



DAO(GEN) 10/99

10 June 1999

Dear Accounting Officer

CORPORATE GOVERNANCE: THE TURNBULL REPORT

Purpose of this DAO

This letter, issued for information only, sets out how the Treasury proposes to take forward work on the Consultation draft on Internal Control issued by a working party established by the Institute of Chartered Accountants in England and Wales (ICAEW) (“the Turnbull Committee”).

Information

2. The Turnbull Committee (chaired by Nigel Turnbull of Rank Group plc) was established to provide guidance on Principle D2 of the Combined Code on Corporate Governance, and has recently issued a Consultation Draft on guidance for Directors. Principle D2 states that “The board should maintain a sound system of internal control to safeguard shareholders’ investment and the company’s assets”. Companies are already required to prepare a statement on their review of their systems of internal financial control as part of their annual accounts. That requirement was extended to Government departments, agencies and NDPBs for 1998-99. (DAOs 13/97 and 4/99 refer). The main issue arising from the Turnbull report is the proposal that the scope of this statement for companies should be widened to internal control. If this proposal is accepted, consideration will have to be given to whether there should be a similar widening of the scope of the statement for departments, agencies and NDPBs and the implications of doing so. This would mean that all control, including control in operational and policy making systems would come within the scope of the Accounting Officers corporate governance statement.

3. The Consultation draft - available from the ICAEW and on the Internet at [www.icaew.co.uk/internal control](http://www.icaew.co.uk/internal%20control) - is addressed to the private sector and the Treasury does not propose to respond (although this does not prevent departments agencies or

NDPBs from responding if they wish to do so). The Treasury is however beginning to consider the broad principles of the consultation draft and the extent to which existing guidance already reflects them. It will also consider experience with the current requirement for a statement on the system of internal financial control.

Action and Enquiries

4. Departments should draw this letter to the attention of relevant staff, and ensure that it is sent to any executive agencies, NDPBs, or other subsidiary bodies for which they are responsible.

5. I will write to Principal Finance Officers later in the year setting out preliminary observations and inviting their comments. In the meantime I should be grateful if any responses made to the Consultation draft are copied to Gordon Adam, APA, Room 74a/1 here in the Treasury (GTN 270-1683) who will answer questions or enquiries on any aspects of corporate governance.

GLENN HULL
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