



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

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To: Chief Executive Officers of National Banks, All Examining Personnel, and Comptroller's Handbook Subscribers

The enclosed booklet, "Internal and External Audits," replaces a similarly titled booklet issued in July 2000 as part of the *Comptroller's Handbook* series. Bankers, examiners, and handbook subscribers should discard the 2000 booklet.

Well-planned, properly structured, and independent auditing programs are essential to effective risk management and adequate internal control systems. Highly publicized scandals involving breakdowns in audit functions and the oversight of those functions by the board of directors and audit committees have highlighted the importance of strong audit programs. This revised booklet has been restructured and reorganized to emphasize and clarify the OCC's expectations for auditing functions in national banks.

The revised booklet also incorporates issues related to recent events and current directions regarding internal and external audits within the financial, audit, and regulatory industries. Specifically, the booklet discusses auditor independence issues raised by the Sarbanes-Oxley Act of 2002, implementing rules and regulations of the U.S. Securities and Exchange Commission, and the recently revised "Interagency Policy Statement on Internal Audit and Its Outsourcing."

If you have any questions regarding this booklet, please contact the Core Policy Division at (202) 874-5350.

To order additional copies of the booklet, please send your request and \$15 for each booklet to the Office of the Comptroller of the Currency, Attn: Accounts Receivable, 250 E Street SW, Mail Stop 4-8, Washington, DC 20219, or you can order on-line on the OCC's Web site at <http://www.occ.treas.gov/>