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## **ON HIS MAJESTY'S SECRET SERVICE: ACCOUNTING FOR THE SECRET SERVICE IN A TIME OF NATIONAL PERIL 1782-1806**

*Abstract:* Reforms to the civil list in the late 18th century in England sought to deny the Crown opportunities to use its civil-list funds and sinecures to buy influence in Parliament and, thereby, diminish constitutional protections for liberty. Among the most important reforms were tighter accounting requirements for civil-list spending, including that for the secret services. The unique nature and purpose of the home and foreign secret services, which were the responsibility of the Crown and paid from civil-service funds, resulted in accounting controls which depended upon additional measures to provide Parliament with greater control over spending and enhanced accountability. These enhancements to accountability were especially important at a time of almost continual war between England and France in the decades spanning the close of the 18th century, resulting in significant increases in spending on the foreign secret service.

### **INTRODUCTION**

The history of English public-sector accounting from the "Glorious Revolution" in 1688 has been dominated by the need to ensure the financial authority of Parliament. In the late 18th century, during a remarkable period of public-sector reform, the constitutional intent of making the executive financially accountable to Parliament for the expenditure of monies appropriated by Parliament was confirmed as the essential, undiminished reason for the unprecedented reforms to government accounting associated with the civil list. Binney [1958, p. v] has referred to the last two decades of the late 18th century as a period of "unique interest and importance" in the history of British public finance for this period "witnessed the first drawing back of the curtain concealing from parliamentary and public view the design and action of the financial machine." The American War of Independence (1776-1783) and the almost continuous war with France from 1792 until 1815 were particu-

larly important in prompting reform of civil-list accounting and audit reforms which provided the basis for subsequent enduring reforms in the 19th century.

Until the financial crisis created by the American War of Independence, Parliament took little interest in the civil administration of the “King’s Executive,” most notably accounts of expenditure from the civil list, which provided for the financial needs of the monarch, both personal and those of his executive government [Chester, 1981, p. 34]. Unlike the civil list, parliamentary control over military spending through a stricter accounting and appropriation regime had been among the most important constitutional outcomes of the Glorious Revolution. The War of Independence exposed for the first time since then the extent to which the Crown used the civil list as a potent form of patronage and, thereby, allowed the Crown to threaten liberty by extending its influence in the House of Commons.

In a recent paper, Funnell [2008] has examined the process by which widespread apprehension caused by the increasing arrogance of the Crown confirmed the belief at the end of the 18th century that there was an intimate dependency between a rigorous, parliamentary-controlled accounting for executive spending on the civil list and the preservation of liberties fundamental to the English Constitution. Although Funnell’s study provides a detailed rendition of the motives for the civil-list reforms and the accounting consequences of the reforms for most forms of civil-list spending, absent is any mention of the secret services, the peculiar purpose of which might have been expected to have very different accountability requirements. The main aim of the present paper is to meet this omission by highlighting the changes to accounting for secret-service funding during the time that William Pitt<sup>1</sup> was prime minister (1783-1801, 1804-1806) which were coincident with the comprehensive reform of the civil list that began in the early 1780s and with later ongoing hostilities with France. In particular, this paper is concerned with a curious, yet understandable, paradox at the time in Parliament’s position on accounting for secret-service monies when compared with the improved accounting for other civil-list spending, resulting in a less rigorous regime of formal accounting controls and a greater reliance on professions of honesty.

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<sup>1</sup>In this paper, “William Pitt” signifies the British prime minister often referred to as William Pitt the Younger to distinguish him from his father, William Pitt the Elder, also a prominent politician in the 18th century, later known by his title as the Earl of Chatham when elevated to the peerage.

The overriding need to shield from overt public scrutiny those who protected the nation's interests by engaging in clandestine activities, sometimes at the risk of their lives, meant that Parliament was prepared to treat the secret services as a special case, which might permit a very different set of accountability controls and acceptable behaviors. However apposite Parliament's position may have been at the time, rarely has this been without its critics. Namier [1963, p. 176], for one, referred to how:

Legends naturally surround all 'secret service'; its very name inspires fear and distrust and stimulates men's imagination – it is believed to be wise and wicked, efficient and powerful. In reality the most common characteristic of political secret service at all times is its stupidity and the unconscionable waste of money which it entails. Where its task is to obtain 'intelligence,' it most frequently produces tales which could not stand five minutes' cross-examination in a law court.

The present article, which deals with an exceptional period in the history of public-sector accounting and accountability at the end of the 18th century, is the first in the accounting history literature to examine the tensions between the peculiar and required mode of operation of secret services and the need to ensure accountability and transparency for the monies required of these services. The growing body of public-sector accounting history has been overwhelmingly concerned with accounting methods used in central government and audit, notably in times of war [for example, see Funnell, 1994; Black, 2001; Edwards et al., 2002]. The great freedom allowed the Crown in the spending of secret-service funds from the civil list and the absence of an effective means to ensure that spending on the domestic and foreign secret services would be controlled in total and accounted for systematically was a major concern of the promoters of the reform of the civil list in the late 18th century. Any spending by the Crown allowed to go unchecked represented a potential threat to liberty, none more than spending on secret services. Indeed, a prominent part of the Civil Establishments Act 1782 [22 Geo. III, c. 82<sup>2</sup>], the centerpiece of the achievements of the economic reform movement championed by Edmund Burke

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<sup>2</sup>“An act for enabling his Majesty to discharge the debt contracted upon his civil list revenues; and for preventing the same from being in arrear for the future, by regulating the mode of payments out of the said revenues, and by suppressing or regulating certain offices herein mentioned, which are now paid out of the revenues of the civil list.”

and the basis of subsequent government accounting reforms [see Funnell, 2008], was devoted to innovations that limited total spending for some parts of secret-service spending and tightened the means by which those directly spending the funds would be made accountable. Particularly notable as a form of accounting control was the statutory reliance upon the swearing of oaths. In the absence of accounts supported by documentary evidence, these oaths fulfilled a highly effective, supplementary role in the accounting process. While oaths were certainly not a new feature of government, or indeed of the administration of law, Parliament's reliance upon them in the context of accounting for secret-service spending recognized especially both the *necessary* imperfections of the secret-service accounts and the religious imperative in accountability relationships at the time.

In the first section that follows, a brief outline is provided of the evolution of modern secret diplomacy and the importance of the English secret service in the late 18th century, a time of considerable international instability and threat for England. The civil-list reforms in the late 18th century are then examined to identify the very different approach that was implemented for reforming the control of, and accounting for, secret-service spending. Most of the details of secret-service spending in the 18th century that survive, and upon which this research relies, are to be found preserved at the British National Archive, Kew, in Home Office (H.O.) accounts, Foreign Office (F.O.) accounts, Treasury (T) documents, and those from the Audit Office (A.O.).

#### THE ORIGINS AND ORGANIZATION OF THE ENGLISH SECRET SERVICE

The English secret service in the late 18th century was the product of a long period of evolution that owed much to the practices of other countries, in particular Italy. From the Italian city states during the Renaissance arose the features of intelligence gathering that were to define the modern intelligence services throughout Europe. Although the need for information about one's enemies or potential enemies had always been important in any military success as far back as ancient times, not until the 14th and 15th centuries did this intelligence gathering reach a sophisticated and truly effective form in the Italian city states of Venice and Genoa, a form that was quickly mimicked by most other major European states [Thompson and Padover, 1963]. The Venetians had realized that the best way to create and maintain the means to gather reliable information was to

establish permanent embassies in neighboring states [Thompson and Padover, 1963, p. 17]. Not until the 16th century did England under Henry VIII (1509-1547) follow the Italian example and establish permanent embassies in the major European states [Bleiweis, 1976, pp. 2-3].

Most historians trace the origins of the modern English secret service to the reign of Elizabeth I (1558-1603) and her Secretary of State for Foreign Affairs, Sir Francis Walsingham (1534-1590). In 1573, Walsingham was appointed to the powerful Privy Council and in this capacity, notes Haynes [1994, p. 25], contributed "mightily" to the foreign affairs of England. Walsingham took office in the late 16th century at a time when the major European states were seeking to expand their influence and territory and, therefore, were prone to conflict. The 17th century inherited this instability and became a century of almost continual wars, commercial and political.

In response to the considerable international pressures during Elizabeth's reign, Walsingham created, for the times, a formidable intelligence network, with intelligence gathered mainly from sources in Holland, France, and Germany. Plowden [1991, p. 55] believes that so sophisticated and comprehensive was Walsingham's intelligence-gathering network that it is "no exaggeration to say that very little went on in Catholic circles ... during the 1570s and 1580s" that did not come to Walsingham's notice. Ambassadors were for Walsingham the most important official source of information, providing reports of court gossip, major political events, and official meetings [Bleiweis, 1976, p. 39]. Unofficial sources were the largest, most diverse but least reliable group of "intelligencers," which included English living abroad, soldiers, sailors, businessmen, artists, and students [Bleiweis, 1976, pp. 16-18; Haynes, 1994, p. 12]. One 17th century contemporary [quoted in Thompson and Padover, 1963, p. 60] wrote that diplomats should nurture their spies because "Well-chosen spies contribute more than any other agency to the success of great plans ... And there is no expense better designed ... than that which is laid out upon a secret service, it would be inexcusable for a minister of state to neglect it."

Despite the historical importance of intelligence gathering for state security, not until 1582 did Elizabeth's "spy master" Walsingham have a regular budget. Initially it was set at £750, rising to £2,000 in 1588. Still, this was never sufficient for Walsingham to meet the need for regular, reliable foreign intelligence from mainly Catholic France. Despite his frequent supplications for more money, he often had to use his own money to keep his

intelligence operations functioning, eventually bankrupting him and his family [Plowden, 1991, p. 55; Haynes, 1994, p. 12].

Intelligence gathering was later raised to even more sophisticated levels under John Thurloe who became Secretary of State in 1652 during the dictatorship of Oliver Cromwell. Thurloe was convinced that the best agents were those who were motivated by money and that the essential requirement of an effective intelligence service was “a good purse” [Thompson and Padover, 1963, p. 92]. As a dictatorship surrounded by numerous domestic and foreign enemies, often working together, an efficient intelligence-gathering system was essential to the maintenance of Cromwell’s authority. Thus, Cromwell spent on average more than £70,000 a year to garner both domestic and foreign intelligence, none of which he formally accounted for. So effective were his secret services that Samuel Pepys concluded that “Cromwell carried the secrets of all the princes of Europe at his girdle” [quoted in Thompson and Padover, 1963, p. 83]. Although England was almost continually in a state of preparation for war in the century that followed the dictatorship and the restoration of the monarchy, not until the wars with France did England under William Pitt the Younger again fully appreciate the benefits of an effective secret service.

As effective and comprehensive as Cromwell’s secret services were, the spending on them while Pitt was prime minister represented a very different scale of operation and sophistication. From almost the outbreak of revolution in France in 1789 until the end of hostilities in 1815, England was either at war with France or believed that it needed to be ready for war. In addition, when Pitt became prime minister, England had only recently lost the American colonies, its hold over India was being threatened by widespread administrative abuses, and rebellion had been growing in Ireland. When war with France did break out in April 1792, Britain quickly established an extensive, well-funded espionage center in neutral Switzerland to coordinate the collection of intelligence under the direction of William Wickham. France, Pitt warned England, had directed its hostilities “against the very essence of your liberty, against the foundation of your independence ... against your constitution itself” [House of Commons, November 10, 1797, in Pitt, 1806, p. 172]. So successful was intelligence gathering in the time of Pitt, that it is sometimes credited with a critical role in expanding and consolidating the British Empire [Thompson and Padover, 1963, p. 158]. Table 1 below shows that between 1785 and 1792, spending on all parts of the secret service increased signifi-

cantly when England joined with her European allies against the French. Annual outlays for the secret service in these years averaged £24,000 [Mitchell, 1965, p. 256]. There was a particularly significant rise in foreign-service spending after 1794 as war began to envelop Europe.

**TABLE 1**  
**Charges Incurred and Paid for Secret Service Money,**  
**1775-1798**

Year	Sums issued to the Secretaries of State (mainly for foreign-secret service)	Sums issued to Treasury (mainly for home-secret service)	Sums issued to Post Office (for home-secret service)	Total
	£	£	£	£
1775	11,250	34,000	7,249	52,499
1776	9,000	39,000	6,263	54,263
1777	9,000	57,000	7,139	73,139
1778	9,000	51,000	7,159	67,159
1779	7,250	62,000	7,239	76,489
1780	8,362	37,000	7,139	52,501
1781	6,750	40,000	7,875	54,625
1782	15,225	31,000	3,569	49,794
1783	35,500	8,000	0	43,500
1784	7,006	3,000	0	10,006
1785	31,878	6,000	0	37,878
1786	25,727	96,000	0	121,727
1787	98,050	10,000	0	108,050
1788	212,851	10,000	0	222,851
1789	32,154	10,000	0	42,154
1790	26,221	10,000	0	36,221
1791	22,244	10,000	0	32,244
1792	14,992	10,000	0	24,992
1793	39,585	10,000	0	49,585
1794	49,335	10,000	0	59,335
1795	173,068	10,000	0	183,068
1796	183,194	10,000	0	193,194
1797	223,222	10,000	0	233,222
1798	175,000	10,000	0	185,000

Source: "An Account of the Charges Incurred and Paid for Secret Service Money, 1774-1798," House of Commons Sessional Papers of the Eighteenth Century, Vol. 121, July 4, 1799.



Apart from the continued reliance upon traditional sources of information, the Post Office in the 18th century, as Table 1 demonstrates, was an especially effective means of collecting information about domestic and foreign matters until the 1780s, when the funding arrangements for secret services changed dramatically. The importance of the Post Office as a source of intelligence, both domestic and foreign, was established in 1710 with the passage of *An Act for establishing a General Post Office for all her Majesty's Dominions* [12 Anne c. 10]. The act gave the Post Office a monopoly over all movement of mail. There was to be only "one General Letter Office and Post Office ... erected within the City of London, from whence all Letters and Packets ... may be sent into any Part of the Kingdom ... or to North America, the West Indies, or to any other of her Majesty's Dominions ..." [12 Anne c. 10, Section II]; control was to be absolute. These exclusive rights gave the Post Office the ability to monitor almost all the mail entering, leaving, and moving around England. The act also allowed the Principal Secretaries of State, and only them, to delay and open any mail [12 Anne c. 10, Section XL]. Irrespective of the source of information, Namier [1963, p. 176] regarded all secret-service spending in the early modern period as a waste of money. With the primary function of the secret service to buy corruption, it was to be expected that it would only be successful in purchasing the services of individuals whose services were unlikely to be worthwhile. Secret-service spending created a "mutual benefit society for pseudo-political parasites" with a financial interest in fomenting fear and exaggeration [Namier, 1963, p. 176].

The unique nature of the secret service and its growing importance, cost, and sophistication in the 18th century were recognized when it came time in the closing decades to reform the civil list and accounting for civil-list expenditures, with several main sections of the Civil Establishments Act concerned exclusively with the secret services.

## REFORM OF THE CIVIL LIST AND THE SECRET SERVICES

Throughout the 18th century, the relationship between Parliament and the executive was one of an overdeveloped desire to ensure a separation of their respective powers. Only by "destroying the equilibrium of power between one branch of the legislature and the rest" would the constitution be threatened [Bentham, 1776, p. 73]. Parliament did not want to know how the King spent his money from the civil list on the royal house-

hold or on the civil government; Parliament only wanted to be certain that limits were placed on the level of civil-list spending [Funnell, 2008]. It was the King's government and it was accepted as the King's constitutional right to govern as he saw fit [Chubb, 1952, p. 9; Blackstone in Roseveare, 1969, p. 87]. The civil-list funds were therefore accepted as a means of reducing any constitutional friction between the Crown and Parliament [Cromwell, 1968, p. 5]. The high ideals of the constitution, however, did not prevent the Crown from regularly attempting to influence Parliament through the use of honors and sinecures associated with the civil list, which Castlereagh observed were "more likely than any others to secure parliamentary influence" [quoted in Foord, 1947, p. 499].

The cost of the royal household and of departments of state was to be met primarily from the Crown's hereditary sources of income. In addition, Parliament granted monarchs additional funding at the beginning of their reigns, which constituted the civil-list funds. The intention of Parliament was to ensure that the Crown had sufficient income to meet all its needs, both the personal needs of the sovereign and for carrying out executive functions. In return, the Crown was expected to live within its income, except during periods of emergency such as wars. The reality was somewhat different. Even in the absence of war, Parliament was frequently called upon to vote amounts to cover large accumulated deficits in the royal budget. However, it was war, and the Crown's indebtedness that war inevitably produced, which provided Parliament with unchallengeable opportunities to examine the financial affairs of the Crown when additional funding from Parliament was sought, none more so in the 18th century than the American War of Independence [see Funnell, 2008].

The American War of Independence was a watershed in not only refashioning England's standing as an imperial power but also in the changes that it produced in government finances. The mounting cost of the war and the Crown's growing indebtedness and influence in Parliament soon raised concerns about the way in which the war was being managed, about whether the money taken from a small and wealthy elite was being used effectively and appropriately. From this spreading discontent arose the economical reform movement, popularized by Edmund Burke's speech in the House of Commons on February 11, 1780 [*Parliamentary History*, XXI, cols. 1-73]. Earlier Burke [*Parliamentary History* XX, December 7, 1779, col. 1,257] had criticized spending on the war and for domestic purposes as:

Lavish and wasteful to a shameful degree. Oeconomy, the most rigid and exact oeconomy, has become absolutely necessary ... Amidst the many and various matters that require reformation ... before this country can rise superior to its powerful enemies; the waste of public treasure requires instant remedy ...

While financial concerns most immediately and directly created the economical reform movement, these were also symptomatic of a more fundamental and far more serious worry. The vast sums involved in the war against the American colonies allowed the Crown to purchase greater influence in Parliament with the granting of profitable, war-related contracts and sinecures [Watson, 1960, pp. 232, 247]. According to one member of the House of Commons, in no other period of history did contracting abuses “flourish in such rank extravagance. At no other period were they so detrimental to the public service” (observations made in the House of Commons, as quoted in [Porritt, 1963, p. 218]). A leader of the economical reform movement, Christopher Wyvill, warned that the war had resulted in “the national substance ... fast waning away by the profusion of expence in this rash and unfortunate war; and the influence of the Crown fed by that very prodigality, and increased in full proportion to it, is now swollen to a most alarming magnitude” [quoted in Harling, 1996, p. 34].

Allowing the Crown to buy influence by the granting of sinecures undermined the independence of both public officials and weakened the constitution [see Burke in Cromwell, 1968, p. 6]. The Crown’s influence during the War of Independence, observed the pre-eminent constitutional authority William Blackstone, had become “most amazingly extensive” [Blackstone quoted in Foord, 1947, p. 484; Funnell, 2008]. Charles Fox referred to this influence of the Crown as the “one grand domestic evil, from which all our other evils, foreign and domestic, have sprung. ... To the influence of the Crown we must attribute the loss of the ... thirteen provinces of America ...” [quoted in Ayling, 1972, p. 287]. Dunning’s resolution in the Commons that “the influence of the Crown has increased, is increasing, and ought to be diminished” [*Parliamentary History* XXI, April 6, 1780, cols. 340-388; Watson, 1960, p. 232; Ayling, 1972, p. 283] helped to precipitate the beginning of the end of the more outrageous abuses of royal patronage. Deficiencies in accounting for civil-list expenditures, including for the secret services, and the threat that this posed to liberty also prompted Dunning [*Parliamentary History* XXI, April 6, 1780, col. 367, also col. 691; see

also Foord, 1947, p. 491] to call upon the House:

To examine into and to correct abuses in the expenditure of the civil list revenue. ... If the public money was faithfully applied and frugally expended, that would reduce the influence of the Crown; if, on the other hand, the influence of the Crown was restrained within its natural and constitutional limits, it would at once more restore that power which the constitution had rested in that house – the inquiring into and controlling the expenditure of public money ...

Enactment of the remarkably innovative Civil Establishments Act [22 Geo. III, c. 82] in 1782, which owed its existence to the commitment, political standing, and brilliance of Edmund Burke, provided for the elimination of many sinecures which had been used to enhance the Crown's influence in Parliament [see Funnell, 2008]. It also established a more formal regime of accounting for civil-list funds, thereby enhancing Parliament's financial authority over the executive. More immediately, it introduced a number of iconoclastic reforms to control the level of spending on the secret services and to enhance significantly parliamentary surveillance through improved accounting requirements centered on the Treasury.

The highly influential Lord Shelburne believed at the time that publicity through better accounting was the only sure way to avoid the abuses that now plagued the executive and the civil list. He sought to ensure that all matters that involved expenditure should be open to public view, although, significantly, not those pertaining to the secret services [Binney, 1958, p. 268]. Accounting for the secret services had always been haphazard and at the discretion of the Crown. When upon leaving the Treasury in 1766, Lord Rockingham asked how to close the secret-service accounts, he was informed by the Duke of Newcastle, one of his predecessors, that when he had provided the secret-service accounts to George II, "the late King used to burn them in the presence of the person who was concerned" [quoted in Namier, 1963, p. 173]. Only rarely when the Crown sought additional funds to meet mounting deficits would Parliament be able to see something of what had been spent on the secret services and how it had been spent. Accordingly, the secrecy that normally surrounded the civil list was to be found in an exaggerated form with the accounts for the secret services, which allowed the Crown great discretion in the use of money for secret service or other purposes, including corrupting Parliament. Use of secret-service funds to buy influence in Parliament had a long his-

tory, especially at election time. In one election, cited by Namier [1963, p. 203], the not inconsiderable sum of £1,000 was paid out of the secret-services money of the civil list to the Duke of Argyll and additional monies paid to another 24 candidates. In addition, between elections, considerable sums were spent out of the secret-service funds to assist the government in gaining influence in boroughs.

#### ACCOUNTING FOR SECRET-SERVICE SPENDING AND THE 1782 ACT

*Spending Limits:* The Civil Establishments Act has been described by Reitan [1966, p. 335] as the act that finally ended the struggle over the nation's finances between Parliament and the executive. Pitt was later to remind Parliament that it should never take for granted its financial authority for "the general principle which constituted the chief security of our liberties ... [was still] the power of controlling the public expenditure" [House of Commons, December 8, 1796, in Pitt, 1806]. The overriding intentions of the act to give greater publicity to the financial affairs of the executive and to control spending on the civil list were clearly established in the preamble with the need for "introducing a better Order and Oeconomy in the Civil List Establishments, and for the better Security of the Liberty and Independency of Parliament."

Until Burke's reforms, there was no protocol for determining the amounts to be spent on the secret services, which were organized according to domestic or foreign activities. This changed notably in the case of the home secret-service spending when, in response to repeated abuses and the absence of reliable accounts which permitted these abuses, Burke was able to introduce statutory limits to spending. The 1782 act required "for preventing ... all Abuses in the Disposal of Monies issued under the Head of Secret Service Money" for monies spent "within this Kingdom," that the home secret service, was not to exceed £10,000 in any one year [22 Geo. III, c. 82, Section XXIV]. At the same time, in an effort to tighten control over the issue of secret-service monies, the new act no longer allowed the Post Office to be a conduit for these monies. This is clearly seen in Table 1 above where, after 1782, all secret-service funding for the Post Office ceased. The Post Office would still remain a very effective means of collecting intelligence throughout England and in obtaining intelligence by intercepting communications to and from foreign representatives in England.

Burke made it clear that he did not want to threaten the effectiveness of the home secret service but, consistent with the main purpose of the act, he did want to limit the total spending in any one year and deny the Crown any discretion in the amounts to be spent. Should the total spent on the home secret service need to increase beyond the amount now set by legislation, this would now have to be considered by Parliament since any increase in spending required an amendment to the controlling legislation. Thus, the total spent on the home secret service was to be limited, indeed fixed, and better controlled by Parliament. Although it served an important role during periods of major social unrest, of which the 1790s are notable, the home secret service under Pitt, as before, never assumed any great importance. Indeed, there are very few references to agents in its employ in extant ministerial papers and other official documents from the late 18th century. Rarely did its agents work full-time in gathering information [Ehrman, 1983, p. 137]. Accordingly, spending on the home secret service was insignificant when compared to that which had for some time been spent on the foreign secret service. Spending on the foreign secret service, often in states which were potentially and actively enemies of England, was also far more difficult to control with certainty, especially in times when war threatened to erupt at anytime.

Where it was not possible easily to limit the level of spending "by reason of the uncertain quantity of the service," such as in a time of war, Burke's Act required that any spending for the service be confined "to its line"; that is, all spending for the service must be accounted for in the one type of appropriation and not distributed between votes or types of appropriations which would provide the Crown with the opportunity to hide spending and to deceive Parliament. He sought to reassure Parliament that he did not seek "to stop the progress of expense in its line, but to confine it to that line in which it professes to move" [*Parliamentary History*, February 14, 1780]. This had the great advantage of allowing Parliament to be certain that, while the level of spending may not be within its full control, the appropriation accounts would guarantee that it was aware of the extent to which spending had occurred. For this to be effective, a more prominent role for the Treasury was required.

*The Accounting Role of the Treasury and the Secretary of State:* To enhance further the control of all secret-service spending and accounting, from 1783 on, all secret-service monies would be issued only through the Treasury, to whom the person receiving



the monies would be accountable and from whom he would receive his discharge. No longer would secret-service monies be paid out of civil-service monies without the express permission of the Commissioners of the Treasury [22 Geo. III, c. 82, Section XXVIII]. The Treasury was also required to keep detailed accounts of all parts of the civil-service receipts and spending and to strike an annual balance for each element [22 Geo. III, c. 82, Section XXXV]. At the head of the Treasury were the five Lords Commissioners, with the First Lord specifically authorized to pay monies out of the fund provided for secret services [Binney, 1958, p. 170]. In addition to now controlling all accounting and audit for civil-service monies, the Treasury was the authorized body to commence any legal actions for the recovery of any amounts for which a discharge had not been given.

Complementing the greatly enhanced role of the Treasury in accounting, the 1782 act stipulated that the authority to use the money appropriated to the foreign secret service was now to be restricted to only three senior public officials who, ultimately, would be held accountable to Parliament through the Treasury for the monies given into their charge. Accordingly, the 1782 act required that the payment of any monies from the civil-list revenues for the foreign secret service was to be only through one of the Principle<sup>3</sup> Secretaries of State at the Foreign Office and the Home Office or the First Commissioner of the Admiralty [22 Geo. III. c. 82, Section XXV]. Thus, for example, the following information concerning use of civil-service funds for the foreign service was still being sent to the Treasury decades later in September 1830: “£432/13/- received by Earl of Aberdeen, Secretary of State for Foreign Affairs and spent on Foreign Secret Service and for which I am accountable under Civil List Act of 22 George III c. 82” [A.O. 119/118]. Each of the newly authorized officials would be charged by the Treasury with secret-service monies and required to submit accounts to the Treasury at predetermined intervals to receive their discharge or *quietus*. Consistent with the wider reform of accounting for civil-service spending and, in particular, to provide greater transparency and accountability for monies given to senior officials, the Civil Establishments Act also prohibited the long-standing practice of allowing secret-service monies paid to the Principle Secretaries of State to be disguised as part of their salary. Thus, in 1769, for example, £3,000 was paid to each of the two Principle Secretaries of State, the Secretary for Home Affairs and the Secretary

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<sup>3</sup>“Principle” is the correct historical spelling for the period.

for Foreign Affairs, from secret-service monies as part of their salaries [Namier, 1963, p. 192]. After the 1782 act, secret-service monies would now be clearly identified as salary, a fee, or an allowance.

Most of the money provided through the Treasury to the three senior approved officials subsequently would be made available to English ambassadors and senior officers in the armed services who, in turn, would be charged to account for this money to one of the Secretaries of State or the First Commissioner of the Admiralty. Previous to the 1782 act, secret-service monies were given to a number of ministers who would dispense the money to their informants or officials, mostly ambassadors, as they saw fit. For this money, they neither expected nor required any receipts or other documentary evidence to verify how the money was spent, only that it was received by the ambassador and had been spent for the purposes authorized.

The greatly enhanced role for the Treasury in accounting for secret-service monies required by the 1782 act also extended to the audit of the accounts. Audit was put on a more permanent and regular footing in 1785 with the creation of five Commissioners for Auditing the Public Accounts and their office, the Board of Audit<sup>4</sup> [25 Geo. III c. 52], which was placed very firmly under Treasury control [see 25, Geo. III, c. 52, sections VIII, XI, XIV, XVIII, XIX, XXI]. In particular, the Treasury continued to be responsible for executing the commissioners' oath of office [s. IV], appointing audit staff, and for determining all conditions associated with their employment [s. V]. The 1785 act marked "in the strongest manner the intention of the legislature that ... [the Board] should be strictly subject to the controls of the Treasury" [1810 Committee on Public Expenditure, Fifth Report, p. 388]. In practice, the 1810 Committee on Public Expenditure [Fifth Report, p. 398] found that this meant that:

the decision of the Auditors is in no instance final; but the Lords of the Treasury exercise complete authority with regard to all the articles of an Account ... [The] special jurisdiction of the Treasury is constantly and habitually necessary to the final settlement and passing

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<sup>4</sup>The first Board of Audit, appointed on July 5, 1785, consisted of, in addition to the five commissioners, two of whom were Controllers of Army Accounts, two Inspectors General on £500 per annum, and 16 clerks earning between £80 and £300 per annum. By September 1785, an extra seven junior clerks, a solicitor, an office keeper and two messengers had been appointed. The office was further expanded in 1787 and remained at a total complement of 43 until into the 19th century [*Establishment Rolls*, Board of Audit 1785-1799, National Audit Office].



of the greater part of the Public Accounts which are examined by the Commissioners of Audit.

In another attempt to promote the wise management of individual civil-list revenues and to ensure that the necessary services would be provided without the Crown accumulating debts which at regular intervals had required Parliament to grant additional funding, the 1782 act placed a limit of £900,000 on the civil list. Very controversially, the act also provided for payments to be made in a prescribed, unvarying order from the eight classes specified for the appropriation of civil-list revenues. The latter condition was intended in particular to reduce discretion in how secret-service monies were spent. Where discretion by an official of the Crown was able to be exercised over the civil-list money appropriated by Parliament, Burke sought a new “plan of arrangement” to prevent this discretion being abused. In Burke’s view, it was not “safe to permit an entirely arbitrary discretion even in the First Lord of the Treasury himself; it will not be safe to leave with him a power of diverting the public money from its proper objects, of paying it in an irregular course...” [*Parliamentary History*, February 14, 1780]. Removing the ability of the Crown to choose how to spend secret-service monies would enhance the ability of Parliament to make the executive accountable by establishing in the act “a fixed and invariable order in all ... payments, which it shall not be permitted to the First Lord of the Treasury, upon any pretence whatsoever, to depart from” [22 Geo. III, c. 82, Section XXIV]. Only when the costs of each higher-ranked service had been fully provided for could the next class of expenditures be paid.

Not surprisingly, the first priority of payments from the civil list was the pensions and allowances of the royal family. This was followed in the second class by payments for allowances and pensions of senior government and parliamentary officials, such as the Speaker of the House of Commons, and judges. Payments to England’s ambassadors and foreign consuls, which included secret service payments, formed the third class in the civil list. Cleverly, to encourage Commissioners of the Treasury and the Chancellor of the Exchequer to take seriously their new responsibilities for the civil list, their salaries and other remuneration were provided for in the eighth and final class [22 Geo. III, c. 82, Section XXXI]. Thus, not until all other demands on the civil list had been met, would these officials receive any payments. In 1786, with a total of £900,000 now fixed for civil-service spending and when spending for the first seven classes

of civil spending totaled £897,000, there was only £3,000 left available for the Commissioners of the Treasury. Outcomes such as this, notes Watson [1960, p. 248], made it very unlikely that corruption and bribery by the Crown would be allowed to occur on any appreciable scale and, at the same time, encouraged a much more closely policed accounting regime. In addition, the act prohibited any amounts unpaid to the Commissioners of the Treasury being treated as arrears, providing another powerful incentive to watch spending closely [22 Geo. III, c. 82, Section XXXII; Binney, 1958, p. 271]. Should any amount be unpaid, the arrear "shall be wholly lapsed and extinguished, as if the same had not been payable" [22 Geo. III, c. 82, Section XXXIII]. Accounts of spending in the order prescribed were to be kept by the Treasury and made available to both Houses of Parliament when required [22 Geo. III, c. 82, Section XXXV].

*Oaths and Accounting for a Quietus:* While clear lines of accountability for secret-service monies were established by the 1782 act, when it came to accounting for these after funds had left the hands of the Secretaries of State and were given to agents in the field, a very different set of accounting practices prevailed to that required for all other parts of the civil list, thereby recognizing the peculiar nature of secret-service expenditure. The juxtaposition of secrecy and access to large sums of money with few formal accountability controls over agents in the field of service recognized that accounting for secret-service spending on the frontline was expected to be very different from that of other civil-list spending. Certainly it was unlikely, given the nature of the process of gathering information from individuals who would wish that their identities remain known only to their immediate contacts, that there was the opportunity to obtain detailed receipts for expenditures in a similar manner to that of other government services. Burke recognized that the fluidity and unpredictability of international politics, hence the need for intelligence gathering and the need to keep secret the identities of those gathering intelligence for England, meant that a very different way of exercising accountability and of obtaining accounts was required.

Ambassadors, consuls, or commissioners representing England in another country, or any commander-in-chief or other senior commander of the navy or land forces receiving secret-service monies from the Secretaries of State, would be expected to provide receipts for the money received, although these were in aggregate only. Unlike the more stringent accounting require-

ments now required for all other civil-list monies, these receipts were required to state only that the money had been received for the “purpose for which the same hath been issued” [22 Geo. III, c. 82, Section XXV]. The Secretaries of State and the First Commissioner of the Admiralty would receive their discharge or *quietus* from the Treasury once the necessary receipts had been received and given to the Treasury. Crucially, they had to swear an oath in person before the Barons of the Treasury, testifying to the veracity of the accounts based upon these receipts. These receipts from ambassadors and others had to be provided to the Exchequer within three years of the money being issued to obtain a *quietus*. The receipts for monies received from the Secretaries of State and the First Commissioner of the Admiralty which formed the basis upon which a charge was created against officials in foreign postings, were sufficient, once the handwriting had been verified, to “acquit and discharge the said Secretary or Secretaries, or First Commissioner of the Admiralty, in their said Account at the Exchequer” [22 Geo. III, c. 82, Section XXV]. The accounts for secret-service monies, with receipts for spending, now required to be submitted by Secretaries of State to the Treasury, and thence to the Audit Office, were in the form of the traditional charge-and-discharge accounts. In Figure 1 below, the account and the oath which accompanies it is typical of foreign secret-service accounts provided after Burke’s Act in 1782 and after refinements contained in 45 Geo. III, c. 76 in 1805.

Should it be necessary for the Secretaries of State or the First Commissioner of the Admiralty to use money issued for foreign secret service for domestic purposes, an acquittance would be granted if they swore the following oath [22 Geo. III, c. 82, Section XXVII] before the Barons of the Exchequer:

I A.B. do swear, That the Money paid to me for Foreign Secret Service, or for Secret Service in detecting, preventing, or defeating, treasonable, or other dangerous Conspiracies against the State..., has been *bona fide*, applied to the said Purpose or Purposes, and to no other: and that it hath not appeared to me convenient to the State that the same should be paid Abroad. So help me GOD.

In 1805, soon after the union of Britain and Ireland, a similar provision was included in civil-list legislation for secret-service payments by Commissioners of the Lord High Treasurer in Ireland to the Under Secretary for Civil Affairs in the Office

**FIGURE 1**

**General Account of the Monies issued and received  
by the Right Honourable Earl Bathurst, late His Majesty's  
Principle Secretary of State for Foreign Affairs, under the  
Head of Secret Service from 1st November 1809 to the 14  
March 1810**

<i>Charge</i>		<i>Discharge</i>	
	£		£
By Balance received from the Right Honourable George Canning	397.19.4	Expended by William Hamilton as per receipt	24,067.9.3
By Exchequer Issues during said period	30,000.0.0	To Foreign Ministers	168.5.8
To pay the fees thereon	768.10.0	Deducted at the Treasury and Exchequer for Fees	768.10.0
		Balance transferred to M. Willerby as per Receipt	6162.4.5
	<b>£31,166.9.4</b>		<b>£31,166.9.4</b>

"The Right Honourable Earl Bathurst, this Accountant maketh oath that the above Accounts to the best of his knowledge and belief are true and just" (25 June 1812).

Source: A.O. 3/949

of the Chief Secretary. To enhance parliamentary control over secret-service payments for rebellious Ireland in "detecting, preventing or defeating treasonable or other dangerous Conspiracies against the State," an acquittance was to be granted for the Under Secretary who had been given the secret-service money after making an oath very similar to that required of officials in England. Unusually, and recognizing the fraught conditions in Ireland, receipts or other documentation were not required, only that the Under Secretary affirmed by oath before the Barons of the Exchequer in Ireland that the money given to him had been "*bona fide* applied to such Purposes" as approved and that the spending of the money for these purposes had been approved [45 Geo III, c. 76].

For the officials, most often an ambassador, who had paid foreign agents, for which documentary evidence would have been most unusual, a *quietus* would be given if within one year of arriving back in England, they either returned any money

received to the Exchequer or made the following oath [also see A.O. 19/118] before the Barons of the Exchequer:

I A.B. do swear, That I have disbursed the Money, instructed to me for Foreign Secret Service, faithfully, according to the Intent and Purpose for which it was given, according to my best Judgment, for his Majesty's Service, So help me GOD.

No further documentation was required. The discharge was given by the Treasury through the Upper Exchequer, or Exchequer of Accounts, which had the authority to summon before it most officials who performed the role of public accountant; that is, the individual held accountable by Parliament for money spent by the executive. The Upper Exchequer also recorded the details of the accounts of the public accountants. Once the *quietus* had been given by the Upper Exchequer, this was the final authority. No matters could again be raised in relation to the accounts and monies nor could they be challenged by the courts [Binney, 1958, p. 189].

In most cases when no documentation was provided by the sources of intelligence who ultimately received the secret-service monies, whether full-time spies or unofficial agents for whom anonymity may have been a matter of life and death, the oaths required of accountable officers associated with the secret services assumed great importance. The oath in effect at times substituted for the documentary evidence which was required when accounting for other civil-list spending and mirrored oath taking in the courts and elsewhere. The oath that accompanied the accounts fulfilled an important auxiliary role in the accounting process by providing Parliament and the Treasury with an additional assurance that the accounts were a "true and just" rendition of how the secret-service money had been used. The practice of taking an oath to attest to the veracity of accounts and the fidelity of actions was very widespread, to be found wherever an account of any significance was to be given. Indeed, swearing an oath and relying upon the integrity of the authorized officials was an essential accounting control. Thus, inspectors of accounts working on behalf of the Board of Audit also were required to take an oath [Commissioners for Auditing the Public Accounts, 1786]:

...not to permit, suffer, or conceal, any fraud whatsoever in any accounts intrusted to your care. In all Accounts... you shall see that they are carefully and faithfully examined, drawn, and prepared for Auditing; giving therein

to no Accountant any allowance but such as shall be duly and regularly vouched and allowable according to the custom, method, and rules of the Exchequer.

The influential Lord Shelburne in the late 18th century was far less convinced of the efficacy of oaths as an accounting control, preferring instead the rendering of accounts in a public forum, with the one notable exception of secret-service accounts. He observed [quoted in Binney, 1958, p.269] that he had:

...found by experience that this is the grand principle of economy and the only method of preventing abuses; far better than oaths or any other checks which have been devised. Instead, therefore, of oaths there should be an obligation to print at the end of the year every expenditure and every contract, except in cases of Secret Service, which may be subject to checks of another nature.

Unlike the present, an oath had far greater social significance in the 18th century. The right to take an oath was both a mark of social position and provided a clear indication of the legal status of the matter for which the oath was made. Also, as much as the legal importance of the oath and its role as an administrative device, the ritual of taking an oath impressed upon persons the importance of what they were about to do. Most obviously taking an oath in court, in a form which has some religious significance, when giving evidence has long been the means by which courts are able to impress upon those involved the importance of their actions and statements; indeed, their very life might be in danger for a false declaration [Binney, 1958, p. 269]. In the 18th century, a time when everyone was expected to have a strong religious belief, the ritual of the taking an oath was in effect a solemn appeal to God testifying to one's truthfulness, which symbolized the expectation that any lies would not escape unpunished for to swear a false oath was to imperil one's soul.

## CONCLUSION

Given that the overriding concern of the civil-list reforms after 1782 was to protect the liberties of all Englishmen, any part of government which was allowed to continue to operate with a high level of secrecy and, thus, was a potentially potent means to threaten liberty was especially important. Even though profound accounting and accountability changes were made to the civil list after 1782, notably the appointment of commissioners for auditing the public accounts, the treatment of secret-service

spending in the Civil Establishments Act recognized that these reforms had their limits when it came to clandestine operations for which the giving of formal accounts for monies spent may be incommensurate with the clandestine nature of the services performed. The considerable opportunity that this allowed for abuse in the spending of secret-service funds did not escape the attention of Burke. Thus, the 1782 act contained a number of significant clauses which were concerned with the amounts to be spent on the secret services and, as a means to ensure that accountable individuals could be clearly identified, the procedure by which the money would be spent and accounted for. The provisions of the act that were related to the secret services sought to compensate for the unavoidable paucity of secret-service accounts by limiting the authority for secret-service spending to a very few senior offices and relying upon their integrity.

The concerns of this article have been limited to a period of time when the beginnings of modern systems of financial accountability for governments were established and were beginning to be more fully appreciated. Thus, the article provides the opportunity to prompt accounting historians to examine the subsequent evolution from the early 19th century of accounting for the secret services in Britain and other democratic states, although recognizing the obvious significant impediments that may be present to gaining access to information. These difficulties in and of themselves would prove the value of attempts to investigate whether and how secret services have been made accountable, but especially in the most chaotic and extreme political circumstances such as war when there is a well-demonstrated tendency for governments to become dangerously arrogant and the protections that mechanisms of financial accountability have provided for individual citizens are shown to be insufficient. The surprising, ongoing silence in the literature about the accountability of the secret services contradicts their significance in times of war or other national military emergencies, such as the 21st century "war against terror" by the U.S. and its allies, but especially the threat that abuses by insufficiently accountable secret services can have for the liberty of citizens in democratic states. The potency of this threat and the alacrity with which governments may be tempted to jeopardize the liberty of individuals, either for reasons of political self-interest or supposedly in the national interest, have been exposed many times throughout the war-ravaged 20th century and now into the 21st century. An enhanced understanding of accounting for secret services would also complement the work by researchers



such as Chwastiak [1999, 2001, 2006] and Gallhofer and Haslam [1991], who have exposed the importance of accounting in justifying war, providing opportunities for the military industrial complexes in states such as the U.S. and Britain to gain extravagant financial benefits from war and in excusing the excesses of war.

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