

**Each Accounting Officer makes a Statement on internal Control (SIC) in the resource accounts, setting out the key challenges and opportunities facing the organisation.**

**A.4.15.1** As chapter 3 explains, each Accounting Officer is responsible for maintaining a sound system of internal control. Risk management is a key component of this. It should be integrated into the organisation's financial management.

**A.4.15.2** The Statement on internal Control (SIC) is the standard way of bringing risk management within an organised structure for reporting and also for internal use. It should support the organisation's policies, aims and objectives whilst safeguarding its assets. The FReM has a proforma and guidance on completion.

**A.4.15.3** In drawing up the SIC, it is important to remember that an organisation's assets include assets such as information which may have limited financial value on the balance sheet but which should be handled accurately and securely. All information used for operational purposes and financial reporting purposes needs to be captured and processed accurately and to an appropriate quality standard, particularly where it is used by third parties or relied on by other parts of government. Personal and other sensitive information requires additional safeguards. The Accounting Officer and the board need comprehensive and reliable assurance from managers, internal audit and other assurance providers that risks, including information risks are being managed effectively.

**A.4.15.4** Material changes to the system of internal control during the year should be reflected in the SIC. If an element of the strategic risk management process has been absent for a material period of time in the year it should be reflected.

### Significant internal control issues

**A.4.15.5** The SIC should cover all the organisation's significant control issues. The Accounting Officer should use his or her judgement to distil the organisation's key concerns. Some tests are suggested in box A.4.15A, but the Accounting Officer's assessment should be paramount. The SIC should describe the action taken or proposed to correct weaknesses.

#### **box A.4.15A factors to consider in assessing candidates for the SIC**

- Might the issue 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?

**A4.15.6** If there is a special investigation about a significant internal control issue, and disclosure might prejudice its outcome, the SIC should record that full disclosure is not possible and explain why. In such cases, the organisation should tell its external auditor what might have been included.

### **External Audit**

**A4.15.7** The SIC is reviewed by external auditors as part of their financial statement audit to ensure it is consistent with the financial statements and the evidence gathered during their work. Where it is not, or where it is not compiled in accordance with the relevant guidance they will report that fact.