



Department of
**Health, Social Services
and Public Safety**

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AN ROINN

**Sláinte, Seirbhísí Sóisialta
agus Sábháilteachta Poiblí**

MÁNNYSTRIE O

**Poustie, Resydènter Heisin
an Fowk Siccar**

Subject:
Statement on Internal Control – Additional guidance

Circular Reference: HSC(F) 20/2010

TRIM REF: DH1/10/61997

Date of Issue: 15 April 2010

For Action by:
Accounting Officers of all HSC bodies

Related documents:
FMD 13/2010

For Information to:

Superseded Documents:

Expiry Date:

Summary of Contents:
Additional guidance on the SIC, particularly on the role of the Audit Committee

Status of Contents:
Action

Enquiries:

Any enquiries about the contents of this Circular should be addressed to:

Implementation:
Immediate

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STATEMENT OF INTERNAL CONTROL

1. The purpose of this circular is to draw your attention to a recent DAO issued by DFP on the Statement of Internal Control (SIC). This DAO is attached at Annex 1
2. The DAO refers to recent guidance issued by the National Audit Office on the role of the Audit Committee and details the purpose and content of the SIC along with the advice on the Audit Committee's role.
3. Of particular relevance is para 5 and 6 of the attached DAO which highlights the importance of Significant Internal Control Issues. This guidance draws attention to the 6 key tests as possible indicators of significant internal control weakness:
 - a) Might the issues seriously prejudice or prevent achievement of a PSA target?
 - b) Could the issue have a material impact on the accounts?
 - c) Could the issue divert resources from another important aspect of the business?
 - d) Does the Audit Committee advise it is significant?
 - e) Does internal or external audit regard it as significant?
 - f) Could the issue, or its impact, attract significant public interest, or seriously damage the reputation of the organisation?
4. This circular should be read in conjunction with HSC(F) 13-2010, which also lists key indicators. (b) & (f) are additional indicators not listed in HSC(F) 13-2010.

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DAO (DFP) 02/10

25 March 2010

Dear Accounting Officer

STATEMENT OF INTERNAL CONTROL 2009/10

Purpose

1. The purpose of this letter is to alert readers to the advice to Audit Committees issued from the National Audit Office in January 2010: The Statement of Internal Control: A Guide for Audit Committees.
2. This letter supplements DAO (DFP) 09/08 and should be read in conjunction with Annex 4.16 of Managing Public Money NI which was issued by DFP in June 2008.

Background

3. The Accounting Officer must provide an assurance that the Departmental resources are being properly controlled and managed. The Statement of Internal Control (SIC) is an important document in communicating these assurances to the NI Assembly. Although the NIAO do not provide an audit opinion on the content of the SIC, it is subject to NIAO review to ensure that it has been prepared in accordance with Government guidance and that it is consistent with the auditors' knowledge of the Department.
4. The Statement of Internal Control: A Guide for Audit Committees includes details on the following:

Part One: The purpose and content of the SIC;

Part Two: The NAO's approach to the audit of the SIC;

Part Three: How can the Audit Committee add value?

Appendix One: Contents of the SIC;

Appendix Two: Roles and responsibilities in preparing the SIC.

5. Particular attention should be given to the Significant Internal Control Issues in Appendix One as this is an area that lacks consistency of approach throughout the NICS. The Statement of Internal Control: A Guide for Audit Committees refers to the 6 tests listed in Managing Public Money as possible indicators of significant internal control weakness:
- Might the issues seriously prejudice or prevent achievement of a PSA target?
 - Could the issue have a material impact on the accounts?
 - Could the issue divert resources from another important aspect of the business?
 - Does the Audit Committee advise it is significant?
 - Does internal or external audit regard it as significant?
 - Could the issue, or its impact, attract significant public interest, or seriously damage the reputation of the organisation?
6. The NAO then comment “Disclosure of significant internal control issues should be full and frank, covering how the issue arose and the remedial actions taken and planned. Progress against planned actions should be updated in subsequent years.”

Action and Enquiries

7. The content of this letter should be drawn to the attention of relevant staff in your Department, agencies and non departmental public bodies, and in particular to the Board, Audit Committee, Internal Auditors and other assurance providers. As Accounting Officer you should ensure that appropriate arrangements are in place for handling information, particularly personal information and that sufficient assurances are provided to enable you to complete the SIC for accounts for the 2008/09 financial year onwards.
8. Enquiries should be addressed to Colin Evans on 028 91277633 (GTN: 69033) (email: colin.evans@dfpni.gov.uk). The Statement of Internal Control: A Guide for Audit Committees can be found on the AASD website: <http://www.aasdni.gov.uk/pubs/MISC/National%20Audit%20Office%20-%20The%20Statement%20on%20Internal%20Control%20-%20A%20Guide%20for%20Audit%20Committees.pdf>

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