accounts of each department annually. They could then pick out points arising from that examination for further investigation or in some way choose additional lines of inquiry. A fifth sub-committee would undertake 'major inquiries' and a sixth 'short term inquiries' into current complaints, usually of a minor order and perhaps requiring no report. The work of these groups would be co-ordinated and directed by a co-ordinating sub-committee consisting of the chairman and the six sub-committee chairmen. The full committee would sit presumably only to settle initial procedure and other business and to appoint personnel to the investigating groups, and, thereafter, to consider draft reports and confirm the actions of the steering sub-committee.

An interesting point to be noticed about this proposed organization is that, instead of adopting the system of unspecialized investigating groups which was developed from 1944 onwards and is still in use in the Estimates Committee, the authors envisaged a mixed system including both unspecialized and specialized investigating groups. Four of the groups would have departments allotted to them and would be free to choose their own lines and subjects of inquiry. The other two would be available for whatever major or minor inquiries the steering sub-committee might allot them. There were obvious advantages in such an organization. Specialized investigating sub-committees would probably be inevitable in such a committee as this, if only for the reason that it was intended to perform the Accounts Committee's task of examining all the accounts annually *as a preliminary* to other inquiries. If a three years period is the natural unit, as Sir Gilbert Campion asserted, then specialization must be in another direction, that is in the direction of distributing the work according to the wide divisions in government functions. At the same time, experience showed that the appearance of 'horizontal' problems is inevitable and they would be catered for by adding the 'major inquiries' group.

The later stages of the committee's procedure were hardly mentioned in the memorandum and evidence. Whether or not the Treasury could write minutes on the reports, as it does on those of the Accounts Committee, was not discussed and any

shortcomings of the method of departmental replies were also ignored. But, though no direct reference was made to provisions for securing action, Sir Gilbert Campion's memorandum did suggest, and the Procedure Committee recommended, that 'provision should be made for securing discussion in the House of the Reports of the proposed Public Expenditure Committee by giving them precedence on not more than two of the days allotted to Supply'.[1]

II

The Select Committee on Procedure accepted the case made by Sir Gilbert Campion and recommended in outline the scheme set out above. It did so in spite of important evidence against the proposals. Not only did the Government witnesses, Mr. Morrison and Mr. Glenvil Hall, oppose them, but, more serious, the representatives of the Public Accounts Committee, Mr. Peake and Mr. Benson, and the Comptroller and Auditor General, Sir Gilbert Upcott, raised powerful and expert objections. It was, in fact, a case where the experts differed.

The basis of Sir Gilbert Campion's criticisms and proposals was the belief that the job of investigating expenditure is essentially a single function to be handled by a body examining the conduct of affairs over 'the natural unit' of three years.[2] If this is not true, the case fails. It was the contention of the Government, briefed no doubt by the Treasury, of the Accounts Committee witnesses, and of the Comptroller and Auditor General, that the function of the Accounts Committee is distinct from that of a committee to investigate current expenditure. 'I venture to think', wrote Sir Gilbert Upcott, 'that this proposal involves a confusion of functions', and, he continued, 'while there is an overlapping margin between these two fields of inquiry, they are, in my submission, broadly distinct and are appropriately considered by separate committees.'[3]

The analysis in Chapters VII, VIII, and IX of the functions and consequent procedures of the Accounts, Estimates, and Expenditure Committees confirms this view. While it cannot be denied that there is a certain continuity over the three-year

[1] H.C. 189—I of 1945–6, para. 44.

[2] Ibid., App., para. 21.

[3] Ibid., Evidence, p. 188.

period from estimates to audited accounts, and that rigid lines are impossible to draw, it is clear that there must be more than one approach to the problem of examining expenditure. It is impossible not to agree with Mr. Benson's view that 'the work of the Public Accounts Committee is so clear-cut and definite that it does not merge with the functions of, shall we say, the National Expenditure Committee'. That work 'is so essentially the checking of an audit; it is not the question of investigating current expenditure'.[1] A control based on financial audit requires different machinery, techniques, personnel, and criteria from a general review of government action with an eye to economy or any possible expert efficiency audit. However inadequate the approach via the accounts and an audit may be in checking efficiency, it does provide the checks on veracity, accuracy, legality, and financial methods which are both constitutionally desirable and a basic necessity for any further control. The machinery needed to carry out this check includes an Accounts Committee. Gladstone saw that and it is no less true today. That the Accounts Committee does go farther and check efficiency in a haphazard fashion is important but subsidiary. Whatever the additional checks that are required, they demand a different approach and different machinery. They ought to be separate from, and in addition to, the Accounts Committee. This conclusion does, however, raise the question of co-ordination of effort between such separate checks, especially in view of the complaints made by Sir Gilbert Campion and Captain Diver, and this point will be considered below.

In addition to their attack on the basic assumption of Sir Gilbert Campion's proposal, the critics were not slow to point out further snags. The Comptroller and Auditor General foresaw difficulties arising out of the extra demands the proposed committee would undoubtedly make on him. He was apparently not satisfied with the arguments advanced by the supporters of the Public Expenditure Committee that he could use his own discretion about what help he could give and that no sensible committee would press him. He thought it was inconsistent with his statutory functions to ask him to examine anything but accounts and documents relating to accounts. By law, he was

[1] H.C. 189—1 of 1945–6, Evidence, Q. 3953.

obliged to report on matters which were essentially fact. He ought not, he said, to be asked to express views on the estimates, and he thought that to report or advise on current expenditure might mean altering his statutory duties.[1] It has been pointed out that he already possesses substantial extra-statutory powers and changes in the law could, of course, be made. But both he and Mr. Peake thought that any alteration in his duties and powers would impair his relations with the departments. These relationships are, at present, well understood and cordial. They are hallowed by usage and mutual respect. Any extension of the Auditor General's function would inevitably take him into the realm of efficiency audit, or, even more dangerous, into the field of opinion and personal judgement based on impression. Sudden changes of this sort would undoubtedly prejudice the present goodwill which is so important. Even the essential statutory audit might be made more difficult. In any case, the Audit Department staff are not qualified to carry out the functions which an extension would involve.[2]

Some of the arguments put forward by the Government spokesmen, Mr. Morrison and Mr. Glenvil Hall, were less strong. Their submission that the Accounts and Estimates Committees between them effected an adequate control was not warranted on the facts then available. The success of the new Estimates Committee from 1946 could not have been known and the failure of the old one was notorious. In the light of known facts, Mr. Genvil Hall was not justified in saying 'we think there you have as much machinery as it is possible for human society at the moment to set up to cover this particular field'.[3] Their opposition to the whole project for a strong committee with wide powers to 'drop on Departments about current activities'[4] reflected the general distaste of any government for powerful investigating committees and the particular dislike of many ministers for the war-time National Expenditure Committee.

Their case against the 'trained clerks', the very mention of whom, they said, caused 'certain reverberations in Whitehall',[5]

[1] See ibid., Evidence, p. 188 (6) and Q. 4225.
[2] See ibid., Evidence, p. 188 (6).
[3] Ibid., Evidence, Q. 3285.
[4] Ibid., Evidence, Q. 3245.
[5] Ibid., Evidence, Q. 3260.

was overstated and was based on a mistaken view of their functions. On the other hand, it did reflect the fact that the influence of enthusiastic clerks might be greater than would appear from any document and that they were believed, rightly or wrongly, to have gone too far on occasions during the war. These fears and misgivings were also important, whether they were justified or not, for the very fact that they existed. They suggested that an Expenditure Committee on the lines proposed would be unpopular. It would, therefore, probably be ineffective in the long run, whatever the constitutional rights or wrongs of the matter, for the simple reason that no committee can succeed unless it has some co-operation from the government and administration. And it is they who, in the last resort, define the limits to which the committees can go. These objections, therefore, have a certain weight.

While the arguments against the proposed Expenditure Committee were strong to the point of being conclusive, they did not destroy the contention that the existing system was unsatisfactory. The criticisms made by Sir Gilbert Campion and his supporters demand further attention. They complained, first, that there was a gap of one year in the system between the audit of the accounts and the examination of the estimates. That year was the main province of neither of the existing committees. This objection was, however, made before the post-war Estimates Committee began to work and seems to have been removed by the fact that that Committee is, in practice, operating an effective check on current expenditure, by which is meant expenditure recently incurred or which is being incurred as a result of decisions already made. Its inquiries range widely in time and objections based on a time argument, never very strong, seem to be no longer valid.

Their second complaint concerned the overlap in scope and time of the functions of the Accounts and Estimates Committees. Captain Diver in his evidence made much of this and he pointed out quite rightly that the possibility of overlap was increased with successful and active committees. It cannot be denied that there does exist an overlap in the fields in which the Accounts Committee, on the one hand, and the Estimates and Expenditure Committees, on the other, work. But what is less certain is the

extent to which committees have actually found themselves in the past or might find themselves in the future investigating the same cases or problems, and how far methods of liaison between them have in practice been unsuccessful or might be unsuccessful.

On these points there was a remarkable divergence of opinion. Those who supported the proposal for a Public Expenditure Committee pointed to the fact that committees had occasionally investigated the same problems simultaneously and that, on one occasion, contrary reports had been presented. This, they said, was evidence in support of their case. Their opponents, on the other hand, used the same facts to illustrate the infrequent incidence of such overlap and friction. Looking back over the years at the Estimates and Accounts Committees, Sir Gilbert Upcott thought that no open disagreements had arisen and that liaison had been 'adequate'.[1] Captain Diver, however, hinted darkly that friction 'probably occurs more than either Committee realises'.[2] By this, it is clear he meant that the possibility of overlapping inquiries and consequent dissension had arisen at preliminary stages, for he explains that on occasions in the Expenditure Committee he 'had to advise Sub-Committee Chairmen that they should not go very much further back'.[3] Sir John Wardlaw-Milne confirmed this when he said that there were cases where 'great care had to be taken to avoid conflict'.[4] He said at first that they were 'numerous', but immediately amended that word to 'occasional'. Considering the wide extent of the Expenditure Committee's work, such 'occasional' occurrences ought not to be taken too seriously, the less so since great care to avoid conflict was apparently taken with some effect. The fact that these cases never came to anything serious (or, at least, anything mentioned in public) indicates that measures to resolve possible friction were successful. Captain Diver's evidence gives ample proof of the ability of good committee clerks to warn and advise their chairmen, and it thus defeats his own case that present methods of co-ordination and avoiding friction have been and must be unsuccessful.

[1] H.C. 189—I of 1945–6, Evidence, p. 187 (3).
[2] Ibid., Evidence, Q. 4377.
[3] Ibid., Evidence, Q. 4363.
[4] Ibid., Evidence, Q. 4359.

Even with the strong Expenditure Committee whose activities extended beyond anything previously known and where no other means of co-ordination existed except the clerks, friction, in fact, occurred infrequently and was easily settled.

The methods are indeed informal and cases must be delicately handled, but committee clerks are continually handling delicate matters informally. That surely is part of their job. The creation after the war of a new post, Clerk of Financial Committees, reflects the important co-ordinating duties of the clerks and the possibilities that lie in that direction. Captain Diver who held that position said of himself, 'I am, in fact, a bit of the machinery devised for securing such co-ordination of work as is possible within the Committee Office under the existing system.'[1] In addition, informal contacts between chairmen of committees are a perfectly normal method of doing business in politics. There is no reason, given goodwill and good sense, why programmes cannot be co-ordinated or, at least, arranged not to clash. Finally, there is no reason why more positive arrangements for co-ordination, intercommunication, and pooling of information should not be developed, the House giving powers if necessary. Such methods cannot, of course, guarantee that chairmen or committees will never be obstinate or determined to assert what they regard as their rights. But good sense will usually prevail and so far apparently has prevailed. Further, it is noteworthy that since 1946 no open friction on this score has arisen between the Accounts Committee and the lively Estimates Committee and, on the contrary, in 1949 important new steps were taken to increase the co-operation between the two Committees. First, each Committee decided to make evidence taken before it available to the other, and, second, the Estimates Committee invited the Comptroller and Auditor General to attend any sub-committee meeting at which evidence is taken and he did in fact attend. These steps make it possible for each Committee to give and receive useful information, though it remains to be seen to what extent the facilities will be used.

These arguments did not, as we have noticed, impress the Procedure Committee. Members were obviously convinced by

[1] H.C. 189—I of 1945–6, Evidence, p. 226. See also Q. 4393.

the well thought out case and detailed scheme in Sir Gilbert Campion's memorandum and by the weight of evidence to support it, though they must have been puzzled by the wide difference of views among the experts they heard. The Government, on the other hand, stuck firmly to its view. Its own arguments were fortified by those of the other opponents of the scheme and the House accepted its rejection with little interest and practically no comment.

The success of the Estimates Committee since 1946 seems to go far to cover the deficiencies apparent before 1939, deficiencies for which the proposed Expenditure Committee was probably not the remedy. It remains to conclude whether the existing system, whose origins we have traced and whose working we have examined, does in fact satisfy the needs of a democratic country and, if not, what improvements ought to be made.

CONCLUSIONS

I

THE history of parliamentary control of expenditure makes clear that a simple and formal type of control, via professionally audited accounts, has been successfully achieved, while the description and analysis of this system, devised under Gladstone and developed empirically since, makes plain the reasons for that success. The functions of the Public Accounts Committee are clear. The Committee itself is but one link in a closely integrated chain of investigation and control. It does not conduct its own preliminary research, for it is not competent to do so. Nor does it attempt to interfere directly with the administration, for that is neither constitutionally proper nor, more significantly, is it necessary. The agreed rights and duties of the House of Commons in financial affairs and the identity of the aims of the House and the Treasury have enabled the Accounts Committee both to make effective and extend a statutory audit and investigation and to have its recommendations implemented.

Some questions, it is true, remain. Pressing time difficulties grow more severe as business increases. Since there are strong reasons for supposing that the Committee's influence depends upon its weight as a full body of fifteen senior members, subdivision is undesirable, while, in addition, members cannot be expected to attend more than one or two meetings each week. Hence, pressure can only be relieved by working for a longer period each year and even this extension might prove unwelcome to busy members.

Given willingness to work for a longer period, there are some possibilities of small extensions. If accounts were rendered earlier, the Comptroller and Auditor General could have more reports ready at an earlier date and the Committee could do more work in the early months of the year.[1] Apart from this, the only possibility seems to lie at the beginning of the session before the year's accounts and reports are ready. The Committee might study some of the wider problems of accounting

[1] See P.A.C. 3 R. 1948–9. 6–8.

and control during the winter months. Preliminary investigation could be carried out by the Treasury and the Audit Department in the autumn.[1] Such a proposal involves extra work for both officials and members and may prove unwelcome for that reason. On the other hand, there can be no doubt that there is need for study of many wide matters of financial control, especially those involving questions of principle. There is, for example, a case for more useful forms of accounts in place of, or in addition to, those already in use. Such questions were, it is true, considered by the Treasury Committee on the Form of Government Accounts which sat from November 1947 until February 1950, but the Treasury went into that inquiry with 'very strong objections to any substantial or fundamental change' and had already stated categorically that the present form of the estimates (on which, of course, the appropriation accounts depend) 'will best serve the needs of parliamentary and administrative control'.[2] The whole problem of accounts still remains to be considered on a scale reflecting the changed nature of government activities and their growing importance to Parliament and the public, and it could be so considered in the manner suggested. Other matters which might be considered by the Accounts Committee during the winter months are the use of grants in aid and the limitations on financial control which result therefrom, the question of using the Appropriation Act as statutory authority for continuing services, and the limitations of parliamentary control over funds granted to local authorities.

There remains, too, the problem of the relation of the Accounts Committee to the nationalized industries. This cannot, however, be considered in isolation, for it is a part of the wider question of the relationship between these industries and Parliament and involves important considerations of the status of this form of organization.[3]

If history and analysis bear witness to the success of the Public Accounts Committee, they show equally its limited field of action. They show too that its limitations are inevitable and

[1] This proposal was made by Sir Malcolm Ramsay to the Select Committee on Procedure in 1931. See H.C. 161 of 1930–1, Evidence, Qs. 3857–8.

[2] E.C. 4 R. 1946–7. 5. But see 11 R. 1948–9. 9–15.

[3] See below, pp. 257–9.

are, indeed, conditions of its success. A division of the field into an accounting control and some other control is inevitable. The story of the attempts to devise these other methods of control is more chequered.

II

As it became apparent that an accounting control did not necessarily prevent waste of public money or ensure value for outlay, a serious attempt was made to go farther and to control in regions where hitherto Parliament had been unable to tread. The story of the Estimates and Expenditure Committees is, therefore, the story of the House of Commons' efforts *to extend its control.* A successful accounting control had been the first stage, but had revealed further needs and possibilities in the field of economy. As the age of spending succeeded the Gladstonian era, the new attempt was bound to be in the direction of ensuring that twenty shillings worth was obtained for every pound spent, and that no more pounds were spent than were necessary to attain agreed objectives. It was thus an attack on waste and inefficiency and on the old belief that the business of government could not, by its very nature, be carried on cheaply. It implied trying to find out, first, to what extent and where waste and inefficiency occurred and, second, what were the causes and how they could be eradicated. Time and experience showed that, though financial records may reveal the existence of such waste, money figures are but a reflection of the conduct of business and a way of expressing the use of men and material. Further, they are only one method of expression and a control via accounts is only one method of control and that inadequate. Other forms of record could be devised and ought to be used and other methods of ensuring value and eradicating waste seemed necessary.

The attempts to devise such methods have raised many difficulties, by no means all solved. True, there was little hesitation about the type of agency to employ. When it became clear that the House could not itself scrutinize all aspects of government business and that its Accounts Committee did not cover the whole field, Members of Parliament turned inevitably to another select committee as the answer.

The simple faith of the Commons in a select committee was, as we have seen, perhaps ingenuous and a great deal more thought was necessary, but there can be no doubt that the answer was as right as it was inevitable.

A select committee is the traditional instrument of the House to examine expenditure and administration closely. The procedures of the full House are unfitted to the impartial consideration of evidence and the views of experts, and a select committee by its very size and by the elimination of irrelevant considerations, could not fail at least to be an improvement. Further, the experience of the Accounts Committee proved the ability of a sessional body to operate 'without intermission, with the constant, uniform vigilance of experienced minds, "and without infringing upon the functions of responsible ministers"'.[1] Finally, the traditional reluctance of the House to devolve its functions and powers on any person or persons not of itself, left little alternative. Besides, what other answer was there? An expert officer of the House? A professional board of inquiry? But such a person or body can have no power to command action and can only report the results of investigation. When reports are furnished the problem is still not solved, for the close attention of the full House, 'the deaf adder' which 'stoppeth her ears', is unlikely. Yet the backing of the House is the sanction on which control depends and, as we have seen in the case of the audit, the process of control is completed only by the investigations of the House in the shape of its Accounts Committee. When it came to this new field another select committee was indeed the inevitable and proper answer.

The various experiments in select committees to examine expenditure have been sufficient to give a fair idea of what a committee can and cannot do and of what are the essentials of organization. At the outset, it is necessary to notice that a select committee is a body of Members of Parliament who are primarily politicians and perhaps have some outside interests or occupations. As a body they cannot be regarded as experts in this particular job, though one or two might be and some could be if they cared to devote time and energy. But time is, under present circumstances, hardly available and unless and until

[1] *Quarterly Review*, vol. 141 (1876), p. 232.

the House conducts much more of its business through committees and thus leaves open the way for specialization, members cannot be expected to become more proficient than they are. While it must be remembered that the system by which intelligent laymen hear expert evidence and form conclusions thereon, is a normal feature of many spheres of activity, yet a lack of expertness is undeniably a limitation which must be accepted as an inevitable concomitant of parliamentary control.

If a select committee to examine expenditure is to work efficiently, there are five essentials. It must have:

1. *Terms of reference which are practicable and clear-cut* and which enable the committee to perform the duties the House intends. If they are laid down in general terms, they must soon be interpreted in a practicable way and they must be understood and agreed by all concerned.
2. *Access to adequate information* and, remembering it is a committee of laymen, expert aid and advice to enable it to report on the matters referred to it. This raises questions of how to find starting-points, of what types of information are most useful, of how to measure administrative performance, and of the position and status of investigators.
3. *An appropriate organization*, which enables it to carry out its assignment on an adequate scale.
4. *Means of ensuring that notice is taken of its recommendations*, for if they are ignored the work may have been wholly in vain.
5. *Liaison and co-ordination arrangements with the Public Accounts Committee* to prevent duplicated effort and possible friction.

The conclusions suggested by this study on each of these five points will be considered separately.

The fate of former committees and the success of the present Estimates Committee illustrate the need for a clear practicable objective and a well-defined scope either given or rapidly evolved by the committee itself. Experience suggests general lines on which such terms of reference ought to be framed.

First, there can be no doubt that select committees of this

sort ought to be confined within policy as, in practice, they always have been. If they are not, then they will inevitably divide along party lines on the question of what ought to have been done, which is to discuss matters on which the House might already have expressed an opinion, or of what ought to be done, which is to usurp the functions of the government without bearing its responsibilities. It is, in fact, to reproduce in miniature some of the very conditions which select committees are set up to avoid. A difficulty of definition arises here, however. It is impossible to generalize on the question of what is and is not policy. It can only be said that in specific cases a good chairman will usually be able to lay down working limits, and that when disputes arise, policy is in practice defined by the government. If they disagree, committees can do no more than report the facts to the House.

Next, the terms of reference ought to direct attention to financial aspects and this despite the fact, so much stressed throughout this study, that expenditure only reflects the use of men and material and that it is to this point that investigation ought to be directed. There are several reasons for advocating a close attention to finance. Parliament is interested in keeping the cost of the public service as low as possible and the taxpayers demand it. That is the ultimate aim of any select committee investigation which goes farther than regularity, whatever may be involved in achieving it. A select committee ought to be concerned not with increasing the amount of goods and services for a given expenditure, but with obtaining a given number of goods and services and achieving certain given ends at as low a cost as possible. The efficient conduct of business is, in truth, not being pursued for itself but to effect economies, and a committee ought normally to keep costs and the need to lower them in the forefront of its objectives. This can best be done by directing attention, in the committee's terms of reference, to expenditure rather than the conduct of business, and to the need to effect economies rather than to pursue efficiency for its own sake. On the other hand, it has to be admitted that there is need to conserve men and material besides money, and sometimes that need is uppermost. In such circumstances, committees will inevitably pay attention to these aspects rather

than to money cost. Some of the work of the National Expenditure Committee of 1939–45 showed such a preoccupation. Normally, however, Parliament's main interest is cost and how to reduce it.

Further, it should be noticed that to direct a committee's activities to the reduction of expenditure is by far the safest course from a constitutional point of view. It ought to consider the facts behind the money figures, of that there can be no doubt, but only by limiting it to making proposals to cut down expenditure can the House ensure that it will not make recommendations involving an increase and that it will not become too preoccupied with the attainment of a smooth-running, competent, and wholly admirable but more costly administration. The reputation the National Expenditure Committee had amongst some ministers, and the charges levelled against it, arose from a strong belief that that body was going beyond constitutional limits when it concerned itself with matters other than of reducing expenditure. On the other hand, the success of the Estimates Committee from 1946 and its popularity with members arises partly at least from the fact that its inquiries are firmly rooted in finance and its energies are directed towards economy. It is true, though, that times are now more propitious for such a bias and, indeed, they demand it as the war years did not.

While it is essential, then, to make clear that a select committee ought to 'report what, if any, economies, consistent with the execution of the policy decided by the Government may be effected in the national expenditure', it is not necessary to make it an 'estimates' committee. Indeed, if that is understood to mean a body to examine the estimates figures it is clearly undesirable. On the other hand, the estimates ought to be referred to such a committee, for they have a definite, if limited, value as a source of information, and they could be more valuable if new sorts of information were included.[1]

However the terms of reference are framed and whatever

[1] For example, the inclusion in the estimates of 1948–9 of appendixes showing total expenditure, wherever incurred, on housing and on research and development was a useful improvement and more of such information might be given, even if the estimates were not recast.

such a committee as this is called, it ought to perform two main functions. Since it is neither possible nor necessary to review all government action annually, its first task ought to be the investigation of selected pieces of business, completed or in hand, or the general conduct of affairs in a few departments or organizations spending public money. The selection ought to be made where, on the face of it, business has been conducted unsatisfactorily, is new, or is the subject of current comment and interest. The committee should begin by directing its attention to the financial results, going thence to an examination of conduct, of the methods and procedures used, of the use of men and material, and, if appropriate, of the organization of the department involved. The aim at all times ought to be to ascertain 'whether the nation's money is being well laid out' within the limits of policy. Such examinations might be big or small, wide surveys, or semi-judicial investigations of specific cases.

The second main function ought to be the investigation of problems or subjects, some perhaps not confined to one or a few departments, but of concern to all or many. The knowledge and experience gained from departmental and other investigations have shown in the past the existence of such problems and subjects as the best types of contract, the control of expenditure on research, and the development of 'O. and M.' Others, such as methods of controlling the spending of central government grants by local authorities, or the possibilities of recasting the estimates, or parts of them, in a new form, spring to mind as calling for early attention in the future.

A committee performing functions such as these is attempting the most that can be done to ensure the economical conduct of business, once that business is agreed upon. But a committee must also do this job without upsetting the constitutional principle that it is the minister who is responsible for the conduct of business and that, having the responsibility, he must have full authority. It is in the interests of the committee itself and of the House of Commons to take care in this respect. The aims of the House and the government are the same—the efficient conduct of agreed enterprises. Efficient conduct is not possible if a body external to the administration might be appealed to. It is for the government to conduct business

efficiently and for the committee to assure the House that it does so. The views and recommendations of a committee may, and indeed ought to influence departments, but it should give its views as considered judgements, pointing to the consequences of pursuing certain courses of action and the need to remedy apparent defects. Definite pronouncements on what courses of action departments should adopt in particular cases ought to be so far as possible avoided, more especially where they come near to crossing the indistinct borderline of policy. The findings of a committee may and often will point strongly in one particular direction, but it ought, nevertheless, to avoid stating categorically that that direction is the correct and only way to go. Where matters such as estimates and accounts, contract forms, organization and methods, or general problems and questions of principle are concerned, a greater latitude is possible and desirable, especially since the time given to the consideration and study of such problems by the government and the departments is at present small. Whatever the limits, and they vary from time to time and from case to case, it is imperative that friction should be avoided. The ill will of the government can only lead to unsatisfactory results.

Since the House of Commons as a body will rarely back its committees actively, the government is in a strong position to define the practical limits of select committee inquiries if it wishes. There is, therefore, a real danger of governments restricting the scope of select committee work. It is a danger which ought always to be guarded against, since the grounds on which many ministers have argued are anything but sound. For example, the objections to a strong committee put forward by Mr. Morrison and Mr. Glenvil Hall, because it would have the ability 'to drop on Departments'[1] and to inquire into the conduct of their business closely, are wholly unacceptable. To argue, as they did, that Question Time and a short, sharp, vigorous debate on the Adjournment are superior methods of investigating governmental action is mistaken, as members of the Procedure Committee told them, and Mr. Morrison himself admitted that they were no substitute for committee work.[2] Indeed, the whole tenor of their evidence suggests rather that

[1] H.C. 189—I of 1945–6, Evidence, Q. 3245.
[2] Ibid., Evidence, Qs. 3393 ff. and 3415–28.

their objection was apparently not to any method of inquiry and criticism of current activities, but to efficient methods. That is to say, in effect, that ministers must answer to the House of Commons in the House of Commons and by its procedure, however inadequate, but not before select committees and by more efficient processes. It is to say that governments must answer questions and meet criticisms based on information acquired in a haphazard fashion, but that Parliament ought not to possess a competent and thorough method of asking questions and satisfying itself. To argue thus is to make a mockery of responsible government. And yet the cry of 'ministerial responsibility' still goes up and ministers still demand the freedom which is their due without the obligation to answer which ought to be the inevitable concomitant, if government is to be really responsible.

Another argument sometimes put forward, that a strong competent committee reviewing governmental activity is inhibitive, has yet to be proven. The strongest committee so far, the National Expenditure Committee of 1939–45, is not known to have had that effect. Nor need an investigation into past or current expenditure have that effect. Departments usually act only for good and sufficient reasons. They will continue in their courses of action if they believe them to be correct, whatever a committee may say, and their ministers will defend them in the House. If a minister or official is made to pause by being told of a committee recommendation on some subject, at least he will become aware that there is another viewpoint, but he need not be inhibited. On the contrary, where committee inquiry reveals faults in organization or methods of conducting business, the effect should be stimulating.

That is not to say that a department may not find committee inquiries inconvenient, but such inconvenience is probably much overstated when adduced in evidence to Procedure Committees by interested parties. It is an exaggeration to say that departments are seriously interrupted in their work.[1] In any case, the objection to select committee investigation on the grounds put forward by Mr. Glenvil Hall, that the valuable time of senior civil servants is taken up,[2] is not one that the House of

[1] As Mr. Morrison did. See H.C. 189—I of 1945-6, Evidence, Q. 3350.
[2] See ibid., Q. 3342.

Commons ought to rate highly, though duplicated inquiries must and can be avoided. Such inconvenience at least makes a reality of responsible government and is the only efficient method of doing so. True, a committee may be inconvenient, in the sense of embarrassing, because it reveals faults and inefficiency, but far from being undesirable this is surely the very aim of the House. Administrative inconvenience in this sense ought not to weigh heavily here, if at all.

The second essential of a successful committee is access to adequate information. Committees with the power to send for persons, papers, and records, and to make visits are in a position to acquire all the information they need if, first, it is available and if, second, they can extract it and appreciate it. Availability raises the question of new sorts of information while the ability to extract and appreciate raises the problem of expert assistance. The two are closely connected.

The aim of a select committee of this type, it has been stressed, is to see that the nation's money is well laid out, in other words, that the business of government is being conducted efficiently. Much of that business can clearly not be measured with any accuracy, if at all, for no criteria can be found to test whether the objectives aimed at are being achieved. As Sir Frank Tribe has pointed out, the activities of a department such as the Foreign Office are less susceptible to any form of measurement than those of a department in which the execution of a simple settled policy is the main concern of most of the personnel.[1] Much administrative activity involves factors such as personal judgement which are not measurable and only a general opinion and statement of impression, based on an overall view and experience, is possible. Where this is the case, there is much to be said for Sir John Wardlaw-Milne's view that 'it is not a question of expert advice . . . it is a question of a common-sense attitude to a public problem, which can only be achieved by the combined abilities of a group of men with different aspects, coming from different walks of life, with different ideas.'[2] Select committees on expenditure can do all that is possible in this line with no further information or equipment

[1] *Public Administration*, vol. xxvii (1949), p. 161.
[2] H.C. 189—I of 1945–6, Evidence, Q. 4457.

than they have enjoyed in the past. But the business of all departments, some to a greater, others to a lesser extent, is susceptible to some accurate tests. Even in the Foreign Office, for example, the organization of the department, the performance of clerical workers, establishments activities, office machinery, and layout, may all be measured and compared.

What sort of measurement is possible and what criteria are there? It is clear, first, that the use that can be made of accounting in this context is small, though the possibility ought again to be explored of revising the form of the estimates,[1] of extending cost accounting, and of devising a system of suitable units of work, the cost of which may be calculated and compared with the cost of similar units. The War Office experiment of 1919–25, the results of the investigations of the National Expenditure Committee in 1918, and the Committee on the Form of Government Accounts of 1947–50 should be useful bases for further inquiry.

But, as we have seen, accounts are only one method of measuring performance. Sir Frank Tribe, in a lecture on 'Efficiency in the Public Services', told the members of the Institute of Public Administration, 'I do not believe that any examination based on figures alone and ignoring such matters as personnel management, installation of machinery and general office or factory organisation, can lead to a proper judgement on the efficiency of a concern',[2] and he went on to suggest tentatively various criteria and possible bases of comparison which from experience he believed might be the most useful. The suggestions he made warrant further careful study by expert administrators. No form of efficiency audit strictly comparable with an accounting audit is, of course, possible in this or any other sphere of administration. As Mr. R. H. Wilson has pointed out, 'efficiency audit' is a convenient label to cover a whole range of separate processes of measurement to test the standards of performance of an organization,[3] and, as we have noticed, some aspects are not

[1] The Estimates Committee clearly keeps this problem continually in mind. See, for example, E.C. 11 R. 1948–9. 9–15, where the Committee recommended the use of 'trading estimates' and 'capital estimates'. The Treasury Committee on the Form of Government Accounts also made some proposals for change. See Cmd. 7969 (1950), paras. 117–22 and App. 3.

[2] *Public Administration*, vol. xxvii (1949), p. 159. [3] Ibid., pp. 76 ff.

susceptible to measurement at all. But many of the procedures and tasks of public administration are similar to or identical with those to which tests have been applied in private business.[1] Also, some useful criteria by which the organization of departments and branches may be tested are not so different from those applicable to private industry.

But we are here in the realm of conjecture. Apart from costing systems which are well developed in many departments engaged in production and manufacture, useful criteria, the correct form of statistical information, new forms of accounts, appropriate units and periods of time, and suitable bases of comparison have, to a large extent, not yet been evolved. That such matters deserve special attention and study is without doubt, the more so since the public service is particularly lacking in many of the natural forces which conduce to efficiency.

Whatever the nature of efficiency checks, it is generally agreed that they ought to be organized internally by the administration itself. There are good reasons for this. First, it is only internally that all the relevant facts can be known and appraised. An external sleuth, not of the family, must remain an outsider, while the task of assessing efficiency, as Sidney Webb pointed out, involves a minute acquaintance with the routine and technique of government offices, with their organization, their mechanical appliances, and their records.[2] In addition, the ultimate aim of acquiring such information is to improve performance. This can only be done from within, for it is part of the function of management. While the House of Commons ought to have such information it is not necessary, desirable, or possible that it should collect it for itself.

Not only is the expert assessment of efficiency the business of the departments themselves, but the position of officers whose special task it is ought to be analagous to that of establishments or finance branch personnel. The position of the Treasury, too, ought to be much the same as it is in those two spheres for it

[1] Some valuable research work in this field has been carried out by such organizations as the British Institute of Management and the British Standards Institution.

[2] See N.E.C. 9 R. 1918, App., p. 139.

is situated ideally to collect information, to make comparisons, to judge, to prescribe action, and to observe results. Besides, it has in the past always assumed responsibility and has always been blamed and spurred to action by the House of Commons and its committees.[1] Further, there exists already in the Treasury the Organization and Methods Branch which 'was specifically devised as an instrument for improving Civil Service efficiency'.[2] Its work may well be extended and its status strengthened beyond that of a consultant.

If the full possibilities of accurate measurement and comparison were exploited in this way there would be available to Parliament, as a natural consequence, new sorts of information which could be presented and explained by new experts subject to normal select committee interrogation. The value and extent of such information ought not to be overrated, however, for, as it has been pointed out, there are limits to the application of measurement.

The question of expert assistance in the form of a professional officer of the House with a staff is closely connected with that of information. The disabilities a committee faces without professional assistance were made obvious by the experience of the Estimates Committee between the wars. But since the examination of the estimates ought not to be the function of a select committee, an 'Examiner of Estimates' is not necessary. An official of this sort would have rather to be an efficiency expert. The arguments against such an officer are, however, overwhelming. To begin with, it has been pointed out that over large sections of the field no measurement is possible and such an officer could not be an auditor in the sense in which the Auditor General is an auditor. Complete records could not be checked against minute instructions and absolute standards in order to detect failure, nor could there be an external application of tests. Again, such an examiner could not, by the vague nature of his functions, attain a well-understood position close to the administration, and, being external, he could not be so well-informed as internal officers. Therefore he would not be so

[1] See, for example, the views of the National Expenditure Committees referred to above, pp. 101 and 157.

[2] E.C. 5 R. 1946–7, Evidence, p. 92 (Mr. N. Baliol Scott).

expert and his views would be less valuable. As Mr. Wilson has pointed out, 'the valid opinion must normally be the one we obtain when matters are seen in the light of every factor known to the management, and mainly as weighted by the management',[1] and that must usually be the opinion of internal officers. Above all, the place and status of such an officer in relation to departments and the committee he serves would almost certainly be unsatisfactory. It is difficult to imagine by what methods he would pursue his inquiries in the departments and there would almost certainly be a clash of experts at committee sessions. If the committee came to depend upon him and his staff there would be a distinct danger of a situation developing where the experts run the committee. Where, as in the case of an expenditure committee, members do not have a rigid fixed programme and are reporting on matters of opinion rather than giving judgements based on indisputable facts, the undue influence of a professional officer would be undesirable.

The weight of these objections is overwhelming and they lead to the conclusion that no expert officer or staff is desirable. All that is possible is to have a small House of Commons staff, such as exists at present, whose job it is 'to know how to get the information that the Committee wants, not to conduct the inquiry for them'.[2] In addition, the use of departmental liaison officers undoubtedly facilitates inquiries on both sides.

This conclusion involves accepting the facts that a select committee inquiry of this sort will remain a comparatively amateur investigation and that departmental statements will not be subject to question by professional experts. That does not mean that departments can pull the wool over the eyes of members—experience in the Expenditure and Estimates Committees makes that clear enough. On the other hand, it ought to mean, and Parliament can make it mean, that when a committee inquires, there is an obligation laid on the Treasury and the departments to produce all the relevant facts and useful sorts of information and comparisons and to present them in a manner which will enable the committee to come to a true appreciation of the situation. Another implication of this conclusion is that there can be

[1] *Public Administration*, vol. xxvii (1949), p. 79.
[2] H.C. 189—I of 1945–6, Evidence, Q. 4543.

no preliminary investigation or sifting of the field by professionals to pick points worthy of consideration. Experience since 1939, however, has indicated that it is not difficult to find useful subjects of inquiry, especially when a steering sub-committee exists to give preliminary consideration to the matter.

The third essential of a successful committee is an appropriate organization which enables it to carry out its functions on an adequate scale. The lessons to be learned from the National Expenditure Committees and the Estimates Committees are conclusive in this respect. They suggest the use of a committee of private members, large enough to subdivide and divided for purposes of investigation into small groups with a steering sub-committee to direct and co-ordinate activities. The more flexible organization evolved towards the end of the war and still in use in the Estimates Committee is probably the best.[1] Unless the procedure of the House of Commons is modified substantially to give more time for committee work, the limits we have noticed, both of numbers available to serve and of the time they can give, will remain. Nor is there any particular value in trying to devise methods of making committee members more expert, unless alterations in the procedure of the House modify the character and duties of its members. Meanwhile, M.P.s must be accepted as they are.

The fourth essential of a successful committee is some means of ensuring that notice is taken of its recommendations. This study has shown that committees do not address their reports primarily to the House and for very good reasons. Their recommendations are considered by the government and the departments, but not normally by the House itself. It has been argued that if the notice taken of reports and the willingness of governments to adopt recommendations are satisfactory, the neglect of the House has no evil consequences. The consideration of recommendations is, in fact, streamlined through by-passing the House and, just as important, the system helps alleviate the pressure of business or, at least, makes it no worse. It has been suggested further that consideration and action actually have been satisfactory under normal circumstances, though there have been occasional complaints. Where differences

[1] See above, pp. 216–17.

of opinion have arisen the department has usually at least had a case, and even where committee recommendations were rejected the very definition of two opposing view points has had some value in focusing attention and thought on the subject concerned.

In the light of this there seems little need to devise new methods. Indeed, what other methods are possible? It is the government and the departments which must implement recommendations, theirs is the power and the responsibility. If they reject a committee recommendation and are prepared to stand over their view, nothing more can be done. It is rarely that the House will cause them to reverse their decision.

There may, however, arise cases where departments do not act with sufficient speed or where either a committee or a department feels aggrieved. Also, the importance and value of some reports may not always be sufficiently realized and, hence, they may be ignored where they might usefully be debated. In circumstances like these, there is a case for committees having some powers to bring matters to the direct attention of the House and not to have to rely on the face value of their reports and on the pressure members can bring to bear as individuals to attract notice. Such notice can only be ensured by committee reports having precedence at certain times if its members so desire. The recurring demand that reports be debated annually on one or two supply days has, however, always been rejected. This refusal is justified in view of the present heavy programme, the different nature of committee reports and discussions in supply, and the hallowed arrangements for picking the votes to be discussed. It is suggested that some less important occasion might usefully be taken to give the chairman, representing his committee, the opportunity of bringing matters of importance to the notice of the House. Such an opportunity would be afforded by giving him precedence on the evening Adjournment from time to time. This period is used for private members to air grievances or to raise questions which they consider warrant attention. It would be appropriate for a committee of private members to have the opportunity to raise subjects which, in the light of more expert knowledge, it felt to need publicity.

The final essential of a successful committee is that its work

is co-ordinated with that of the Public Accounts Committee. It is, at the very least, imperative that the two bodies do not conduct overlapping inquiries. The arrangements now in use in the Estimates and Public Accounts Committees to co-ordinate work and for the exchange of evidence promise to go far to eliminate friction and wasted or duplicated effort.[1] But if, with two active committees, these expedients prove to be insufficient, there will be a strong case for a single committee system based not on the Campion proposals, but perhaps working in two divisions, accounts and expenditure inquiries, each reporting to the main body.[2]

III

There remains to consider one problem which is common to the Public Accounts and the Estimates Committees. Ought the great public corporations to be subject to investigation by them? While the corporations retain their present status, there can be little doubt that the answer is 'no' for the simple reason that the processes of control that operate in these select committees cannot possibly be applied to them. The relations of the Accounts and Estimates Committees with the departments are entirely different from those which would develop with the corporations. The statutes setting up these bodies have, so far, empowered sponsor ministers to give to the boards directions of a general character, the intention being 'to bring the general policy of the Board under the Government's control, while leaving them free from political interference in their day to day administration'.[3] The difference between their status and that of the departments is seen in the refusal of ministers to answer questions in the House on the grounds that they are not responsible. Now, a select committee is surely no more than an efficient method of asking questions of ministers (via their professional servants) about matters for which they are responsible. Select committees might, it is true, call, and in fact have called, the representatives

[1] See above, pp. 202 and 238.

[2] See *Some Proposals for Constitutional Reform* (the recommendations of a group of Conservatives), p. 101.

[3] Hugh Molson, M.P., 'Nationalised Industries', article in *The Times*, 9 Sept. 1949.

of corporations before them, but the responsibility of the boards of these corporations to Parliament does not by any means parallel that of His Majesty's ministers. The Government has taken great care to make this very point quite clear and Parliament has accepted this view in principle, though some members are clearly anxious to alter the position in practice.

Again, as Mr. Hugh Molson has pointed out, the Estimates Committee (and he might have added also the Accounts Committee) would almost inevitably apply to the boards the criteria used in the case of government departments.[1] Parliament never intended this. On the contrary, one of the reasons for using this type of organization is to avoid the observed undesirable effects of applying such criteria and standards where they would be unnecessary and harmful. Whatever Parliament expected of the corporations, it obviously did not wish to impose on them the controls and the standards which it imposes on the departments. The Committees of Public Accounts and on Estimates are intended and designed to effect such controls and to enforce such standards and they are, therefore, not suitable for investigating the conduct of business in public corporations.

That does not mean to say that Parliament has no intention at all of investigating the conduct of business by the corporations. There is a strong demand that it should do so. The problem that has arisen is 'how to control the strategy of nationalized industries and apply a periodical efficiency audit without going as far as that detailed interference which would cause a paralysing centralisation'.[1] Mr. Molson's answer is yet another select committee. Parliament, he says, has learned by experience the value of select committee investigation and the reports of a committee would focus attention on the most important issues and would give Parliament the basis for periodical debates. He suggests 'that every two or three years there should be a long and full debate in the House of Commons upon each nationalized industry', and 'that the salient issues must first have been elucidated by an investigation by a Select Committee, equipped with an adequate staff'.[1]

These proposals deserve more careful attention than can be given here. It is necessary, however, to notice that Mr. Molson's

[1] Hugh Molson, M.P., loc. cit.

references to the Estimates Committee as a model for his new body are misleading, for what he proposes is clearly not intended to resemble the type of committee which we have been considering. The report of the proposed committee, he writes, 'should focus attention upon the most important issues. In the light of this report it should be possible for the House of Commons to discuss with knowledge and relevance at reasonable intervals the state of each nationalized industry and its proper relation to the national economy as a whole.' His conception of the committee's task as an overall investigation embracing debatable matters of policy is far removed from the functions of the Estimates Committee, and a body performing such functions would not resemble at all the committees which are the subject of this study.[1]

IV

These conclusions support the existing system of select committees and their procedure and limits to a very large degree. Constant consideration of contemporary needs, careful study of past experience, and a growing awareness of the necessary limitations have caused the system to be modified until it has now reached an efficient form. Changes in recent years have improved the system a great deal. They have always been empirical and never radical, but this has been inevitable because constitutional limitations and the organization of the House of Commons preclude it. It is significant to notice that no revolutionary proposals have ever been made which did not presuppose major modifications in the whole functions and procedure of the House, nor could such proposals be implemented unless there were major changes. While the House of Commons remains as it is, the existing system is adequate in its main lines. What improvements ought to be made are mainly matters of detail, with the possible exception of the development of new types of information.

Select committees cannot, of course, ensure efficiency and economy; only the efforts of the administration itself can do that. But they are sufficient to assure the House of Commons

[1] See further on this point K. Bradshaw, 'Parliament and the Public Corporation' in *The Cambridge Journal*, vol. iii (1950), pp. 714–26.

that its wishes are carried out, that government is conducted honestly and faithfully, and that where business is not transacted efficiently there is a fair chance that notice will be taken. It is neither necessary nor practicable to detect every inefficient or unwise action, even if it was possible to say accurately on every occasion what is inefficient or unwise. But such committees perform in the limited field which exists outside policy, what John Stuart Mill rightly thought were among the proper functions of the House. Its office, he said 'is to watch and control the government: to throw the light of publicity on its acts: to compel a full exposition and justification of all of them which anyone considers questionable; to censure them if found condemnable'.[1] Active select committees, criticizing and appraising the conduct of public business, have a powerful effect at once deterrent and stimulating, and they go as far as it is possible to go under our present system of government to enable the House of Commons to see that it gets twenty shillings worth of goods for every pound it spends.

[1] *Representative Government*, 3rd ed., 1865, p. 104.

APPENDIX 1

Proposals for a Body to Examine the Public Accounts

Proposals made by	*Nature of proposed body*	*How chosen*	*Duties*	*To report to*
Commission of Public Accounts, 1831.	Commission independent of Crown.	By House of Commons.	To examine an annual account, drawn up by the Exchequer, of all receipts and credits ordered during the year.	Parliament (before the following year's budget).
Treasury Committee on Ordnance Expenditure, 1845.	Committee of House of Commons.	By House of Commons.	To examine the accounts laid before them by the Commissioners of Audit.	House of Commons.
Treasury (in a memorandum) to the Select Committee on Public Monies, 1856–7.	Committee of House of Commons, comprising the Speaker and four members.	(1) The Speaker —*ex officio*. (2) Four members—nominated by the government.	To examine: (1) The Finance Accounts. (2) The appropriation accounts.	Treasury. The Chancellor of the Exchequer to present them to the House and to move that 'they be received'.
Sir Francis Baring (in the chairman's draft proposals) to the Select Committee on Public Monies, 1856–7.	Committee of House of Commons.	Nominated by the Speaker.	To examine: (1) Exchequer accounts and report of the Comptroller of the Exchequer. (2) Appropriation accounts and report of the Audit Board. (3) Statement of all changes in all departments.	House of Commons.
Select Committee on Public Monies, 1856–7 (in its third report)	Committee of House of Commons.	Nominated by the Speaker.	To examine: (1) The audited accounts. (2) Annual account of all guaranteed loans.	House of Commons.
Actual Form of the Select Committee of Public Accounts as Laid Down in Standing Order No. 73 (now No. 90)				
/	Select Committee appointed each session (originally 9 members and now 15).	Nominated by the government.	To examine: (1) The appropriation accounts and the reports of the Comptroller and Auditor General. And there was added later: (2) 'Such other accounts laid before parliament as the committee may think fit.'	House of Commons.

APPENDIX 2

Organization of the Select Committee on National Expenditure, 1917–20

1917–18	*1918*	*1919*	*1920*
FULL COMMITTEE (26 members. Quorum 5) *Functions*: 1. Procedure, appoint sub-committees, &c. 2. General investigations. 3. Consider sub-committee reports.	FULL COMMITTEE Same as in 1917–18.	FULL COMMITTEE Same as in previous years.	FULL COMMITTEE Same as in previous years.
INVESTIGATING SUB-COMMITTEES (1) *6 groups of 4–6 members each.* (i) To investigate War Office. (ii) To investigate Admiralty and Ministry of Shipping. (iii) To investigate Ministry of Munitions and Air Ministry. (iv) To investigate Board of Trade, Ministries of Food, Agriculture and Blockade, and Wheat and Sugar Commissions. (v) To investigate Office of Works, Ministries of Labour and National Service, Post Office, and accommodation expenditure. (vi) To investigate the Treasury. (2) *2 special groups.* (i) To inquire into procedure of House of Commons in relation to supply. (7 members) (ii) To inquire into the form of the accounts. (5+co-opted members.)	INVESTIGATING SUB-COMMITTEES (1) *6 groups of 4–6 members each.* (i) To investigate War Office and Ministry of Pensions. (ii) To investigate Admiralty and Ministry of Shipping. (iii) To investigate Ministry of Munitions and Air Ministry. (iv) To investigate Board of Trade, Ministries of Food, Agriculture and Blockade, and Wheat and Sugar Commissions. (v) To investigate Office of Works, Ministries of Labour and National Service, Post Office, War Aims Commission. (vi) To investigate the Treasury. (2) *2 special groups.* Same as in 1917–18. (Groups continue their inquiries.)	INVESTIGATING SUB-COMMITTEES *4 groups of 6–7 members each.* (i) To investigate War Office and Air Ministry. (ii) To investigate Admiralty, Ministry of Shipping, and Wheat and Sugar Commissions. (iii) To investigate Ministries of Munitions and Supply and Local Government Board. (iv) To investigate Ministries of Food, Agriculture, Labour and Pensions, and Board of Trade.	INVESTIGATING SUB-COMMITTEES *3 groups of 8–9 members each.* (i) To investigate Admiralty, Post Office, Board of Education, and Ministry of Transport. (ii) To investigate Ministries of Munitions and Pensions, Local Government Board and Disposal Board. (iii) To investigate Ministries of Food, Agriculture and Labour, Board of Trade, and Wheat and Sugar Commissions.

APPENDIX 3. *Organization of the Select Committee on National Expenditure, 1939–45*

1939–40	*1940–1*	*1941–2*	*1942–3*	*1943–4*	*1944–5*
FULL COMMITTEE (32 members. Quorum 7) *Functions*: (i) Procedure, appoint sub-committees, &c. (ii) Consider sub-committee reports.	FULL COMMITTEE Same as in 1939–40.	FULL COMMITTEE Same as in previous years.	FULL COMMITTEE Same as in previous years.	FULL COMMITTEE Same as in previous years.	FULL COMMITTEE Same as in previous years.
CO-ORDINATING SUB-COMMITTEE (7 members. Quorum 2) *Functions*: (i) To co-ordinate inquiries. (ii) To examine departments with work of wide consequence. (iii) To conduct 'horizontal' inquiries.	CO-ORDINATING SUB-COMMITTEE (8 members. Quorum 2) *Functions*: Same as in 1939–40, plus power to recommend that reports shall be confidential and for the Prime Minister and War Cabinet only.	CO-ORDINATING SUB-COMMITTEE (13 members. Quorum 5) *Functions*: (i) To review, co-ordinate, and direct work. (ii) To allocate personnel to groups; to set up new groups. (iii) To recommend what reports shall be confidential.	CO-ORDINATING SUB-COMMITTEE (9 members. Quorum 3) *Functions*: (i) To determine what inquiries shall be undertaken and to allot them. (ii) To allocate personnel, &c. (iii) To recommend what reports shall be confidential.	CO-ORDINATING SUB-COMMITTEE (10 members. Quorum 3) *Functions*. Same as in 1942–3.	CO-ORDINATING SUB-COMMITTEE (9 members. Quorum 3) *Functions*: Same as in 1942–3.
INVESTIGATING SUB-COMMITTEES *7 groups of 4–5 members each, plus Committee chairman* ex officio. Quorum 2. (i) Army Services. (ii) Navy Services. (iii) Air Services. (iv) Supply Services. (v) Home Defence Services. (vi) Trade, Agriculture, and Economic Warfare. (vii) Transport Services (added later). (Departments allocated to groups for investigation as appropriate.)	INVESTIGATING SUB-COMMITTEES Same as in 1939–40. (Other departments allocated to appropriate groups from time to time.)	INVESTIGATING SUB-COMMITTEES (1) *7 groups of 4–8 members*. Quorum 2 or 3. Also 5 'roving' members (see p. 215). (i) Finance and Establishments. (ii) and (iii) Production and Supply, A and B (12 members in 2 overlapping groups). (iv) and (v) Works, A and B (8 members in 2 overlapping groups). (vi) Fighting Services. (vii) Special Inquiries. (2) *2 'ad hoc' groups.* To study health and welfare of women in Forces and factories.	INVESTIGATING SUB-COMMITTEES *7 groups of 4–5 members each, plus chairman and deputy-chairman*, ex officio. Quorum 2. (i) Finance and Establishments. (ii) Production and Supply, A. (iii) Production and Supply, B. (iv) Departmental Inquiries, A. (v) Departmental Inquiries, B. (vi) Fighting Services. (vii) Special Inquiries.	INVESTIGATING SUB-COMMITTEES *6 groups of 5–6 members each, plus chairman and deputy-chairman*, ex officio. Quorum 2. (i) Sub-Committee A. (ii) Sub-Committee B. (iii) Sub-Committee C. (iv) Sub-Committee D. (v) Sub-Committee E. (vi) Sub-Committee F. *Functions*: To investigate subjects allotted by Co-ordinating Sub-Committee. Groups available for any inquiry.	INVESTIGATING SUB-COMMITTEES *4 groups of 7–8 members each, plus chairman and deputy-chairman*, ex officio. Quorum 2. (i) Sub-Committee A. (ii) Sub-Committee B. (iii) Sub-Committee C. (iv) Sub-Committee D. *Functions*: Same as in 1943–4.

APPENDIX 4

Organization of the Select Committee on Estimates, 1946–9

1945–6	*1946–7*	*1947–8*	*1948–9*
FULL COMMITTEE (28 members. Quorum 7) *Functions*: (i) To decide procedure, appoint sub-committees, &c. (ii) To consider and approve decisions of Sub-Committee A. (iii) To consider and approve sub-committee reports.	FULL COMMITTEE Same as in 1945–6.	FULL COMMITTEE Same as in previous years.	FULL COMMITTEE (36 members. Quorum 7) *Functions*: Same as in previous years.
SUB-COMMITTEE A (7 members) *Functions*: (i) To initiate inquiries. (ii) To make general inquiries. (iii) To give preliminary consideration to suggested courses of action. (iv) To co-ordinate work.	SUB-COMMITTEE A Same as in 1945–6.	SUB-COMMITTEE A Same as in previous years.	SUB-COMMITTEE A (10 members) *Functions*: Same as in previous years.
INVESTIGATING SUB-COMMITTEES (1) *3 groups of 9 members each, plus the Committee chairman*, ex officio. Quorum 4. Joint meetings permitted. (i) Sub-Committee B (ii) Sub-Committee C } subjects for inquiry allocated (iii) Sub-Committee D by Committee. (2) *2 special groups.* (i) Sub-Committee E. 7 members to investigate estimates for British Zone of Germany. To visit Germany. (ii) Sub-Committee F. 10 members to investigate estimates for British Zone of Austria. To visit Austria.	INVESTIGATING SUB-COMMITTEES (1) *3 groups as in 1945–6.* (i) Sub-Committee B. (ii) Sub-Committee C. (iii) Sub-Committee D. (2) *2 special groups.* (i) Sub-Committee E. To examine the form of the estimates. (ii) Sub-Committee F. To investigate estimates for British Zone of Germany. To visit Germany.	INVESTIGATING SUB-COMMITTEES (1) *3 groups as in previous years.* (i) Sub-Committee B. (ii) Sub-Committee C. (iii) Sub-Committee D. (2) *2 special groups.* Sub-Committees E and F. (To conclude work left over from 1946–7.)	INVESTIGATING SUB-COMMITTEES *5 groups of 7 members each, plus the Committee chairman*, ex officio. Quorum 3. Joint meetings permitted. (i) Sub-Committee B (ii) Sub-Committee C (iii) Sub-Committee D } Subjects for inquiry allocated (iv) Sub-Committee E by Committee. (v) Sub-Committee F

APPENDIX 5

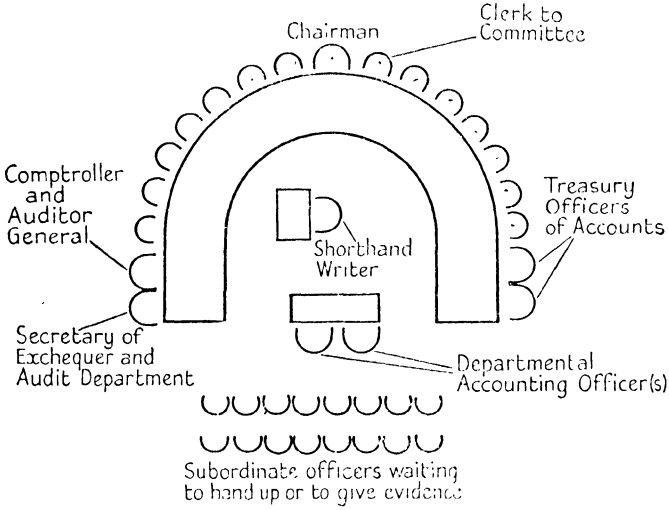
Organization of the Proposed Public Expenditure Committee

Sir Gilbert Campion's scheme as put forward to the Select Committee on Procedure (H.C. 189 of 1945–6, Appendix)

Group	*Composition of group*	*Functions of group*
FULL COMMITTEE	30–35 private members.	(1) To decide procedure, appoint sub-committees, &c. (2) To consider and approve sub-committee reports. (3) To consider and approve work of Co-ordinating Sub-Committee.
CO-ORDINATING SUB-COMMITTEE	7 members consisting of: (1) Chairman of the Committee. (2) Sub-committee chairmen.	To review, co-ordinate and direct work under the general supervision of the full Committee.
INVESTIGATING SUB-COMMITTEES		
(1) Defence Services. (2) Treasury and Central Government. (3) Trade, Industry, and Transport. (4) Social Services	5 or 6 members each.	To investigate departments grouped appropriately. Accounts and estimates to be referred to groups for complete investigation.
(5) Major Inquiries	5 or 6 members.	To examine questions of principle, form of accounts and contracts, &c.
(6) Short Term Inquiries.	5 or 6 members.	To investigate current complaints.

APPENDIX 6

The Public Accounts Committee in Session



APPENDIX 7

Number of Meetings Annually of Financial Committees

1. *Public Accounts Committee*

Year	*1870–9*	*1880–9*	*1890–9*	*1900–9*	*1910–19*	*1920–9*	*1930–9*	*1940–9*
Average number of meetings per session.	10·7	11·9	12·7	20·4	16·3	31·6	29·3	29·4[1]

[1] In one session, 1941–2, the Committee conducted a special inquiry at great length and met altogether fifty-three times. The average figure is, therefore, high.

2. *Estimates Committee, 1921–39*

Year	*1921*	*1922–8*	*1928–9 to 1930–1*	*1931–2 to 1938–9*
Average number of meetings per session.	Appointed late in year	25	10·3	18·75

3. *National Expenditure Committee, 1939–45*

Group	*1939–40*	*1940–1*	*1941–2*	*1942–3*	*1943–4*	*1944–5*[1]
Full Committee	16	20	27	21	21	10
Co-ordinating Sub-Committee	17	19	16	14	15	10
Investigating Sub-Committees	62, 62, 58, 64, 55, 61, 13 = 375	33, 55, 52, 72, 89, 13, 65 = 379	20, 67, 72, 51, 88, 33, 60, 49	15, 20, 52, 51, 22, 29, 41 = 230	31, 21, 21, 39, 26, 22 = 160	6, 9, 8, 16 = 39
TOTAL (all groups)	408	418	396[2]	265	196	59

[1] 1944–5 was a short session preceding the General Election.

[2] In this year many groups held joint meetings. Where joint meetings were held each sub-committee has been credited. The total is, however, the total only of separate meetings whether joint or not.

4. *Estimates Committee, 1946–9*

Group	*1945–6*	*1946–7*	*1947–8*	*1948–9*[7]
Full Committee .	10	11	13	20
Sub-Committee A (co-ordinating) .	5	3	5	9
Investigating Sub-Committees:				*Ordinary:*
(*a*) *Ordinary*:				
B	8	15	34[4]	24
C	24	30	30	46
D	19 = 79	21 = 95	26 = 97	24
(*b*) *Special*:				
E	14[1]	5	1[5]	38
F	14[2]	24[3]	6[6]	29
TOTAL . .	94	109	115	189[8]

[1, 2, 3] Sub-committees appointed to visit Germany and Austria.

[4] This group visited West Africa during the recess.

[5] Meeting to follow up work of previous session.

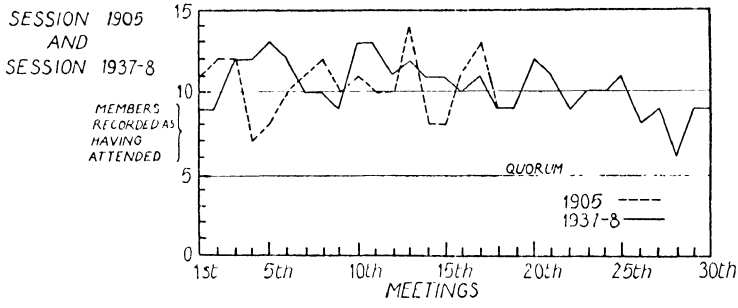
[6] Meetings to clear up points left over from the previous session.

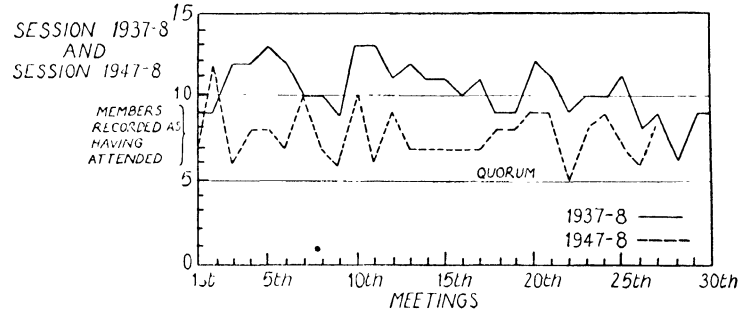
[7] In this year the Committee was enlarged to 36 members and 5 ordinary investigating sub-committees were appointed.

[8] In this year a joint meeting was held. The total is, however, the total only of separate meetings whether joint or not.

APPENDIX 8

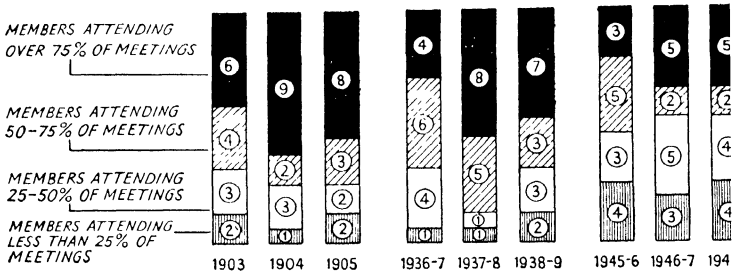
Attendance at meetings of the Public Accounts Committee





APPENDIX 9

Pattern of attendance of members at the Public Accounts Committee



APPENDIX 10

Attendance of the Financial Secretary to the Treasury at Meetings of the Public Accounts Committee

Since 1922 the Financial Secretaries to the Treasury have not attended the meetings of the Public Accounts Committee except, in some cases, to make a courtesy appearance on appointment.

Until 1908 they attended with fair, often great, regularity much the same as ordinary private members. From that date they mostly attended a few meetings, though Mr. Baldwin in 1918 and 1920 attended about one-half. In 1921 Commander Hilton Young (Lord Kennet) attended ten of the thirty-five meetings, but in 1922 he did not attend at all and his successors have all stayed away except, as mentioned, for a possible courtesy visit.

There are many general reasons why the Financial Secretary should not attend, but there appears to be no particular reason for the change occurring when it did. Lord Kennet in a letter writes: 'I consulted the head of the Treasury, Warren Fisher, whether I ought to go to the P.A.C. or not, and . . . he said, "no, that was not expected of the Financial Secretary. All I need do was put in a complimentary appearance on appointment".' That had, however, certainly not been the practice up to that date and Lord Kennet himself attended almost one-third of the meetings in 1921. But he attended none in 1922 and he says further that his experience suggests that it is better for this junior minister not to attend.

General reasons for non-attendance are these:

1. The increased demands on the time of the Financial Secretary as his position became more important. Especially after the 1906 procedure reforms, Question Time, when he had to be in his place in the House, coincided with the time of Committee meetings.
2. The Treasury is already represented by the Treasury Officers of Accounts at the meetings at which evidence is taken.
3. As the Public Accounts Committee extended its functions, it became more and more embarrassing for a minister to sit by and hear criticisms of matters, by no means all technical, for which his colleagues (if not he himself) were responsible.

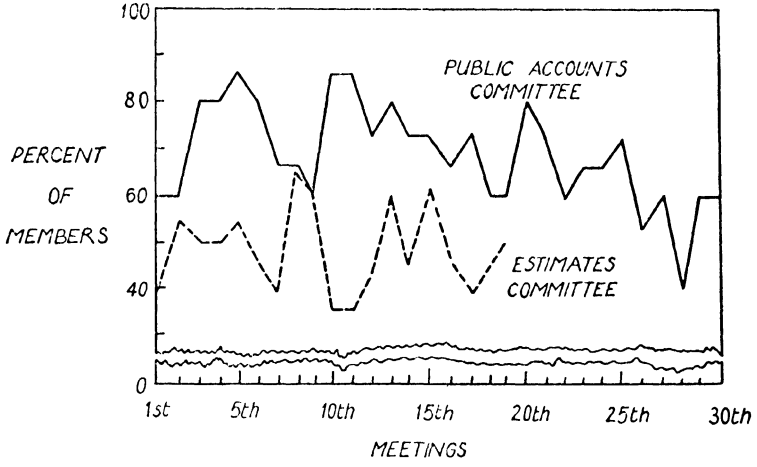
It is probably better that the Committee should be purely a private members' committee and it is doubtful whether there is any necessity to continue appointing a junior minister who never attends.

(I am grateful to Lord Kennet and J. S. Crawford, Esq., a former Clerk of the Public Accounts Committee, for their help in this matter.)

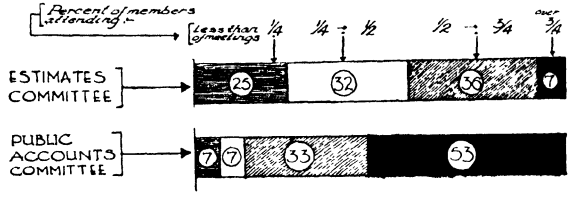
APPENDIX 11

Attendance at meetings of the Public Accounts and Estimates Committees in the session 1937–8

1. *Numbers attending at meetings*



2. *Members' attendance records*



APPENDIX 12

Attendance at Meetings of the National Expenditure Committee, 1939–45

1. *1939–40.* (Investigating sub-committees only.[1])

Sub-Committee	*Meetings held*	*Number of attendances of each member*[2]
Army Services . .	62	62, 61, 60, 52, 49.
Navy Services . .	62	61, 60, 59, 58, 36.
Air Services . . .	58	54, 53, 51, 48.
Supply Services . .	64	64, 54, 53, 40, 35.
Home Defence Services .	55	40, 33, 30, 25, 18.
Trade, Agriculture, and Economic Warfare	Figures for this group are misleading, due to personnel changes.	
Transport Services .	This group was appointed later in the session.	

[1] The full Committee also met 16 times and the Co-ordinating Sub-Committee 17 times.

[2] The Committee chairman was an *ex officio* member of all sub-committees. His attendances are omitted from these figures.

2. *1943–4.* (Investigating sub-committees only.[1])

Sub-Committee	*Meetings held*	*Number of attendances of each member*[2]
A	Figures for this group are misleading, due to personnel changes.	
B	21	21, 18, 18, 13, 7.
C	21	21, 19, 15, 14, 12.
D	39	36, 35, 33, 22, 20.
E	26	26, 20, 19 (others misleading).
F	22	21, 19, 17, 16, 16.

[1] The full Committee also met 21 times and the Co-ordinating Sub-Committee 15 times.

[2] The Committee chairman and deputy-chairman were *ex officio* members of all sub-committees. Their attendances are omitted from these figures.

APPENDIX 13

Attendance at Meetings of the Estimates Committee in sessions 1945–6 to 1947–8

(Regular Investigating sub-committees only)[1]

1. *1945–6.*

Sub-Committee	*Meetings held*	*Number of attendances of each member*[2]
B	8	8, 8, 7, 7, 5, 5, 5, 5, 3.
C	24	24, 22, 22, 18, 15, 12, 11, 6, 3.
D	19	19, 17, 16, 16, 16, 10, 9, 7, 2.

2. *1946–7.*

Sub-Committee	*Meetings held*	*Number of attendances of each member*[2]
B	15	15, 12, 12, 10, 10, 9, 8, 7, 5.
C	30	30, 27, 25, 24, 22, 15, 15, 14, 11, 6.[3]
D	21	21, 20, 16, 15, 13, 13, 9, 8.[3]

3. *1947–8.*

Sub-Committee	*Meetings held*	*Number of attendances of each member*[2]
B	34	34, 33, 33, 31, 29, 28, 21, 16, 13.
C	30	28, 26, 24, 23, 23, 22, 22, 13, 10.
D	26	25, 22, 20, 20, 18, 17, 17, 14, 5, 4.[3]

[1] Special investigating groups (E and F) are omitted because they are not typical. (See Appendix 4.) The full Committee met 10 times in 1945–6, 11 times in 1946–7, and 13 times in 1947–8.

[2] The Committee chairman was an *ex officio* member of all groups. His attendances are omitted from these figures.

[3] The size of the groups did not always remain constant. Members occasionally asked to serve on more than one sub-committee or to be transferred from one to another.

APPENDIX 14

Sale of Reports of the Financial Committees of the House of Commons

(The figures used in this Appendix were supplied by His Majesty's Stationery Office.)

It is clear that the reports of the financial committees do not normally interest the public and most people are, indeed, unaware of the existence of these bodies. Sensational and sometimes important items which are of public interest are picked out by the press and radio. Hence the number of copies of reports needed is small. Before 1939, His Majesty's Stationery Office, which usually judges demand to within accurate limits, printed about 750–1,250 copies of the reports of the Public Accounts and Estimates Committees. Since 1945, 1,500–2,000 copies have sufficed to cover the demand. During the war some reports were of topical interest and a few reports of the National Expenditure Committee were popular enough to necessitate the printing of 5,000 or more copies. For example, the sixteenth report of

Report	*Copies printed*	*Copies sold by Stationery Office sales offices*	*'Official' copies, i.e. copies supplied to Govt. Depts. and Members of Parliament*
Select Committee of Public Accounts, 2 R. 1938–9, price 6*d.* . . .	1,125	251	612
Select Committee of Public Accounts, 2 R. 1947–8, price 6*d.* . . .	1,875	507	1,260
Select Committee on Estimates, R. 1937–8, price 6*d.*	1,250	336	828
Select Committee on Estimates, 8 R. 1947–8, price 2*s.* . . .	1,500	406	919
Select Committee on National Expenditure, 17 R. 1942–3, price 6*d.* .	2,375	1,174	1,178

session 1941–2, *Organisation and Control of the Civil Service*, was deemed popular enough to necessitate the printing of 6,375 copies.

Except in the case of reports for which there is more than usual demand, over one-half of the copies printed are 'official', that is, copies supplied free to government departments and Members of Parliament through the Vote Office. It is impossible to ascertain who buy the remainder and who read them. Many certainly go to libraries.

The typical examples shown in the Table on p. 275 above give some indication of the sale and issue of reports.

BIBLIOGRAPHY

The main sources are Parliamentary Papers.

(1) The series of reports from the various financial select committees and the minutes of evidence and appendixes provide abundant evidence about their work, and contain besides much information about the main problems of financial control and the views of interested parties at various times. They are:

  (i) The reports from the Select Committee of Public Accounts —a series extending from 1861 to the present day.

  (ii) *Epitome of the Reports from the Committees of Public Accounts, 1857 to 1937*, H.C. 154 of 1937–8, contains in convenient form those parts of the reports which are of permanent interest or application and the Treasury Minutes thereon. The last edition was published in 1938, but a new edition is being prepared to bring the *Epitome* up to date.

  (iii) The reports from the Select Committees on Estimates—three series of reports from the Estimates Committees of sessions 1912 to 1914, 1921 to 1938–9, and 1945–6 to the present day.

  (iv) The reports from the Select Committees on National Expenditure—two series of reports from the wartime National Expenditure Committees of sessions 1917–18 to 1920, and 1939–40 to 1944–5.

(2) The various appropriation and other accounts, together with the reports of the Comptroller and Auditor General thereon, which are presented annually to the House of Commons. They are presented separately, e.g. *Civil Appropriation Accounts*, *Navy Appropriation Accounts*, *Trading Accounts*, &c. Apart from the importance of the accounts themselves, the reports of the Comptroller and Auditor General provide information on the nature and extent of his audit and the points to which he has found it necessary to draw attention.

(3) *The Final Report of the Committee on the Form of Government Accounts*, Cmd. 7969 (1950), contains useful information on accounting problems in the public service today.

(4) A short historical survey up to 1916 is to be found in *Memorandum prepared by the Comptroller and Auditor General for the information of the Committee of Public Accounts* (on the fiftieth anniversary of the Exchequer and Audit Departments Act, 1866). It is published as Cd. 8337 (1916).

(5) The reports, minutes of evidence, and proceedings of select committees appointed from time to time to investigate the state

of Parliament's control over finance or to consider the procedure of the House of Commons. The most useful are:

(i) The reports from the Select Committee on Public Monies, 1856–7: H.C. 375 of 1856, H.C. 107 of 1857, and especially H.C. 279 of 1857, sess. 2.
(ii) The reports from the Select Committee on National Expenditure, 1902–3: H.C. 387 of 1902 and H.C. 242 of 1903.
(iii) The seventh and ninth reports of 1918 from the Select Committee on National Expenditure. The seventh report, H.C. 98 of 1918, *Form of Public Accounts*; the ninth report, H.C. 121 of 1918, *Financial Procedure of the House of Commons*.
(iv) The reports from the Select Committee on Procedure on Public Business: H.C. 161 of 1930–1, and H.C. 129 of 1931–2.
(v) The eleventh report of session 1943–4 from the Select Committee on National Expenditure: H.C. 122 of 1943–4, *The Examination of National Expenditure*.
(vi) The third report from the Select Committee on Procedure, 1945–6: H.C. 189—I of 1945–6.

Official reports may be supplemented with *The Parliamentary Debates (Hansard)*; *Sir Thomas Erskine May's Treatise on the Law, Privileges, Proceedings and Usage of Parliament*, 15th ed. edited by Lord Campion and T. G. B. Cocks, Butterworth, 1950; and *Dod's Parliamentary Companion* (published annually). These works provide information on the views of Members of Parliament, the procedure of the House of Commons and its composition.

The following works also contain useful historical and descriptive information:

C. F. BASTABLE: *Public Finance*, 3rd ed., Macmillan, 1903.
A. E. BUCK: *The Budget in Governments of Today*, Macmillan, 1934.
E. H. DAVENPORT: *Parliament and the Taxpayer*, Skeffington, 1918.
A. J. V. DURELL: *Principle and Practice of the System of Control over Parliamentary Grants*, Gieves, 1917.
A. H. HANSON: 'The Select Committee on Estimates, 1945–50,' an article in the *Yorkshire Bulletin of Economic and Social Research*, vol. 3 (1951), pp. 103–30.
R. G. HAWTREY: *The Exchequer and the Control of Expenditure*, Oxford University Press, 1921.
T. L. HEATH: *The Treasury* (Whitehall Series), Putnam, 1927.
J. R. HICKS: *The Problem of Budgetary Reform*, Oxford University Press, 1948.
U. K. HICKS: *The Finance of British Government, 1920–36*, Oxford University Press, 1938.

U. K. HICKS: *Public Finance*, Cambridge University Press, 1947.
H. HIGGS: *Financial Reform*, Macmillan, 1924.
J. W. HILLS and E. A. FELLOWS: *The Finance of Government*, 2nd ed., Philip Allen, 1932.
W. I. JENNINGS: *Parliament*, Cambridge University Press, 1939.
H. L. LUTZ: *Public Finance*, 3rd ed., Appleton, 1936.
K. R. MACKENZIE: *The English Parliament*, Penguin Books, 1950.
A. TODD: *On Parliamentary Government in England*, 2 vols., Longmans, Green, & Co., 1867.
L. D. WHITE: 'Congressional Control of the Public Service', an article in the *American Political Science Review*, vol. xxxix (1945), pp. 1–11.
E. HILTON YOUNG (LORD KENNET): *The System of National Finance*, 3rd ed., Murray, 1936.

In addition, the volumes of *Public Administration*, the journal of the Institute of Public Administration, contain many valuable articles on this subject.

INDEX

Accounting: undeveloped state of, 1, 15; Accounts Committee presupposes adequate, 6; committees to examine state of public, 25–26; bases of, 44, 44 n. 4; Comptroller and Auditor General checks, 53–54; commercial, 74; post-war tightening in standard of, 110–11, 141; wartime relaxation in standard of, 140–1. *See also* Accounts.

Accounting Officers: Public Accounts Committee's interest in, 40, 60–61, 69, 115–17; annual examination of, 46, 187–8, 206; creation of, 60; Treasury and, 60, 116; status of, 116–17, 187–8; accounts of nationalized industries and, 146.

Accounts: Parliament's early attempts to examine, 14–21, 23; Treasury Commission on (1829), 25–26; form of, 44–46, 177 n. 2, 241; Public Accounts Committee and form of, 44–45, 53–54, 55, 115, 117–18; Treasury and form of, 45, 55, 59, 177, 241; extension of audit of, 49–50, 51–52; improvement in, 71–72; Treasury Committee on the Form of Government (1947–50), 177 n. 2, 241; appropriation, *see* Appropriation accounts; Army experimental, 117–18; commercial, 74, 175; Consolidated Fund, 175; dockyard, 73; expense, 51, 52; Finance, 19; manufacturing, 51, 52, 64, 175; Public Income and Expenditure, 176; stores, 51–52, 73, 141, 175; suspense, 74, 74 n. 1; trading, 75, 141, 175; victualling yard, 73; 'White Paper', 175; of the Government of India, 49; of the Commissioners for Church Temporalities in Ireland, 49; of colonies receiving grants in aid, 49; as a source of information, 86, 176–7, 251; of nationalized industries, 145–7; audited by Comptroller and Auditor General, 175–6. *See also* Public Accounts.

Acts of Parliament:

Appropriation Act (annual), 58, 241.

Army and Navy Audit Act, 1889, 52.

Civil Establishment Act, 1782, 10.

Civil List Act, 1816, 10.

Exchequer and Audit Departments Act, 1866, *see* Exchequer and Audit Departments Act, 1866.

Exchequer and Audit Departments Act, 1921, 75, 77, 109, 140.

Administrative audit, 15, 19, 76.

Admiralty, and Sir James Graham, 11, 21; attempts to evade financial control, 55, 82, 83; examined by Public Accounts Committee, 141, 144.

Air Ministry, 82, 132.

Anderson, William (Sir W.), on parliamentary control of accounts, 29–30; supports Public Accounts Committee, 38.

Annuality, 29, 29 n. 1, 118–20.

Anson, Sir William R., quoted, 12, 13.

'Anti-waste' group, 111, 111 n. 4.

Appropriation: meaning of, 6, 7; undeveloped state of, 6; Accounts Committee presupposes effective system of, 6, 7; two aspects of, 7; Lord Monteagle on, 7; development of, 7–12; Comptroller and Auditor General checks, 53, 54–57, 174.

Appropriation accounts: origin of, 11, 21; definition of, 20; Public Monies Committee recommends examination of, 29, 30; all departments submit, 35, 43, 43 n. 2; audit of, 44, 175; efforts to secure good order in, 44; form of, 44–45; content of, 45–46, 176; Public Accounts Committee demand full, 45–46; Treasury's concern with, 45, 55, 59; notes and appendixes to, 46, 176; extension of audit of, 49–50; timely presentation of, 71; purposes of, 176–7; criticisms of, 176–7.

Appropriation Act, question of authority of, 58, 241.

Army, reform of, 67; factory accounts of, 73, 74; report on stores accounts of, 79–80; accounting experiment of, 117–18, 118 n. 1, 251.

Army and Navy Audit Act, 1889, 52.

Army and Navy Estimates, Select Committee on (1887), 67.
Army and Navy Expenditure, Cabinet Committees on (1916), 93, 94.
Assistant Comptroller and Auditor General, 173, 173 n. 1.
Audit: financial control presupposes, 3; undeveloped state of, 6; definition of, 13–14; development of parliamentary control of, 14–21; administrative, 15, 19, 76; Commissioners of, 1780, 18, 19; Board of, 13, 19–21, 27, 28, 29; aims of, 53 ff.; Gladstone on, 61; Directors of, 173, 178; efficiency, 175, 251, 253–4; running, 177–8, 196; test, *see* Test audit. *See also* Comptroller and Auditor General.
Audit Act, Army and Navy, 1889, 52.
Audit Board: origin of, 19; weaknesses of, 19–21, 27; status of, 19, 29; Exchequer united with, 13, 20; demand for more efficient, 28.
Audit House, 173.
Auditor of Receipt, 12–13.
Auditors of the Imprest, 15, 19.

Banbury, Sir Frederick (Lord Banbury): biog., 90 n. 2; member of Public Accounts Committee, 78; chairman of Estimates Committee (1912–14), 90, 199; chairman of National Expenditure Committee (1919–20), 102–3; on difficulties of Estimates Committee, 122; chairman of Estimates Committee (1921–3), 124, 125–7, 199–200, 201.
Baring, Sir Francis (Lord Northbrook), biog., 28; member of Commission of 1831, 26; moves for Select Committee on Public Monies, 28; chairman of Public Monies Committee, 28, 30; questions ministers, 31, 32; chairman of Public Accounts Committee, 37; influences early work of Public Accounts Committee, 40.
Barré, Colonel, 18.
Benson, George, on Public Accounts Committee, 194, 195, 234.
Bevin, Ernest, praises Estimates Committee, 167.
Blain, William, on Comptroller and Auditor General, 61.
Bowles, Thomas Gibson (Sir T. G.), member of Public Accounts Committee, 78, 85; on functions of Public Accounts Committee, 78.
Bowring, Sir John, biog., 26 n. 2; reports on accounting systems of European states, 26–27.
Bowyer, George, on control of expenditure, 27–28; member of Public Monies Committee, 29.
Bradbury Committee, 77, 101.
British Broadcasting Corporation, accounts of, 144.
Bunbury, Sir Henry, on control of the administration, 135.
Burke, Edmund, on control of expenditure, 9; and 'economical reform' move, 10.

Campion, Sir Gilbert F. M. (Lord Campion), proposes a Public Expenditure Committee, 4, 138 n. 1, 216, 228 ff., 265; criticizes financial control, 141–2, 229, 236–7; on failure of Estimates Committee, 208.
Capital expenditure, attitude of Public Accounts Committee to, 74–5, 118–19.
Chamberlain, Austen, condemns Estimates Committee, 122–3, 126, 133; on Public Accounts Committee, 195.
Churchill, Lord Randolph, resignation of, 67.
Churchill, Winston S., on Lord Randolph Churchill, 67; on Public Accounts Committee, 80, 88; on financial control, 89; proposes Estimates Committee, 89 n. 1; praises National Expenditure Committee, 1939–45, 158.
Civil Establishment Act, 1782, 10.
Civil estimates, origin of, 11. *See also* Estimates.
Civil List, reorganization of, 10; Select Committee on the, 1830–1, 10; civil government expenses separated from, 10–11.
Civil List Act, 1816, 10.
Civil Service Commission, reports on, 5, 165.
Clerk of Financial Committees, 238.
Collins, Sir Godfrey, advocates National Expenditure Committee, 94.
Commercial accounting, 74.
Commercial accounts, 74, 175.

Commission des Comptes, 26.
Commissioners of Northern Lighthouses, dinner for, 62, 62 n. 2.
Commissioners of Public Accounts (1831), 26, 261.
Committee on National Expenditure (1922), 112, 114.
— (1931), 114.
Commons, House of, *see* House of Commons.
Comparative costs, as a means of control, 64, 83, 251.
Comptes, Commission des, 26; *Cour des*, 26 n. 3, 194.
Comptroller and Auditor General: creation of, 13, 20; status of, 20, 48–49, 172; duties of, 20, 21, 43, 47, 53, 61–63, 78, 172 n. 2, 174–5, 178; reports of, 46–47, 142, 178, 179–81; Public Accounts Committee makes permanent witness of, 46–47, 186–7; Public Accounts Committee supports and depends on, 47–49, 169, 171 ff.; growth in powers and functions of, 47–48, 49–52, 61–63; Sir Charles Ryan on, 47–48; D. C. Richmond on, 48, 61, 78–79; Treasury on, 48, 63; Edward Romilly on, 49; development of test audit by, 50, 75–77, 140, 141, 142, 178–9; appropriation checked by, 53, 54–57, 174; unauthorized spending checked by, 58–60, 174; responsibility checked by, 60–61; William Blain on, 61; extra-statutory duties and powers of, 61–63, 78, 175, 178; economy a growing concern of, 61–64, 76–84, 175; limitations of audit of, 63, 78–79, 86, 141, 175, 177; cost results help audit of, 64; trading accounts audited by, 75; organization and methods a growing concern of, 81; contracts a growing concern of, 82–84, 143; accounts of nationalized industries and, 144, 145–7, 176; full title of, 172; nature of position of, 172–3; Assistant, 173, 173 n. 1; accounts audited by, 175–6; running audit of, 177–8, 196; 'excesses' investigated by, 189; proposed Public Expenditure Committee and, 231, 234–5. *See also* Exchequer and Audit Department
Comptroller of the Exchequer, 13.
Consolidated Fund Accounts, 175.
Contracts, forms of, 82, 83, 132; Public Accounts Committee investigates, 82–84, 120, 139, 142–3; Estimates Committee investigates, 132.
Contracts Co-ordinating Committee, 131–2.
Corporations, *see* Nationalized industries.
Costing, Public Accounts Committee investigates, 82, 83, 84, 143, 144, 252; Estimates Committee investigates, 132.
Costs, comparative, as a means of control, 64, 83, 251.
Cour des Comptes, 26 n. 3, 194.
Credit, votes of, 56, 76.
Crookshank, Captain H. F. C., on Public Accounts Committee, 143.
Current expenditure, examination by select committees of, *see* Select Committees to examine current expenditure.

Davenport, E. H., on Public Accounts Committee, 79; on Estimates Committee (1912–14), 92; on National Expenditure Committee (1917–20), 100.
Defence, growth of expenditure for, 65, 67, 120, 132, 138, 138 n. 1; Estimates Committee investigates programme of, 131–2.
Departments, government, and Public Accounts Committee, 39, 44, 60, 191–2; must furnish information to auditors, 63; spring up unplanned in First World War, 76, 81–82; and replies to reports of financial committees, 152, 158–9, 167, 225–6; financial staffs in, 72, 76, 77; liaison officers in, 151–2, 163, 222.
Dicey, A. V., on public attitude to spending, 34, 65, 66.
Directors of Audit, 173, 178.
Disraeli, Benjamin, demands efficient Audit Board, 28; delays appointment of Accounts Committee, 31, 41.
Diver, Captain C. R. P., on Estimates Committee (1921–39), 130; on Public Accounts Committee, 143; on use of sub-committees, 216, 218, 221; on proposed Public Expenditure Committee, 229, 230, 237; on Clerk of Financial Committees, 238.

Dockyard accounts, 73.
Dunbar, Sir William, 47.
Durell, A. J. V., on stores accounts, 51, 73; on 'excesses', 56; on Estimates Committee (1912–14), 92.

Efficiency, aim of financial control is, 70, 107–8, 135, 247; attainment of, 80, 107–8; co-operation between Parliament and administration necessary for, 93, 247–8; duty of administration to attain, 136, 252–3; measurement of, 175, 250, 251, 252, 253–4; Treasury responsibility for, 252–3.
Efficiency audit, 175, 250, 251, 252, 253–4.
Ellice, Edward, 26, 29.
Epitome, 60, 60 n. 1, 116, 142, 142 n. 6.
Establishments, Treasury control of, 59, 76–77; Public Accounts Committee and, 59–60, 76–77; branches in the departments, 101.
Estimates: civil, 11; more detailed, 11, 21; form of, 45, 55, 128, 165, 251, 251 n. 1; supplementary, 56; House of Commons examination of, 68–69, 121; proposals for select committee on, 68, 89, 92, 104; difficulties of control via, 92–93, 198–200, 205; Examiner of, 105, 106, 121, 123, 200, 253; Sidney Webb on control of, 106; Henry Higgs on control of, 106; 'overhead' cuts in, 114; standing committees to consider, 121, 121 n. 2.
Estimates, Select Committees on (1887 and 1888), 68 n. 5, 69, 88.
Estimates, Select Committee on (1912–14): demand for, 88–89; appointment of, 90; membership of, 90–91, 202; procedure of, 91, 92, 125; work of, 91, 91 n. 2; failure of, 91, 92–93; E. H. Davenport on, 92; A. J. V. Durell on, 92.
— (1921–39): National Expenditure Committee recommends, 92, 104–5, 121, 230; Public Accounts Committee and, 118–19, 118 n. 6; appointment of, 121–3; hostility of Austen Chamberlain to, 122–3, 126, 133; terms of reference of, 123, 198; membership of, 123, 125, 202–3; question of functions of, 124, 125–6, 127, 128, 130, 133–4, 198–201, 204–5, 208; procedure of, 124–5, 128, 131, 204–8 *passim*; sub-committees of, 124–5, 204, 209; debates on reports of, 125, 126–7, 207–8; staff of, 125; witnesses before, 125, 205, 206; reports of, 125, 207; work of, 126, 127, 128, 129, 131–3, 154; failure of, 127, 129, 133, 201–9 *passim*; Treasury Minutes on reports of, 128, 207, 207 n. 2, 208; attendance at, 129, 203–4, 272; Sir Malcolm Ramsay on, 129; Capt. C. R. P. Diver on, 130; Procedure Committee on, 130; examination of defence expenditure by, 131–3; belated success of, 131–2, 133–4, 207; chairmen of, 201–2, 204, 205; number of meetings of, 203, 267; Sir Gilbert Campion on, 208; Sir John Wardlaw-Milne on, 221; sale of reports of, 275–6.
Estimates, Select Committee on (1946 onwards): origin of, 161–2; terms of reference of, 162, 164, 210–11; influence of National Expenditure Committee on, 162, 163, 164, 165, 166; membership of, 162, 163, 167, 217; sub-committees of, 162, 163, 216–17, 264; procedure of, 162, 163, 220–3 *passim*; steering sub-committee (Sub-committee A) of, 163, 216; witnesses before, 163, 222; reports of, 163–4, 164 n. 1, 167, 224–5; work of, 164–6, 210–11; consideration of reports of, 166–7, 225–6; success of, 167, 168, 223, 227, 246; Ernest Bevin on, 167; P. J. Noel-Baker on, 167; nationalized industries and, 210–11, 241; number of meetings of, 219, 268; attendance at, 219–20, 274; Public Accounts Committee and, 238; sale of reports of, 275–6.
Estimates Procedure (Grants of Supply), Select Committee on (1888), 68.
Examiner of Estimates, proposal for, 105, 106, 121, 200, 253.
'Excesses', definition of, 55 n. 3; attitude of Public Accounts Committee to, 55–56, 56 n. 2, 72, 189; A. J. V. Durell on, 56; diminishing number of, 57, 57 n. 3; Comptroller and Auditor General investigates, 189.

Excess vote, 55 n. 3, 56, 57, 57 n. 3, 189.
Exchequer, 12–13.
Exchequer and Audit Department: creation of, 13, 20; functions of, 47, 173, 174, 177–8; status of, 48; Secretary of, 173; organization of, 173; staff of, 173–4; size of, 179. *See also* Comptroller and Auditor General.
Exchequer and Audit Departments Act, 1866, provisions of, 11, 20, 21, 59, 59 n. 1, 60, 63; Schedule B of, 50 n. 2, 77, 77 n. 2; extension of, 52; *Memorandum* on fiftieth anniversary of, 79, 81.
— 1921, provisions of, 75, 77; detailed audit not required by, 77, 109, 140.
Expenditure, for Miscellaneous Services, Select Committee on (1848), 25; for defence, 65, 67, 120, 132, 138, 138 n. 1. *See also* Capital expenditure; Current expenditure; Miscellaneous Expenditure; National expenditure; Public Expenditure; Retrenchment.
Expense accounts, 51, 52.
'Extra receipts', 56–57.
'Extraordinaries', 18.

Finance Accounts, 19.
Finance Committees (of 1786, 1796, 1807, 1817, 1828), 24–25.
Financial Committees, Clerk of, 238.
Financial Secretary to the Treasury: Public Accounts Committee and, 185, 271; Estimates Committee and, 202.
First World War, financial control during, 76, 81, 93, 94, 109, 110.
Foreign Office, 141, 250.
Fund, Road, 119; National Health Insurance, 119; Consolidated, 175.

Geddes Committee (1922), 112, 112 n. 3.
Gibbon, Sir Gwilym, 136.
Gibson, Sir Henry, on detailed audit, 77; and origins of National Expenditure Committee (1917–20), 94; on need for parliamentary control of expenditure, 104.
Gladstone, William Ewart, on the Public Accounts Committee, 6, 36–38 *passim*, 57; as Chancellor of the Exchequer, 32, 34, 62, 66–67; moves for Public Accounts Committee, 32–33; on public expenditure, 32, 34, 66; impresses his views on the public service, 35; on audit, 61.
Glyn, George Carr (Baron Wolverton), 37.
Glyn, Sir Ralph, and National Expenditure Committee, 151, 160; and Estimates Committee, 167.
Government Accounts, Committee on the Form of (1947–50), 177 n. 2, 241.
Government departments, *see* Departments, government.
Government of India, Home Accounts of, 49.
Graham, Sir James, Admiralty reforms of, 11, 21; member of Commission of Public Accounts (1831), 26; member of Public Monies Committee (1856–7), 29; member of Public Accounts Committee, 37.
Grants in aid, accounts of colonies receiving, 49, 176; attitude of Public Accounts Committee to, 57, 115, 119; Estimates Committee review of, 131.
Grenville, Lord, as Auditor of Receipt, 13.

Haldane Committee (1918), recommendations of, 105.
Hall, W. Glenvil, on Public Accounts Committee, 188; on proposed Public Expenditure Committee, 235; opposes 'trained clerks', 235–6; on financial committees, 248, 249–50.
Hamilton, Sir Edward, on the Public Accounts Committee, 80.
Harris, Sir Charles, biog. 94 n. 1; on origin of National Expenditure Committee (1917–20), 94; on control of expenditure, 107, 108; and form of accounts, 117–18.
Harris, Sir Percy, 148, 151.
Henderson, Lt.-Col. Sir Vivian, biog., 128 n. 1; as chairman of Estimates Committee, 128, 130–1, 200, 201, 202.
Henley, Joseph, 29.
Higgs, Henry, on Treasury control, 2; proposes 'Inspector General of Finance', 106, 134.
Hilton Young, E. (Lord Kennet), on Financial Secretary to the Treasury, 271.

'Horizontal' inquiries, National Expenditure Committee (1917–20) conducts, 99; Estimates Committee (1921–39) conducts, 131; difficulties of Public Accounts Committee concerning, 144; National Expenditure Committee (1939–45) conducts, 153–4, 213.
House of Commons, control of policy by, 1; financial aims of, 1, 3, 5, 7, 33–35, 68–69, 70, 87, 88–90, 108; use of committees by, 23, 106–7, 168, 242–3; attitude to spending of, 65–67; inadequacies of procedure of, 68–69, 88, 104; estimates committee demanded by, 88, 90, 121–2; unwillingness to delegate powers of, 106; clerks of, 152, 235; man-power difficulties of, 220; limitations of members of, 243–4; J. S. Mill on functions of, 260.
Howes, Edward, 37.
Hume, Joseph, 25.
Hurst, A. W., 135.
Hutchinson, Hely, on National Expenditure Committee (1939–45), 159.

Imprest, Auditors of, 15, 19.
'Inspector General of Finance', proposal for, 106, 134. *See also* 'Examiner of Estimates'.
Institute of Public Administration, 107 n. 1, 135, 168 n. 1.

Jones, Leif, and Public Accounts Committee, 78, 85.

Kennet, Lord, (E. Hilton Young), 271.

Law, Bonar, and National Expenditure Committee (1917–20), 94, 97, 100, 102.
Leighton, Sir Baldwin, 37.
Lewis, Sir George Cornewall, defends existing system, 28; member of Public Monies Committee, 29.
Liaison officers, 151–2, 163, 222.
Lloyd, Cyril, on National Expenditure Committee (1939–45), 159.
Lloyd George, David, on Public Accounts Committee, 64; organizes Ministry of Munitions, 81; and Estimates Committee (1912–14), 90; and financial control, 134.
Loan expenditure, attitude of Public Accounts Committee to, 74–75, 118–19.
Local authorities, report on borrowing by, 131.

Machine tool industry, report on, 133.
Machinery of Government Committee (1918), recommendations of, 105.
Maitland, Sir Adam, deputy-chairman of National Expenditure Committee (1942–45), 151, 215.
Manufacturing accounts, 51, 52, 64, 175.
Marriott, Sir John, chairman of Estimates Committee (1924–5), 127, 201.
May Committee (1931), 114.
Methods, Contracts and Purchase, Committee on, 101.
Mill, John Stuart, on functions of House of Commons, 260.
Miscellaneous Civil Service Expenditure, Select Committee on (1860), 25.
Miscellaneous Expenditure, Select Committee on (1847), 11, 36.
Molson, Hugh, on control of nationalized industries, 257–9 *passim*.
Montagu, Lord Robert, 37, 40.
Monteagle, Lord, on appropriation, 7; on parliamentary control of accounts, 30.
Morley, John (Viscount), on Treasury control, 2; on Gladstone as a financial reformer, 32, 34.
Morrison, Herbert, on National Expenditure Committee (1939–45), 159, 160; on financial committees, 160, 162 n. 1, 248–9; on Public Accounts Committee, 191–2; on proposed Public Expenditure Committee, 228, 231, 235; on 'trained clerks', 235.
Munitions, Ministry of, organization of, 81, 82; Public Accounts Committee report on, 82; National Expenditure Committee and, 100, 102.

National Expenditure, Committee on (1922), 112, 114.
— (1931), 114.
National expenditure, level of, 59 n. 3, 65–67, 76, 93, 109–10, 120, 138.

National Expenditure, Select Committee on (1902–3): a procedure committee, 78 n. 2; report of, 80, 89–90; terms of reference of, 88–89; estimates committee recommended by, 89, 199.
— (1917–20); criticism of form of accounts by, 86; estimates committee recommended by, 92, 104–5, 121, 230; demand for, 93–94; appointment of, 94; terms of reference of, 94–95; procedure of, 95–97, 211; sub-committees of, 96, 213, 262; action on reports of, 97–98, 225; debates on reports of, 98; scope of work of, 98–102, 210–11; Ministry of Munitions and, 100, 102; Treasury control criticized by, 101; early success of, 102; stormy end of, 102, 121; later failure of, 102–3; Accounting Officers and, 116; National Expenditure Committee (1939–45) influenced by, 148; attendance at, 219.
— (1939–45), origin of, 148–9; terms of reference of, 149–50; wide scope of inquiries of, 149, 153, 154, 155, 156, 159, 160, 237; aims of, 149–50, 152, 156; sub-committees of, 150, 153, 212, 214, 214 n. 1, 216, 217, 263; Co-ordinating Sub-committee of, 150, 211, 214–16; number of meetings of, 150–1, 218, 267; procedure of, 150, 151, 211, 220–3 *passim*; membership of, 151; witnesses before, 151, 151 n. 3, 221–2; reports of, 152–3, 156, 224–5; consideration of reports of, 152, 158–9, 225–6; staff of, 152, 231; work of, 153–7, 210–11; administration criticized by, 153, 154, 156; criticism of, 154, 159–62, 246; letters from public to, 155–6, 211–12, 212 n. 1; Treasury criticized by, 157; departmental reaction to, 157–9, 160; Herbert Morrison on, 159, 160; Hely Hutchinson on, 159; Cyril Lloyd on, 159; lessons of, 161, 223, 227; Estimates Committee (1946) influenced by, 162, 163, 164, 165; capacity for work of, 218; attendance at, 219, 273; question of expert staff for, 223; success of, 227; sale of reports of, 275–6.
National Health Insurance Fund, 119.
Nationalized industries, select committee control of, 144–7, 210–11, 257–9; Public Accounts Committee and, 144–7; accounts of, 176; Estimates Committee and, 210–11, 241; Hugh Molson on control of, 257–9 *passim*.
Navy, Army, and Ordnance Expenditure, Select Committee on (1848), 25.
Navy, Audit Act, Army and, 1889, 52; Select Committee on Estimates of Army and (1887), 67; Cabinet Committees on Expenditure of Army and, (1916), 93, 94. *See also* Admiralty.
Noel-Baker, P. J., 167.
Northbrook, Lord, *see* Baring, Sir Francis.
Northcote, Sir Stafford, 32, 37.

O'Connor, Arthur, 78.
Organization and methods: Public Accounts Committee and, 80–82, 144; need to concentrate on, 90, 251–3 *passim*; National Expenditure Committee (1917–20) and, 100, 101; realization of importance of, 105 ff., 135, 139, 168; report of Estimates Committee on, 165, 166.
Organization and Methods Branch, 135, 253.
'Overhead' cuts, 114.

Palgrave, Reginald, on parliamentary control, 3; on Public Accounts Committee, 68.
Palmerston, Lord, 28, 66.
Parnell, Sir Henry, 26.
Paymaster General, 13 n. 4.
Peake, Osbert, on Public Accounts Committee, 148, 169, 170, 171, 195; on financial committees, 223; on proposed Public Expenditure, 235.
Peel, Sir Frederick, 37, 39.
Pepys, Samuel, and parliamentary committees, 15, 17.
Policy, House of Commons control of, 1, 7; tendency of National Expenditure Committee to consider, 156, 159 ff.; difficulty of defining, 245.
Post Office, 'scandals' in, 57; commercial accounts of, 74; accounts of, 141.
Pownall, Sir Assheton, member of National Expenditure Committee,

151; member of Public Accounts Committee, 183.
Price fixing, Public Accounts Committee investigates, 82, 139–40, 143.
Procedure, Select Committee on (1931–2), on Estimates Committee, 129–30; on Public Accounts Committee, 180; rejects combined Estimates and Public Accounts Committee, 230.
— (1945–6), and proposals for Public Expenditure Committee, 4, 160, 228 ff.
Profits, Public Accounts Committee investigates, 83–84, 140, 143, 144; Estimates Committee investigates, 132.
Public Accounts, Commissioners of, (1831), 26, 261; Committees of, 14, 16–18; Select Committee of (1861 onwards), *see* Public Accounts, Select Committee of (1861 onwards); Select Committee on, (1822), 25.
Public Accounts, Select Committee of (1861 onwards):
prerequisites of, 6.
Gladstone on, 6, 36–38 *passim*.
origin of, 23–33, 261.
success of, 36–41, 54, 57, 64, 71–72, 78, 121, 147–8, 191, 196–7, 240.
members of, 37, 37 n. 2, 78, 182–4.
Treasury aims coincide with, 38–39, 55, 112–13, 191, 192.
force of recommendations of, 39, 191.
procedure of, 39–40, 85–87, 181, 185, 186 ff.
terms of reference of, 40, 49, 119, 171, 261.
judicial nature of, 40, 85–86, 195.
regularity an aim of, 40, 53–54.
Accounting Officers and, 40, 60–61, 69, 115–17.
full information demanded by, 43–52.
accounts examined by, 43, 49–52, 73, 74, 75, 175–6.
form of accounts a concern of, 44–45, 53–54, 55, 115, 117–18.
witnesses before, 46–47, 85, 186–8.
annual audit governs work of, 47, 169, 180, 181, 186–7.
Comptroller and Auditor General supported by, 47–49.
aims of, 53, 62, 120, 169–71.
formal details a concern of, 53–54, 72, 75–76, 110, 113, 141, 170.
appropriation a concern of, 54–57, 114, 118, 170, 171.
virement and, 55, 113, 118.
'excesses' and, 55–56, 56 n. 2, 72, 189.
'extra receipts' and, 56–57.
grants in aid and, 57, 115, 119.
debates on reports of, 57, 80, 88, 143, 192–3.
unauthorized spending a concern of, 58–60.
Treasury checked by, 58.
establishments a concern of, 59–60, 76–77.
financial responsibility an aim of, 60–61.
Epitome of the Reports from, 60, 60 n. 1, 116, 142, 142 n. 6.
economy a growing concern of, 61–63, 69–70, 76–84, 170–1, 194.
limitations of, 63, 84–87, 110, 121, 144, 147–8, 154, 194–5, 241–2.
Lloyd George on, 64.
Alpheus Todd on, 67–68.
Reginald Palgrave on, 68.
number of meetings of, 71 n. 1, 86, 86 n. 1, 144, 184–5, 185 n. 1, 267.
loan fund and capital expenditure opposed by, 74–75, 119.
First World War and work of, 76, 81, 109.
T. G. Bowles on, 78.
report on army stores accounts by, 79–80.
E. H. Davenport on, 79.
W. S. Churchill on, 80, 88.
National Expenditure Committee (1902–3) on, 80, 89.
organization and methods a concern of, 80–82, 144.
investigations of contacts by, 82–84, 120, 139, 142–3.
investigations of costs and profits by, 82, 83–84, 140, 143, 144, 252.
time difficulties of, 86, 240.
Herbert Samuel on, 87.
National Expenditure Committee (1917–20) on, 104.
proposed amalgamation with Estimates Committee of, 104, 134, 228, 229–30.
stronger Treasury control urged by, 111, 112, 118.

Public Accounts, Select Committee of (*cont.*):
Estimates Committee disagrees with, 118–19, 118 n. 6, 237.
Second World War and work of, 139–40, 142 ff.
third report of 1946–7 of, 141.
Captain C. R. P. Diver on, 143.
nationalized industries and, 144–7.
Osbert Peake on, 148, 169, 170, 171, 195.
Procedure Committee (1931–2) on, 180.
chairmen of, 182, 182 n. 1, 182 n. 2, 187, 188.
attendance of members at, 184–6, 269, 270, 272.
attendance of Financial Secretary to the Treasury at, 185, 271.
form of reports of, 189–90.
consideration of reports of, 190–2.
Treasury and reports of, 190–1.
Herbert Morrison on, 191–2.
nature of control of, 193–7.
George Benson on, 194, 195, 234.
Austen Chamberlain on, 195.
Sidney Webb on, 196.
overlapping functions of Estimates Committee and, 202, 229, 238.
proposed extension of functions of, 240–1.
session of (diagram), 266.
sale of reports of, 275–6.
Public Administration, Institute of, 107 n. 1, 135, 168 n. 1.
Public corporations, *see* Nationalized industries.
Public Expenditure, proposed Select Committee on: Sir. G. Campion proposes, 4, 138 n. 1, 216, 228 ff., 265; organization of, 229, 230–3. Captain C. R. P. Diver on, 229, 230, 237; earlier schemes resemble, 230; terms of reference of, 230; Herbert Morrison on, 231, 235; criticisms of, 233–6; Comptroller and Auditor General and, 231, 234–5; Osbert Peake on, 235.
Public Income and Expenditure Account, 176.
Public Monies, Select Committee on (1856–7); recommendations of, 20, 29–31; motion for, 28; composition of, 28–29; Lord Welby on, 28, 31; reports of, 29; Public Accounts Committee recommended by, 29, 33, 261; Treasury Minute on report of, 31; action on reports of, 31.
Ramsay, Sir Malcolm, on Estimates Committee (1921–39), 129; on control of expenditure, 134; proposes combined Estimates and Accounts Committee, 134, 230.
Receipt, Auditor of, 12–13.
Redlich, J., on Gladstone's financial reforms, 32.
'Reference sheet', 174, 178. *See also* Exchequer and Audit Department.
Retrenchment, period of, 99, 104, 109, 111–12, 114–15.
Richmond, D. C., on Comptroller and Auditor General, 48, 61, 78–79.
Road Fund, 119.
Romilly, Edward, on Comptroller and Auditor General, 49.
Royal Commission of Public Accounts (1831), 26, 261.
Running audit, 177–8, 196.
Ryan, Sir Charles, 47–48.

Salmon, Sir Isadore, chairman of Estimates Committee (1936–9), 130, 132, 200.
Samuel, Herbert (Lord Samuel), on Public Accounts Committee, 87; outlines plan for National Expenditure Committee, 94; as chairman of National Expenditure Committee, 95, 96, 97, 98, 102, 103; proposes 'Inspector General of Finance', 134.
Schedule B, 50 n. 2, 77, 77 n. 2.
Scudamore, Frank Ives, 57; biog., 57 n. 2.
Second World War, financial control during, 139–40, 142 ff.
Select Committee:
of Public Accounts (1861 onwards), *see* Public Accounts, Select Committee of (1861 onwards).
on Army and Navy Estimates (1887), 67.
on Estimates (1887 and 1888), 68 n. 5, 69, 88.
on Estimates (1912–14) *see* Estimates, Select Committee on (1912–14).
on Estimates (1921–39), *see* Estimates, Select Committee on (1921–39).
on Estimates (1946 onwards), *see* Estimates, Select Committee on (1946 onwards).

Select Committee (*cont.*):
on Estimates Procedure (Grants of Supply) (1888), 68.
on Expenditure for Miscellaneous Services (1848), 25.
on Miscellaneous Civil Service Expenditure (1860), 25, 36.
on Miscellaneous Expenditure (1847), 11.
on National Expenditure (1902–3), *see* National Expenditure, Select Committee on (1902–3).
on National Expenditure (1917–20), *see* National Expenditure, Select Committee on (1917–20).
on National Expenditure (1939–45), *see* National Expenditure, Select Committee on (1939–45).
on Navy, Army, and Ordnance Expenditure (1848), 25.
on Procedure (1931–2), 129–30, 230.
on Procedure (1945–6), 4, 160, 228 ff.
on Public Accounts (1822), 25.
on Public Expenditure (proposed), *see* Public Expenditure, proposed Select Committee on.
on Public Monies (1856–7), *see* Public Monies, Select Committee on (1856–7).
on the Civil List (1830–1), 10.
Select committees to examine current expenditure: limitations of, 243–4; essentials of successful, 244 ff.; terms of reference of, 244–6, 250; proper functions of, 245–8, 257–9, 260; danger of government restriction of, 248–50; information needs of, 250–2, 253; question of expert staff for, 253–4; amateur nature of, 254; organization of, 255; consideration of reports of, 255–6; Public Accounts Committee and, 257; efficiency not assured by, 259–60.
Shaw, W. A., on parliamentary control of expenditure, 14, 18.
Silkin, Lewis, 151.
Simon, Sir John, 148, 149.
Smellie, K. B., on Victorian parsimony, 34, 66; on Treasury, 39.
Social services, growth of expenditure for, 65, 138; control of expenditure for, 139.
South African War, waste during, 71, 72, 73, 79–80, 83.
Stores accounts, 51–52, 73, 141, 175.
Sub-committees:
of National Expenditure Committee (1917–20), 96, 213, 262.
of Estimates Committee (1921–39), 124–5, 204, 209.
of National Expenditure Committee (1939–45), 150, 153, 212, 214, 214 n. 1, 216, 217, 263.
of Estimates Committee (1946 onwards), 162, 163, 216–17, 264.
of proposed Public Expenditure Committee, 231–2, 265.
advantages of, 168, 217 ff.
Capt. C. R. P. Diver on, 216, 218, 221.
Sir John Wardlaw-Milne on, 216, 221.
Supplementary estimates, 56.
Supply debates, inadequacy of, 68–69, 88, 104; select committee reports and, 105, 126–7, 199–200.
Supply, Ministry of, 144.
Suspense accounts, 74, 74 n. 1.

Test audit, origin of, 50; importance of, 50; development of, 75–77, 140, 141, 142; description of, 178–9.
Todd, Alpheus, on Public Accounts Committee, 67–68.
Trading accounts, 75, 141, 175.
Treasury:
duties and status of, 2–3, 58–59.
origin of, 12.
Commission of (1829), 25–26.
Committee of (1845), 27, 261.
Memorandum to Public Monies Committee of, 29–30.
Public Accounts Committee supported by, 31, 33, 35, 38–39, 192.
aims of Public Accounts Committee coincide with, 38–39, 55, 112–13, 191, 192.
K. B. Smellie on, 39.
form of accounts a concern of, 45, 55, 59, 177, 241.
Comptroller and Auditor General and, 47, 48, 63.
Public Accounts Committee checks, 58.
establishments controlled by, 59, 76–77.
Accounting officers and, 60, 116.
Army accounts experiment and, 117–18.
'O. and M.' Branch of, 135, 253.
nationalized industries and, 146.

Treasury (*cont.*):
Financial Secretary to, 185, 202, 271.
deference to Public Accounts Committee demanded by, 191.
Civil Service efficiency is concern of, 252–3.
Minute on stores audit, 52.
Officers of Account, 52 n. 2, 186, 187.
Minute on improvement in accounts, 71–72.
Minutes on reports of Estimates Committee, 91, 128, 207, 207 n. 2, 208.
Interservice Committee, 132.
Committee on the Form of Government Accounts (1947–50), 177 n. 2, 241.
Minutes on reports of Public Accounts Committee, 190–1.
See also Treasury control.
Treasury Commission on 'the mode of keeping the official accounts' (1829), 25–26.
Treasury Committee on Ordnance Expenditure (1845), recommends an accounts committee, 27, 261.
Treasury Committee on the Form of Government Accounts (1947–50), 177 n. 2, 241.
Treasury control, nature of, 2–3; Henry Higgs on, 2; Lord Morley on, 2; extent of, 59; relaxation during First World War of, 93, 94, 110; National Expenditure Committee (1917–20) criticizes, 101; Public Accounts Committee urges strengthening of, 111, 112, 118; National Expenditure Committee (1939–45) criticizes, 157.
Treasury Officers of Account, functions of, 52 n. 2; attend Public Accounts Committee, 186, 187.
Tribe, Sir Frank, biog., 172; on post-war standard of audit, 141; on efficiency audit, 250, 251.

United Kingdom Commercial Corporation, 144, 144 n. 5.
Upcott, Sir Gilbert, on functions of Exchequer and Audit Department, 175; on reports of Comptroller and Auditor General, 181; on proposed Public Expenditure Committee, 233; on relations between Public Accounts and Estimates Committees, 237.

Victualling yard accounts, 73.
Virement, definition of, 11 n. 8; Public Accounts Committee restricts practice of, 55, 113, 118.
Votes of credit, 56, 76.
Walpole, Sir Spencer, on Gladstone, 32.

War, waste during South African, 71, 72, 73, 79–80, 83; financial control during First World, 76, 81, 93, 94, 109, 110; financial control during Second World, 139–40, 142 ff.
War Office, *see* Army.
War Stores in South Africa, Royal Commission on, 73, 79.
Wardlaw-Milne, Sir John, biog., 151 n. 1; as chairman of National Expenditure Committee (1939–45), 151, 215, 237; on the use of sub-committees, 216, 221; on financial committees, 250.
Webb, Sidney, on parliamentary control, 106; on Public Accounts Committee, 196; on efficiency assessment, 252.
Welby, Lord, biog., 14 n. 1; on expenditure control, 14, 15, 19–20, 61; on Public Monies Committee, 28, 31; on change in parliamentary views about financial control, 31; on change in public opinion about spending, 65.
Wilkes, John, 9, 10.
Wilkinson, Ellen, 151.
Williams, Sir Robert, member of Public Accounts Committee, 78, 94.
Willoughby, Sir Henry, 37.
Wilson, R. H., on efficiency audit, 251, 254.
Wolverton, Baron, 37.
Woodburn, Arthur, 151.

PRINTED IN
GREAT BRITAIN
AT THE
UNIVERSITY PRESS
OXFORD
BY
CHARLES BATEY
PRINTER
TO THE
UNIVERSITY