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Dear Accounting Officer

UPDATES TO MANAGING PUBLIC MONEY ANNEXES

Contact

Please address enquiries on the MPM update to TOAEnquiries@hmtreasury.gov.uk

Please address enquiries on functional standards to standards@cabinetoffice.gov.uk

Action

Each Accounting Officer should ensure that their staff are aware of the revised version of Managing Public Money (MPM), which applies to arm's length bodies (ALBs) as well as to their sponsor departments.

Context

This update to Managing Public Money covers three main issues.

- i) The MPM annexes on the gov.uk website have now been updated. This is in line with normal practice of making periodic revisions to the MPM annexes. The main changes are noted in Annex A.
- ii) References to EU law have been removed throughout and replaced with requirements to observe all obligations arising from domestic law and international agreements, including those imposed by WTO membership and the UK's free trade agreements.
- iii) The template framework document at Annex 7.2 has been removed from MPM, and new specimen framework documents are available on gov.uk. More detail is set out below.

In addition, Managing Public Money now includes new references to functional standards. These management standards have been trialled across government by the functions, and subject to responses to the write-round mentioned below will be implemented this summer. Accounting Officers should prepare to mandate the use of the standards across their organisation, from July onward.

I attach a copy of a letter from Alex Chisholm and Cat Little, which provides more detailed information about the benefits of using the standards. This includes recommended action to be taken in organisations, and an explanation of future plans and opportunities. A further Dear AO letter will formalise the new arrangements in due course.

Framework document templates

Following feedback from a cross-government working group, the specimen framework document at Annex 7.2 will be replaced by a number of different specimen documents each tailored to different types of ALB. Four will eventually be available to cover:

1. Non Departmental Public Bodies
2. Government Companies
3. Non-Ministerial Departments
4. Office-holders

The templates for Non-Departmental Public Bodies and Government Companies have been published alongside the amendments to MPM. We are launching these as 'beta' versions so that departments can start to use them where appropriate, and so that you can provide feedback before launching a final version. The templates will be available as standalone documents on the MPM page of gov.uk, and will be amended as needed in the future.

Comments should be submitted to toaenquiries@hmtreasury.gov.uk and should be made by 29/06/2021.

The templates for alternative models of ALB will be published in due course, and a DAO will be sent to Accounting Officers to notify them when this happens. These will also have a six-week window for comments.



David Fairbrother
Treasury Officer of Accounts

ANNEX A

LIST OF MAIN CHANGES

Chapter 2 – Use of Public Funds

Clarification on the operation of sole authority under the Supply and Appropriations Act (2.5.4).

Chapter 3 – Accounting Officers

Amendment to the definition of regularity, removing reference to EU legislation (Box 3.2).

Annex 1.1 – The Comptroller and Auditor General

Refreshed language throughout on the rights and duties of the C&AG, and on the financing of the National Audit Office.

Annex 2.2 – Delegated Authorities

Text added to highlight new template Delegated Authority Letter which must be used to set delegated authorities for departments and ALBs (A.2.2.9); to clarify that HMT must approve departmental delegations to ALBs (A.2.2.11); and to include an expectation that delegated limits will be reviewed annually (Box A2.1B).

Annex 3.1 – Governance Statement

Localism section renamed and amended to reflect the introduction of Accounting Officer system statements (A3.1.12-A3.1.14).

Annex 4.1 – Finance Directors

New text inserting requiring that departmental finance directors should be members of the cross-government finance function (A.4.4.1).

Annex 4.2 – Use of models

New reference to Aqua Book guidance (A.4.2.8).

Annex 4.4 – Risk

Text included to clarify that it will always be novel, contentious, or repercussive for one central government organisation to seek legal redress from another through the courts, such that Treasury consent is always required (A.4.4.13).

Annex 4.5 – Senior Responsible Owner Accountability

New text inserted making reference to the GovS 002 project delivery requirements and how they should be used by an SRO, and summarising IPA guidance.

Annex 4.6 – Procurement

Updates numerous references to government guidance and includes new references to Procurement Policy Notes and BEIS subsidies guidance (A.4.6.19).

Annex 4.7 – Subsidies

Renamed from 'State aids', this new chapter removes requires for conformity with EU State aid rules and instead directs departments and ALBs to conform with all relevant obligations under domestic legislation and international agreements (including the WTO and FTAs), referring to BEIS guidance on subsidies to assist them in doing so.

Annex 4.9 – Fraud

New text referencing HMG standards on Fraud Risk Assessment (A.4.9.4) and expanding the list of suggested considerations for departments and ALBs when considering fraud risk (A.4.9.6), with further updates to references and definitions throughout.

Annex 5.1 – Grants

Text added throughout strengthening the requirement to assess and consider fraud risk in assurance.

Annex 5.4 – Contingent liabilities

Paragraph added to reflect that the Parliamentary notification process is only usually required where a contingent liability is a result of an active policy decision that MPs may wish to object to, rather than purely external factors (A5.4.30). New text inserted amending guidance on capping indemnities for contractor negligence.