

## ANNEX 2

### Statement on internal control

Annex 2.1 The wording which is not in *italic* script in this pro forma Statement of Internal Control (SIC) should be replicated in every SIC, the words in *italic* script being amended as appropriate to the body in question. **Bold** script indicates a rubric which should be fulfilled in a way appropriate to the actual processes in place in the body to which the SIC relates.

#### ***Scope of responsibility***

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of [Department Yellow's] policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money* .

*(Accounting Officers should add to this paragraph to provide an explanation of the accountability arrangements surrounding their role. In particular, they should comment on:*

*processes in place by which they work with/involve ministers on managing risk;  
inter-relationship of department/executive agency/NDPB ).*

#### ***The purpose of the system of internal control***

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in [Department Yellow] for the year ended 31 March [200X] and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

#### ***Capacity to handle risk***

[Describe the key ways in which:

**leadership is given to the risk management process;**

**staff are trained or equipped to manage risk in a way appropriate to their authority and duties. Include comment on guidance provided to them and ways in which you seek to learn from good practice.]**

#### ***The risk and control framework***

[Describe the key elements of the risk management strategy, including the way in which risk (or change in risk) is identified, evaluated, and controlled. Include mention of how risk appetites are determined. Explicitly include how risks to information are being managed and controlled as part of this process.

[Describe key ways in which risk management is embedded in the activity of the organisation.]

[Describe the key elements of the way in which public stakeholders are involved in managing risks which impact on them.] (This section should only be inserted by those bodies to which it is relevant)]

***Review of effectiveness***

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the Audit Committee [and risk committee, if appropriate] and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**[Describe the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the role of:**

**the Board**

**the Audit Committee**

**if relevant, the risk committee/risk managers/risk improvement manager**

**internal audit**

**other explicit review/assurance mechanisms.**

**Include an outline of the actions taken, or proposed to deal with any significant internal control issues, if applicable.]**