

**THE CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY**

**A PRESIDENTIAL ADDRESS**

**to**

**The Institute of Municipal Treasurers and Accountants (UK)**

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**THE INDEPENDENCE of THE TREASURER of PUBLIC FUNDS**

**by**

**George C. Jones, F.I.M.T.A., F.C.A., Borough Treasurer, Reading, England**

**[Reviewed and edited by: David C. Jones, C.P.F.A<sup>1</sup>, F.C.C.A.<sup>2</sup>.]**

David C. Jones, C.P.F.A., F.C.C.A.(UK),  
Research Fellow & Visiting Instructor,  
Center for Urbanization Studies,  
Graduate School of Design,  
Harvard University,  
48, Quincy Street. CAMBRIDGE.  
Massachusetts  
Tel: 617-495-4964 Fax: 617-495-9347  
E-mail: [djones@gsd.harvard.edu](mailto:djones@gsd.harvard.edu)

And as:  
International Financial & Management  
Consultant  
4936, Andrea Avenue,  
Annandale,  
Virginia. 22003. USA  
Tel: 703-978-8564 Fax: 703-978-8014  
E-mail: [dcjones1@erols.com](mailto:dcjones1@erols.com)

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<sup>1</sup> Member of the Chartered Institute of Public Finance and Accountancy (Chartered Public Finance Accountant).

<sup>2</sup> Fellow of the Association of Chartered Certified Accountants (Chartered Certified Accountant).

## Foreword

A few weeks ago, Mike Weaver, President of the Chartered Institute of Public Finance and Accountancy wrote to congratulate me on being a member of the Institute for forty years. I am semi-retired from my last full-time position, that of Financial Adviser for Water Supply and Urban Development at the World Bank, in Washington D.C., USA. However, although now a senior citizen, I still hold a part-time position as a Research Fellow at the Center for Urban Development Studies at Harvard University Graduate School of Design. In that capacity, I have been making quite frequent trips to Romania, where the Center is engaged in a consortium dealing with the reform of local government. Romania is, of course, seeking to establish a new democracy, after many years of communism, as part of the former Soviet empire. I have the honour to be the principal adviser in the part of the program dealing with budgeting and public management. This covers accounting, auditing and financial management.

I decided that, for my anniversary present, so to speak, I would treat myself to a copy of the document “The Independence of the Treasurer of Public Funds.” This, presented here in the form of a presidential address, was a theme associated with George C. Jones, formerly the Borough Treasurer of Reading, Berkshire, England. George Jones, at the time of his presidency, was a well-known proponent of this important theme, still as valid now, in principle, as it was then. Indeed, for those of us studying, to follow in the footsteps of our fine predecessors, the theme was most important. One could not have meaningful independence, as a treasurer, unless one were qualified, confident, competent and had authority. Those of our Institute with whom I had personal contact all had these qualities in abundance: Hedley Marshall and Jack Woodham, were both Institute Presidents. Ron Waterfall was my own, greatly respected, chief, as Luton’s Borough Treasurer. Then, George Jones himself, as well as many others, were almost god-like to those of us who followed them.

Although namesakes, George Jones, and I are not related, though I am honoured to be his brother professional. I met with George Jones on at least two occasions. First, he visited Uganda as the Institute President, when I was working there as a trainer, during the mid-sixties. He was, as always, full of enthusiasm for what the Institute might be able to do beyond its traditional national boundaries. Some of his ideas and hopes were later fulfilled. The second occasion was after he had retired. We were sitting outside the Grand Hotel in Brighton, taking afternoon tea, while the more active members of the Institute debated in the main hall at the Annual Conference. I was then representing the World Bank – but he did not need to be there. But he was – loved and respected by the many of us who followed in his professional footsteps.

The term “Treasurer” may now seem somewhat old-fashioned. However, it still, implicitly, graces our “Royal” Coat of Arms, in its motto “Fiscum Serva Fideliter” – Faithfully Serve the Treasury. Moreover, it is grounded in English common law tradition, as we bound ourselves, albeit somewhat tenuously, to the Tenby case of “A.G. v De Winton.” Some of those fine and ringing words state: “The treasurer is not a mere servant of the Council; he owes a duty and stands in a fiduciary relation to the burgesses as a body.” They should, surely, be a guide to many who now follow in our own footsteps, not only in the United Kingdom but also as we seek to share our skills elsewhere in the world.

As a Research Fellow of Harvard Design School, I am currently working in Romania. Our project is concerned with the consolidation of local government democracy. I can quote at least two descendants from “Tenby.” In one large town, an Economic Director (chief financial officer) had her authority to sign checks temporarily removed, because she refused to make an unlawful payment. It was restored as soon as she had established the validity of her position. In another town, the Economic Director explained to me that she considered herself to be “apolitical.” My job, she said, is to serve the whole council and the people of this town – not just the mayor, or a particular political party. She, too, is a graduate of Tenby!

George Jones, who encouraged Institute members to work overseas, would have rejoiced to hear those words. Indeed, he uses virtually the same words in his address. We, too, should remember and respect them, as there is a danger that we may all forget what we are primarily about. That is, faithfully guarding the treasury, on behalf of the public that we serve.

I can, albeit with a touch of humour, also refer to a recent meeting that I attended, of the County Economic Directors’ Association of Romania. Relatively new, the association has devised its own logo, including a map of Romania. Those who remember their geography know that Romania’s boundaries are shaped like a fish. So, we can spell “Finance In Safe Hands” – FISH! Not too far from our own “Faithfully Keep the Treasury. I know that it does not translate – but I am sure that someone with Romanian word-craft skills could draw a useful connection!

We are working in turbulent times. I have worked in several countries of the Balkans and of the former Soviet empire, where all is not yet well and strife continues. Indeed, the very morning after finishing work on George Jones’s paper, I had a small dream about the US Ship “Arizona.” This ship still lies where she was sunk, in Pearl Harbor, with about 1,100 bodies still aboard. Those who have visited this site know that, even now, oil from the ship still bubbles to the surface, almost sixty years after it was sunk. What does this mean to us, as we work to establish and sustain democracy among our neighbor nations? First, that ordinary people, going about their ordinary business, as did those sailors on that fateful Sunday morning of 7 December 1941, gave their all in the defense of freedom, as so many still do today. Second, when aggression is begun, no one can have any idea of how long the consequences will endure. And it is usually we, the officials of the civil public service, who must try to put things together again, when conflicts have abated.

Local government is about constantly learning to live together in small communities, seeking to compromise and to converse about everyday matters of rich concern. Something has to encourage us to have a sense of mutual accountability, through activity and by recording of that activity, including what we collect and spend in money. Thus, to quote from Ephesians:

“Forgetting all dishonesty, let us speak the truth to our neighbor, for we are all members of one another.”

In order to put the address of George Jones within its contemporary context, I have taken the liberty of adding explanatory footnotes. Otherwise, the words are exactly as he had written them in preparation for his address to the former Institute of Municipal Treasurers and Accountants.

## **THE INDEPENDENCE of THE TREASURER of PUBLIC FUNDS**

**By**

**George C. Jones<sup>3</sup>, F.I.M.T.A<sup>4</sup>, F.C.A<sup>5</sup>, Borough Treasurer, Reading, England**

1. In his role of keeper of the public purse, there will be many occasions when the treasurer can only fulfil his function properly if he is able and prepared to take a completely independent stand.
2. I have found in over 30 years' service in local government finance that an attitude of independence is the best philosophy for the treasurer.
3. During service in two county councils, two non-county boroughs and a county borough I have frequently seen treasurers fighting for the independence of the financial administration. I have had to do it myself and it occurred to me that this theme is worth developing before a wide audience of those concerned with finance. In developing this theme, I am not presuming for one moment that I hold any special brief, but rather that I am trying to set down my own personal views on the subject, in the hope that they will be of general interest and of some use.
4. Independence does not necessarily mean opposition, with no place in the treasurer's philosophy for co-operation with others. I hope, rather, that it will be seen that independence and co-operation are essential features of the successful treasurer.
5. We all dislike being called the awkward treasurer, the "no" man<sup>6</sup> and other similar names but if his justifiable attitude sometimes results in these descriptions, the treasurer must accept the situation with good humour, as an occupational risk. I have found, however, that the independence of the treasurer has always been to the advantage of the authority and public purse when he is carrying out his duty as financial adviser, and has helped him to maintain the professional integrity of his office. Independent of What?
6. Of what must the treasurer be independent? What are the harmful influences which may be brought to bear on him which might tend to upset his judgment when, to the onlooker independence appears to be so easy?
7. The successful treasurer must be independent of bias or favouritism. He must not allow himself to be influenced in his official responsibilities in any way by individuals in any walk of life. He must be free of party political influence and be independent of other chief officers of his authority. It is impossible for a treasurer to give impartial advice of any value, unless he keeps himself independent of his fellow officials and the various conflicting interests of the members of his governing body and of his town or area.

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3 One-time President of the Institute of Municipal Treasurers and Accountants.

4 Members of the former Institute had the right to use the designation "F.I.M.T.A." (Fellows) and "A.I.M.T.A." (Associates) of the Institute of Municipal Treasurers and Accountants.

5 Fellow of the Institute of Chartered Accountants of England and Wales.

6 The term "man" must be taken to include "woman." However, when this address was given, in the 1960s, there were no women Institute members who were chief financial officers of UK local governments. Moreover, the Institute had never had, at that time, a woman as its president. That shortcoming has since been remedied!

8. Independence is necessary in relationships with all chairmen of committees, even with the chairman of the finance committee with whom he works so closely. The relationship with the chairmen of the finance committee is a very important one both to the treasurer and to the authority. It must be a friendly partnership in financial control but this co-operation must always be accompanied by criticisms, in both directions, freely given and happily received.

9. The treasurer must be independent enough to do his duty at all times, whether it is popular or unpopular. His personal friendships should be formed with those unlikely to do business with his Council. He should be free of all ties, secret and otherwise.

10. All this has been important in the past. In the present and in the future, with party politics becoming of increasing importance in local government, and with movements towards a general managerial system, the independence of the treasurer as one of the essential safeguards of the public purse is more vital than ever.

11. Independence may, to some degree, mean isolation and this may have to be accepted. It has been suggested to me that in setting up this standard I am not making sufficient allowance for honest friendship between men of integrity. I accept the point and it may be good criticism. But I feel that circumstances could arise in which the treasurer could not only put such friends in a difficult position but himself also.

### **Local Democracy**

12. Democracy is a way of life in a community. The field of local democratic government is not just an arena for party politicians, it is a fundamental factor of our daily life which can be seen working from the selection committee of the village football team right up to the highest level of Parliament. Almost every organisation, association or group, and public authority recognises the need to appoint a treasurer whether paid or honorary. Local authorities and their committees recognise the need for the independence of the treasury function as part of the process of maintaining local democracy.

13. The duties of the treasurer in carrying out the decisions of public bodies are designed to act as a check, for a treasurer does not make payments unless they are in accordance with the decisions, properly arrived at, of the democratic body. In this paper I am dealing mainly with the independence of the treasurers of local authorities in the United Kingdom and in many countries of the British Commonwealth but it is important to remember that the concept of independence applies also to all the offices of treasurer held by so many professional accountants and others in all walks of life.

14. The position of the treasurer as it exists today has developed over a long period and it may well do to look at the statutory rules governing his appointment, position, and duties.

### **Statutory Duties of a Local Authority Treasurer**

15. The Local Government Act 1933 is the statutory authority for the appointment of treasurers to local authorities and it might be expected that the same statute would provide a definition of his duties. Unfortunately, however, his duties are not very well defined although his work is vitally connected with all the local authority's services. It is, therefore, desirable for the treasurer to know the extent to which his duties impinge on the work of other departments.

16. The sections of the 1933 Act which specify duties of the treasurer are:

Section 120 – Accountability of officers;

Section 199 – Returns relating to the repayment of moneys borrowed which the Treasurer is required to certify;

Section 240 – Abstract of accounts.

17. The 1933 Act also contained, in Sections 184 and 187, detailed provisions governing all payments to or from a county fund or the general rate<sup>7</sup> fund of a borough<sup>8</sup>. These sections which, in modern times had come to be unworkable, were repealed and replaced by Section 58 of the Local Government Act 1958 which stipulated:

"Every local authority shall make safe and efficient arrangements for the receipt of moneys paid to them and the issue of moneys payable by them and those arrangements shall be carried out under the supervision of the treasurer<sup>9</sup>.

"Provided that in the case of a local authority of which the treasurer at the passing of this Act is not a whole-time officer (that is to say a person who devotes substantially the whole of his time to this employment by the authority) the said arrangements shall at any time when the Treasurer is not a whole-time officer be carried out under the supervision of such officer of the authority as may be designated by them as their chief financial officer."

18. Section 58 of the 1958 Act was framed in very broad terms and there is no doubt that the lack of uniformity among local authorities in the distribution of functions has caused difficulty in defining the duties of a treasurer. This difficulty is amply demonstrated in the following section of the memorandum which accompanied the Accounts (Boroughs and Metropolitan Boroughs) Regulations 1930 and which was also reproduced in Ministry of Housing and Local Government Circular 1 - 10.4 of 1959,

#### Memorandum 150/Accounts

"13. The regulations do not contain any provisions which would limit the discretion of a council in regard to the officers it employs or the duties it assigns to each. But in view of the important bearing which wise allotment of duties has upon the efficiency, economy and security of the account keeping, it is thought desirable to refer, here, to the principles which appear to be of chief value in this connection.

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<sup>7</sup> Property tax.

<sup>8</sup> Municipality.

<sup>9</sup> Under later British local government legislation (The Local Government Act of 1972), every local authority "shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". This officer is normally referred to as the Chief Financial Officer, although a number of other titles are in common use (such as Treasurer or Director of Finance). In this case, the Chief Financial Officer effectively exercises specific powers and duties on behalf of (and with the full authority of) the elected government. British legislation was further strengthened by the Local Government Finance Act of 1988. This specifies that the officer appointed under the above provision must hold a professional accountancy qualification from one of the six UK recognized "chartered" accountancy bodies (not a university degree). The reason for the specification of membership of a professional accountancy body is that the profession regulates the standards applied by the members of that body and thus should secure the highest professional conduct in financial management for a local authority. Emanating from illegal or unethical conduct, it is not unknown for Institute members to be stripped of credentials. This, effectively, removes any possibility that they will ever be appointed to senior and responsible positions in the management of public finance.

(i) That the duty of providing information, calculating, checking and recording of sums due to or from the Council should be separated as completely as possible from the duty of collecting or disbursing those sums...

(ii) That officers charged with the duty of examining and checking the accounts of cash transactions should not themselves be engaged in any of these transactions.

(iii) That responsibility for the maintenance of current supervision of all accounts and records relating thereto should rest upon one Chief Financial Officer, even when a separate departmental accountant is employed as the efficiency of internal audit depends largely upon its independence. And that the officer charged with this duty of supervision should have access at any time and authority to apply any test or check to the accounts and records.

(iv) That responsibility for the organisation of efficient accounting systems shall also rest upon this officer. But that he should in all cases consult the chief officer of the department concerned as to the form and manner of keeping any records, statements or accounts which have to be kept in that department, due regard being paid on the one hand to the provision of prompt, reliable and complete information for the preparation and verification of accounts and on the other hand to the avoidance of unnecessary delay or increase of costs in the execution of work."

19. It is clearly the theme of these statements by Parliament and Government Departments that the treasurer is required to be in independent control of the financial administration. He must supervise the receipt and payment of moneys, he must maintain an independent internal audit and be responsible for the supervision of all financial accounts and records.

### **Treasurers of County Boroughs and Counties**

20. The Municipal Corporations Act of 1835 gave town councils the power to appoint a town clerk and a treasurer, the two appointments not being held by the same person. The Act was designed to impose some form of control on municipal authorities necessary because of their generally unsatisfactory administration and corruption at that time. The Act required town councils to have their accounts regularly audited and brought before the public in order to stop the council from keeping the accounts secret.

21. The Municipal Corporations Act of 1882 wholly repealed the 1835 Act and re-enacted the relevant provisions dealing with the treasurer. The 1882 Act was primarily a consolidating Act, but a new Section 142 was inserted requiring all payments to be made to and by the treasurer. The present statutory position regarding the appointment of the borough treasurer is set out in Section 106 of the 1933 Act:

Section 106. Town clerk, borough treasurer and other officers:

(1) The council of every borough shall appoint fit persons to be town clerk, treasurer, surveyor, medical officer of health and sanitary inspector or inspectors, and shall also appoint such other officers as the council think necessary for the efficient discharge of the functions of the council.

(2) Subject, as respects the offices of medical officer of health and sanitary inspector, to the provisions of this Part of this Act, the Council may pay to an officer appointed under this such reasonable remuneration as they may determine, and, subject as aforesaid, every such officer shall hold office during the pleasure of the council.

(3) A vacancy in the office of town clerk or of treasurer shall be filled within twenty-one days after its occurrence...

(5) The offices of town clerk and treasurer shall not be held by the same person or by persons who stand in relation to one another as partners or as employer and employee.

The 1933 Act also dealt with the office of county treasurer: Section 102. County Treasurer:

(1) Every county council shall appoint a fit person to be the county treasurer, and may pay to the person so appointed such reasonable remuneration as they may determine.

(2) The county treasurer shall hold office during the pleasure of the county council.

(3) A vacancy in the office of county treasurer shall be filled within four months after its occurrence.

(4) The offices of clerk of the county council and county treasurer shall not be held by the same person or by persons who stand in relation to one another as partners or as employer and employee.

22. It is clear from these references to the statutory appointment of treasurers that they must have a high degree of independence.

### **Responsibilities of the Treasurer**

23. The responsibilities of the treasurer of public funds are invariably ill defined. This may be no bad thing, because the result is that his responsibilities are infinitely wide. He is responsible to his governing body and to the public. Although the dictum in *A. G. v. de Winton* strictly had only limited application, it is, I believe, worth using as a guide by all treasurers of public funds.

"The treasurer is not a mere servant of the Council; he owes a duty and stands in a fiduciary relation to the burgesses as a body and although he holds office during the pleasure of the council only, this does not enable him to plead the orders of the council for an unlawful act."

24. In fulfilling this particular responsibility in practice, whenever possible the wise treasurer draws the attention of a committee to his difficult position before any decision is made. This is usually sufficient. The treasurer's responsibilities extend to all the activities of the authority he serves, although the operational responsibility will be that of other chief officers. Finance has no boundaries.

25. Furthermore, the treasurer is the only officer of the authority, by profession and training, who can be looked upon to give financial advice and guidance. It is essential that every public body has a financial policy, which must be continuous and must be supported constantly by adequate advice and financial information. The treasurer must at all times be fit and prepared to provide that financial advice, information and guidance. The treasurer should also undertake the role of an economist, advising the council on the wisest use of total resources and the attainment of maximum social advantage<sup>10</sup> This function has probably been insufficiently developed in the United Kingdom.

26. As his duties are ill-defined he must decide what they should be in accordance with his own philosophy as a treasurer. No treasurer, if he is to do his job properly, can say to himself "that has a financial bearing but it does not concern me". Everything his authority does must concern him. He must not shirk it or avoid it, unpleasant though it may be, and if his philosophy is one of independence he will find that these difficult jobs become easier. In fact it is the treasurer without a personal philosophy and a departmental policy who has an unhappy time.

27. A treasurer must not be silent in any discussion, conference or in committee when he is not in agreement. He has a duty to express his views as his silence may be construed as agreement.

28. The advice of the treasurer must be independent to be worth considering along with the advice of the service officer. His advice is of no value at all if it merely reflects the views of the service officer, and he must if necessary be prepared to present the opposite viewpoint. Independent advice will be of value in this connection because the treasurer:

- (a) will usually view the matter from a different angle;
- (b) will not be so immersed in the technicalities of the subject; and, can give financial advice with complete impartiality.

29. No treasurer should attempt to become a dictator or a non-cooperator. He should never oppose for the sake of opposition. His position is of a higher order than that and of greater worth. If independence could only be maintained at that cost, little would be achieved and much would be lost.

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<sup>10</sup> It is interesting to note that in at least one emerging democracy of Eastern Europe – Romania – each local government unit designates its chief financial officer as its "Economic Director."

## **Qualities Necessary in a Successful Treasurer**

30. What sort of a man must the treasurer be? Ideally he needs more than his fair share of all the known virtues, but in particular he must be reasonable at all times and he must fully accept all aspects of his responsibilities. He has a special duty to ensure that the authority has the effective control of its finances.

31. The treasurer must be friendly with all but too friendly with none. If necessary he must disagree but must not be disagreeable. His personal affairs must not be in conflict with his office affairs. Courage, initiative and forcefulness are necessary qualities. He should possess organising ability and be able to reach correct decisions quickly. The treasurer must be able to judge character and to co-operate, but above all must have a sense of balance and a sense of humour.

32. Everyone in local government should possess a degree of social sensitiveness, particularly the members of the finance department who, otherwise, could all too easily acquire a miserly and dismal outlook. Fortunately the treasurer's job is not one which requires him to oppose every proposition which might lead to an increase in expenditure. He must, of course, report on the cost, both present and future, but he must keep a sense of proportion according to the size of the business of his authority, the impact on the ratepayers and other factors.

33. The treasurer must always remember that he is a trustee of public funds which belong neither to him nor to his council. He is a trustee of public funds, but so too are the members of his council. He is the servant of the council but not the servant of any particular councillor or any pressure group working either inside or outside the council.

34. One of the main difficulties experienced in town halls and county halls is the friction of closeness. Officers and councillors tend to know each other too well. I think this difficulty is eased by the treasurer keeping himself slightly detached. Nevertheless, the successful treasurer must spread a sense of financial responsibility to all committees and to all officers. This can be aided by making his financial advice readily available to all chairmen, to all committees and to all chief officers.

### **Can the Treasurer be too Independent?**

35. It must always be remembered that the treasurer is the servant of the council. He is an adviser and only executive in a limited sphere. If he neglects to provide information or to carry out his work, or does not do his job satisfactorily, he can, of course, be dismissed "at the pleasure of the council". So he must be reasonable at all times. A balanced judgment is necessary.

36. The independent treasurer will ensure that the financial information is available to members in the proper way without trying to influence them in reaching a decision. I would prefer to see a treasurer too independent than not independent enough. But independence is a state of mind developed by experience and therefore the treasurer should not aim to achieve it as a primary objective-it should come as an essential byproduct of experience in senior positions. It is through their experience in senior position that officers will be able to decide when and where co-operation must end and independence begin.

## **Politics and the Treasurer**

37. The treasurer must show that he has an independent attitude even more clearly when his council is fiercely divided politically. It is imperative that he must not take any part in party politics anywhere. Only then can he present his views without the danger of being accused that he is taking sides. The treasurer serves the council but in practice the council is controlled by the majority party. The treasurer must not, however, serve the policy of the majority party, he must serve the policy of the council. This is a nice distinction, which must be learned through experience and carefully followed. The treasurer must take care not to prejudice particular issues in committees by his personal opinions, rather he must always present a fair and complete picture of the financial position as he sees it. Sometimes the facts, fairly and reasonably presented, kill a favoured policy; if he has done his duty impartially, the treasurer's conscience is clear.

38. It is a very good rule not to enter into party political discussion with members of the council. A treasurer is always a treasurer, wherever and whatever he is doing, and must not only be impartial but must appear to be impartial. I do not believe it possible to be one thing one day and a different thing another day and I believe that the independence of the treasurer must be lived in every sense of the word.

39. The treasurer is consulted by chairmen and individual members of the council on many matters and it is in these consultations that he needs to follow his own philosophy as a treasurer. It is important to be careful in expressing views in advance of a careful investigation of the facts and no support should be promised for any policy or project. His reports, independently presented direct to the appropriate committee at the proper time, will show the facts and his financial recommendations, if any. The treasurer must always be prepared to advise whenever he believes his advice can be useful.

## **The Treasurer and the Finance Committee**

40. The words "public funds" used in this paper make it clear that the need for the independence of the treasurer exists in all branches of public finance. The funds of all public authorities are held in trust which are administered on behalf of the public. Parliament places its funds under the control of the Chancellor of the Exchequer and the Treasury. Local authorities place their funds in the hands of a finance committee and an independent treasurer so that that trust will be fully honoured. Although I may confine my detailed references to local authorities I ask those who serve other public authorities, whether they be electricity, gas, hospitals, new towns, water or river boards or Government departments, to apply the same principles, for they also are engaged in the "treasuring" of public funds.

41. Local authorities in the United Kingdom recognise the need to separate the treasury function by the appointment of finance committees. The chairmen of finance committees occupy a special position. They must operate as leaders in the control of finance presenting the finance viewpoint of the council and supporting their chief financial officer. They, too, often need to make an independent stand. Reference to the treasurer of public funds in this paper must, of course, be construed by chairmen of finance committees as reflecting at the representative level their responsibilities as elected members representing the citizens at large. The finance committee has a duty to present to the council an independent financial view of the policies and projects submitted by the various service committees. The council decides after having considered independent financial reports on the proposals.

42. The independent treasury function of financial control by the finance committee appears, in recent years, in some authorities, to have been somewhat undermined despite the rapid and continuing increase of expenditure of considerable magnitude. A close scrutiny of all major financial commitments based on the treasurer's reports has always been regarded as essential but this practice has become definitely unpopular to many chairmen, political leaders and chief officers because it often appears to them to highlight unduly the financial officer's position and the finance committee's position. It is sometimes regarded as a criticism of policy decisions taken elsewhere and this may be the reason for much of the opposition to the exercise of the treasury function.

43. Various methods have been adopted by some local authorities to short circuit the finance committee. This practice can only result in undue costs being passed on to ratepayers.

44. It may well be time for a re-examination of the functions of the finance committee of local authorities, particularly under the headings: the programming of capital expenditure; financing of capital expenditure; financial management; and, supervision of the budget, including supplementary estimates. These are prime functions of top management in industry and they should be universally recognised as of similar importance in local government. It must, nevertheless, be recognised that finance is the concern of every public representative and every chief officer. This paper deals with the "treasury" function of the treasurer, and separate papers could well be written on the financial responsibility of the councillors and other chief officers.

### **The Treasurer and the Chairman**

45. One of the most important relationships in local government is that which exists between the chairman and the chief officer because it can so easily lead to difficulties if it is not developed properly. The treasurer will realise that the chairman has no executive power and it is equally important to remember that no chief officer can shelter behind the chairman, nor should he ever attempt to do so.

46. Despite his lack of executive power the chairman will be fully acquainted with the policy of the council and frequent co-operation is desirable between chairmen and chief officers and, which concerns us most particularly, between the chairman of the finance committee and the treasurer. The duty of a chief officer is to assist his chairman in the duties of his office and to keep him fully informed. In assisting his chairman, it may be necessary for the chief financial officer to advise his chairman from time to time as to the extent of the powers which the chairman possesses in particular circumstances and on these occasions the treasurer would be doing a disservice if he did not unhesitatingly express his independent view.

47. One of the happiest sides of a treasurer's working life is in the friendly and confident relationship with chairmen of finance committees. Mutual confidence and trust is essential in this relationship. Because the treasurer is engaged full time on local government finance and the chairman is often busily and heavily engaged in his own business life, the treasurer should make the task of the chairman as light as possible. Accuracy of speech, genuineness in objectives and a reasonable outlook on the time factor are essentials to provide effective help for the chairman. In return the treasurer gains from his chairman the different outlook of the council and of the public to local authority problems.

Many a young treasurer owes a lot to the experience and wisdom of an older chairman who, happily, invariably understand the need for an independent financial outlook on the part of the treasurer. Many a young chairman of the finance committee similarly owes a great deal to an older and more experienced treasurer.

### **The Treasurer and Members of the Council**

48. Financial facts and advice are more readily accepted by all members of the council if the treasurer's reputation is one of strong independence, and especially independent of sectional interests on the council. This position is, I am certain, desired by all members and none more than the leaders of the council and the chairmen of committees. There is obviously no benefit to the members of the council in having a treasurer who is a "yes" man. It is important for the council to know that in all financial negotiations a strong independent treasurer is fighting in their interest.

49. The treasurer should encourage members of the council to seek guidance on the local authority's financial affairs. Finance is a mystery to many new councillors. Helping them to understand finance helps them indirectly to understand the role of the treasurer and to appreciate his reports and advice.

50. Local authority finance is a complicated subject and treasurers should never hesitate if invited to do so to run classes for new councillors on the subject. He gets to know them and they get to know him and the senior members of his staff and this engenders mutual confidence.

### **The Treasurer and the Opposition Party**

51. It is essential that the opposition party should be able to rely on the treasurer to submit reports showing the complete financial position when the council considers any new project. The knowledge that the treasurer will give such reports irrespective of any wishes to the contrary allows the opposition to concentrate on what is a particularly important job. A healthy and effective opposition is vital to democracy but the opposition must have all the facts open to it in the proper manner and may be ineffective without it. The treasurer must insist on giving full tactical reports without bias. The refusal of a treasurer to lower his professional standards when a party is in power will be remembered when that party is in opposition and vice versa.

### **The Treasurer and the Press**

52. A local free press is essential to a local democracy. The public only knows what is going on by what they read in the local paper. Local government finance is complicated and difficult to report in newspapers in a manner which will be easily understood by the readers. The treasurer must do all he can to assist the press to understand and to present the facts. This is a delicate matter because he should not provide the facts; they should come from the council, its committees, from chairmen or a press officer, whichever is customary in the particular local authority. But it is only the treasurer who is patently independent who will be trusted to give any assistance to the local press.

## **The Treasurer and the Ratepayers<sup>11</sup>**

53. The growth of the independence of the treasurer in local government with the frequent submission of financial reports direct to responsible committees, showing the facts and financial effects of proposed projects is a great development towards safeguarding the ratepayers' pockets. These reports are, of course, often reproduced in the minutes and are thereby available for inspection by ratepayers. This does present the ratepayers with the safeguard of being able to ascertain the facts and as they gradually become aware of this machinery, they are more likely to be satisfied that their interests are being looked after in the most efficient manner. They should feel happy that the opposition party of the council have these reports and are able to bring any matters into open council if they so decide. When the reports are printed in the minutes they are available to the Press and can be read by the ratepayers in the local newspapers.

## **The Treasurer and the Clerk<sup>12</sup>**

54. The business of local government has greatly increased and I think that most treasurers will agree that, in the larger authorities at least, the clerks welcome more and more the independent views of the treasurer on policy as well as in general management. Policy is a matter for the council but nevertheless it is essential that the policy makers should have independent views on it both by the clerk and the treasurer.

55. Essentially the treasurer must maintain his independence of the clerk in every way because Parliament has made the clear distinction between these offices in the interests of security of public funds and public administration. Whilst the closest consultation must take place, I think it is important that the treasurer should report independently direct to the committees and to the council on financial matters.

56. As the clerk in local government must also maintain an independence similar to that of the treasurer each should therefore support the other's independence.

## **The Treasurer and Other Chief Officers**

57. The advice of a treasurer who is independent is all the more appreciated and accepted by other chief officers on account of that independence. Chief officers feel much happier working with a treasurer who is consistently constructive and objective and who is clearly independent. Naturally the relations between the treasurer and other chief officers depend on co-operation as well as on the independence of the treasurer. However, I think it should be taken for granted that in local government, or for that matter in any other walk of life, the people who reach chief officer status will have learned the art of co-operation.

58. It is vital that the advice and information provided by the treasurer shall be impartial and not biased in favour of one department or another.

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<sup>11</sup> This term is analogous to that of "taxpayers." It was used because of the predominance of the property tax, known in the UK at "rates."

<sup>12</sup> The "Town Clerk," of cities and boroughs, or the "Clerk of the Council" of counties and districts, was formerly the "chief among the chief officers," all seen as independently serving the council. This "primus inter pares" status has now largely faded, being replaced by what is, effectively, a "strong" city manager system.

59. Chief officer colleagues are quick to perceive the value of impartial reports because they recognise them as material factors in the orderly development of their services and they are worth that much more if the treasurer maintains his independence.

60. Independence obviously cannot be the sole prerogative of treasurers. Every chief officer must possess it in some degree and it is as important to recognise the need for an independent outlook in other chief officers as it is to foster it oneself. The heads of departments are, happily, invariably keen to develop and improve their services and welcome the impartial financial advice given by the treasurer as well as all the other financial information which he also supplies.

### **The Treasurer as a Professional Accountant**

61. The treasurer is a professional man and as such must be independent in presenting his financial views and advice. It is therefore essential that he should maintain the position expected of him as a professional accountant and auditor and at the same time convince his employers of the value of that independence both to them and to the public they represent.

62. As a professional accountant it must be one of the principal tenets of his life to maintain the integrity and high standards of his profession. This will always be in his mind as one of the prime aims of this Institute. The strong independent treasurer will never allow these aims to be compromised.

63. There are particular occasions when a firm independent line must override all else-in financial reports and advice, on internal audit, the payments of accounts ultra vires, and the security of cash, for example.

### **The Treasurer as a Manager of his Department**

64. One of the main duties of the treasurer is to disseminate a feeling of financial responsibility amongst all the staff of all departments of the authority. Much of the work of the treasury entails co-operation between the treasurer's staff and their counterparts in other departments, and it is largely in this way that the feeling of financial responsibility can be disseminated and fostered. It is of the utmost importance for the treasurer to establish a departmental policy which is clearly understood by all his staff, particularly his more senior staff, so that although they may spend much of their time in happy co-operation with other departments, the essential independence of the treasury function is in no way forgotten or endangered.

### **Joint Appointments of Clerk and Chief Financial Officer**

65. In some local authorities the financial officer carries out all the duties expected of a treasurer, accountant, auditor and chief financial officer without holding the statutory title of treasurer. This situation is unfortunate, but if local authorities continue to use a bank or anyone else as the treasurer then clearly it is the duty of the financial officer, even without the statutory title of treasurer, to carry out, if possible, all the functions that a treasurer is required to carry out by statute and by custom. Failure to do so will deprive his council, his colleagues and the public of a service they have a right to expect.

66. This situation is specifically referred to in Section 58 of the Local Government Act 1958 and the duty of supervising "safe and efficient arrangements" for the receipt and payment of money is firmly placed on the chief financial officer. The practice is probably confined to the smaller authorities where it is common to have a combined office of clerk and chief financial officer, with a bank as treasurer. There is little doubt in my mind that the offices of clerk and chief financial officer should be separate appointments to comply with the letter and the spirit of Section 107 of the 1933 Act. (Section 107 provides that in urban and rural districts the offices of clerk and treasurers shall not be held by the same person.) If the functions of the treasurer are being practiced by the financial officer then he should be designated treasurer. I do, however, appreciate the difficulty that, in the smaller authorities, the volume of business does not always justify the cost of appointing two separate full time officers at the level of clerk and treasurer.

### **The Treasurer and Management**

67. Local government finance as a whole is very big business, although the size of the individual local authority varies enormously. This is quite apart from the public boards. Nevertheless it is almost always true to say that the business of running the local authority in any town or area is amongst the largest businesses in that particular place. It is also certain that the variety of the product, in the form of services is wider than most commercial or manufacturing concerns provide. In all this array of different kinds of local authorities and public services, of various sizes, providing all kinds of services, often in a variety of ways according to local conditions, the one connecting thread is that of finance.

68. Services are expanding and new services are developing all the time. We are participating in a growing business in which the importance of finance will increase. In the years ahead the skilled financial management provided by treasurers will be required at even higher levels and we must be prepared for this advance.

69. The traditional training of the treasurer has been by qualification in the profession and the experience gained by working in senior posts in a number of different authorities. No one can doubt the effectiveness of this method which has produced treasurers of the highest skill and integrity. The quality of the financial administration in local government and public authorities can nowhere be bettered in the world.

70. I foresee in the future that, with local government changing and expanding, new qualities will be needed and treasurers and senior qualified men will be required more and more for management, not just financial management but general management of our towns and cities.

71. This means that our training must have a substantial content of management and administration. The revised I.M.T.A. examination syllabus already indicates a move in this direction. The Institute's current research project into the present practice of training and its greater emphasis on research shows that it is fully alive to the possibilities.

72. I am convinced that with all these advances we can be sure that members of our profession will emerge with qualities of intellect and integrity and with independence of mind and judgment so as to continue to make a substantial contribution towards public administration in the United Kingdom and throughout the Commonwealth.

## **The City Manager System**

73. There are those who think that the city manager or general manager system will one day be introduced into local government in this country<sup>13</sup>. If it comes, it will be more important than ever to avoid the development of bureaucratic administration or of dictatorship. The independent treasurer, an essential safeguard in any democratic system, would be even more vital within this form of administration.

74. Whilst the city manager system may not come for some time it is possible that a less dramatic form of manager system may develop much earlier. I consider this to be a likely development, without, of course, the restriction of a legal qualification for the managers; a legal qualification may even be a drawback. What will be needed is managerial ability and experience and the right personality, and in this case the most progressive and efficient person will fill the post irrespective of profession. A new management qualification will be required. This may or may not be additional to qualification in one of the traditional professions but in any case a management qualification should obviously include some financial training.

75. Future coordinators and managers will need to maintain a standard of independence and objectivity similar in nature to that of the treasurer. For these reasons, treasurers and accountants may well be appointed to many of these posts. This will not, however, diminish the need for the appointment of a separate and independent treasurer. The separation and the independence of the treasury function will be an even greater necessity under the managerial system in local government.

## **Conclusion**

76. I have attempted to put forward a balanced view of the statutory and traditional position of the treasurer. Each individual must form his own conclusions based on his experience. Every treasurer must work out for himself the right combination of co-operation and independence. The treasurer is not in opposition. He is simply doing the job which the whole council want done and in the independent way that they should desire. He must develop a certain policy of detachment and attempt to distil the merits of the matters which require his attention. He must exercise judgment with great care and skill. He must adopt a philosophy for himself and see that his department is run in the spirit of this philosophy.

77. We must have faith in our job and its objectives to be a success in it. The independent treasurer is not serving himself; he is serving his authority and the public and they all rely on his independence.

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13 This is the system now effectively in use in UK local government. It has evolved from the "clerk of the council" system.