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19 December 2003

Dear Accounting Officer

DAO(GEN) 17/03

AUDIT COMMITTEE HANDBOOK

Summary and Purpose

This letter advises departments about the publication of the final version of the "Audit Committee Handbook" (the "Handbook") following consultation with departments and a wide range of other central government bodies, the National Audit Office and other interested parties including professional institutes.

Action and Contacts

2. Accounting Officers are asked to note the following:
 - a. The Handbook provides a framework of policy principles for Audit Committees against which Accounting Officers may review their Audit Committee arrangements. The handbook indicates particular areas where the Accounting Officer should consider explaining departure from the principles (possibly in the Statement on Internal Control);
 - b. the Handbook contains further guidance under each of the Policy Principles which is intended to offer support in identifying ways in which the principle might be achieved;
 - c. The Handbook is available on both the GSI and public Treasury websites. The urls are respectively:
 - <http://www.hm-treasury.gsi.gov.uk/fmra/ACR/acrpublishations.htm>,and
 - http://www.hm-treasury.gov.uk/documents/public_spending_and_services/audit_and_accounting/pss_aud_index.cfm



- d. The Handbook is also being printed in glossy hard copy and should be available from late January 2004. Recipients of this letter are asked to place orders now for a supply of these.
 - e. Enquiries on the content of the Handbook should be addressed to Gordon Adam, Assurance, Control and Risk team: phone 020 7270 5788: e-mail gordon.adam@hm-treasury.gsi.gov.uk; orders for hard copies of the Handbook should be addressed to Gwin Trinh in the Assurance, Control and Risk team: phone 020 7270 5174, e-mail gwin.trinh@hm-treasury.gsi.gov.uk .
3. Accounting Officers are also asked to draw this DAO letter to the attention of appropriate staff in their departments and Executive Agencies, to the attention of the Chair of their Audit Committee, and to the attention of staff in their NDPBs.

Background

4. The purpose of developing the Handbook was to provide those responsible for establishing and appointing Audit Committees, and members of Audit Committees, with support in their respective roles. The Handbook aims to provide a principles based framework for Audit Committees in central government which acknowledges the differing extents to which bodies will be able to implement the principles and which offers flexibility in the implementation of the principles. The Policy Principles for Audit Committees which were first promulgated under cover of DAO(GEN)13/00 have, with slight amendment, been used to form that framework, and they are now superseded by the Handbook.
5. A draft version of the handbook was issued in April 2003 and a six month consultation period was allowed to ensure that the consultation was as wide as possible and that stakeholders had ample opportunity to consider fully the content of the draft.
6. The handbook has been developed based on the accountability structure of a department or Executive Agency. The different accountability structure of NDPBs means that an element of translation may be necessary for them.
7. The development of the handbook has included consideration of the relevant recommendation made in the Sharman Report (Holding to Account – The Review of Audit and Accountability for Central Government), and of the Higgs and Smith reports to the extent that their recommendations translate satisfactorily into the context of central government accountability structures

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