

on the basis of the area division while financial requirements are handled elsewhere.

The arrangements needed to carry this into practice are diagrammed in Exhibit I. The diagram on the left shows the posts in a geographic area being the responsibility of an Area Division under an Assistant Under-Secretary with consultation with the administrative side along the way. On the right, we show the same posts as the responsibility for annual Estimates and financial management purposes, of an official called the Area Comptroller. The Area Comptroller is part of the administrative organization but must maintain close consultation with the area division. Further along, there will be a description of the function of this new position, the Area Comptroller, and of some of the procedures which will be used to make this split arrangement work.

Kinds of Costs Budgeted

Having decided as a first step that the posts and divisions of the Department will be the basic responsibility centres, we had to determine for what kind of expenses each can appropriately be held accountable. The manager of a responsibility centre should be held accountable for any expenditure that meets two criteria:

- (a) It is related to the conduct of his operation, and
- (b) it is controllable by him; that is, the amount or timing of the expenditure cannot be significantly affected by decisions elsewhere in the Department.

It will be evident immediately that the largest item in the departmental budget violates the second of these criteria. The salary and allowance