

HM Treasury

J S Beastall
Under Secretary



Parliament Street
London
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DAO(R) 5/92

21 May 1992

Dear Accounting Officer

AUDIT FEES FOR TRADING FUNDS AND ON-VOTE NEXT STEPS AGENCIES

The Comptroller and Auditor General has a statutory responsibility to audit the accounts of all Government Trading Funds and, once a Treasury Direction under Section 5 of the Exchequer and Audit Departments Act 1921 is in force, the commercial-style accounts of on-Vote Next Steps Agencies. Section 5 of the National Audit Act 1983 prevents the National Audit Office (NAO) from charging for any of this audit work without the consent of a Minister. This letter sets out the circumstances in which NAO should be paid for audit work.

Trading Funds

2. It is Government policy that where practicable Trading Funds should pay for the services they receive. Trading Funds should therefore make cash payments to NAO for the audit of their accounts. It is responsibility of each Trading Fund to check that NAO's charges are reasonable.

On-Vote Agencies

3. Departments and Agencies should not pay NAO for the audit of on-Vote Agencies. However, in order that the commercial-style accounts of on-Vote Agencies should show as full a picture as possible of their activities, such accounts should include a notional audit charge based on the full cost incurred by NAO.

4. NAO have agreed to provide the required cost information and will quote a fixed fee in advance, subject to change only where they have to undertake extra audit work as a result of developments within the Agency's control. Agencies should check that the proposed fees are reasonable.

Timetable

5. Trading funds which are already paying NAO should show the actual costs as a separate item in the notes to their accounts for 1991-92 and thereafter. Any Trading Funds which are not yet paying NAO, and on-Vote Agencies, should show the actual or notional costs, as the case may be, as a separate item in the notes to their accounts for 1992-93 and thereafter (or for 1992 onwards if they report on a calendar year basis).

Enquiries

6. Any enquiries about this letter should be addressed to Ian Thomson, Second Treasury Officer of Accounts, telephone 071-2704304 (GTN 4304).
7. This letter is being sent to Treasury-appointed Accounting Officers, their Principal Finance Officers and Agency Chief Executives only.

Yours sincerely

J S Beastall

J S BEASTALL
Treasury Officer of Accounts