

*DEPARTMENT OF FINANCE AND PERSONNEL  
Central Finance Group  
New Building  
Rathgael House  
Balloo Road  
BANGOR  
Co Down  
BT19 7NA*

*Tel:028 91858150/Network: 68150  
Fax: 028 91858261/Network:68261  
Mobile: 0776 458 9036  
E-mail: david.thomson@dfpni.gov.uk  
and jill.downie@dfpni.gov.uk*

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**DAO(DFP) 26/02**

**16 December 2002**

Dear Accounting Officer

**INTERNAL AUDIT REPORTING: NORTHERN IRELAND AUDIT  
OFFICE [NIAO] ACCESS**

**Purpose**

1. The purpose of this letter is to bring to your attention some important principles associated with the reporting of internal audit work.

**Principles**

2. Full disclosure of internal audit work is crucial to the Comptroller and Auditor General's ability to form a sound opinion on departmental accounts. All final Internal Audit reports should be copied to the NIAO. Unscheduled audits that have not been included in the agreed work programme, such as special audit reviews, audit investigations etc; should lead to a final report, and

should be made available to the NIAO. In general the normal channels for communicating this information to the NIAO should apply: Departments should also agree with the NIAO a practical method for reporting short ad-hoc audit assignments.

3. DAO(DFP) 3/02 introduced the new “Definition of Internal Audit” and “Government Internal Audit Standards”. The purpose of the new definition and standards is to refocus Internal Audit in relation to risk management and corporate governance as well as promoting added value through a proactive internal consultancy role. Typical examples of the consultancy role would be on-going advice on systems under development and advice on establishing risk management procedures. It is unlikely, other than in exceptional circumstances, the new consultancy role for Internal Audit would come under the provisions of paragraph 2 above. A report on the consultancy work undertaken should be included in the written report to the Accounting Officer.
  
4. The Head of Internal Audit should provide a written report to the Accounting Officer timed to support his/her Statement on Internal Control. This report should also be made available to the NIAO. It should include the Head of Internal Audit’s opinion of the overall adequacy and effectiveness of the organisation’s risk management, control and governance process. The process includes control over any subsidiary bodies and the adequacy of the arrangements for internal audit in any subsidiary bodies. It should also:

- Disclose any qualifications to that opinion, together with the reasons for the qualification
  - Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies and accredited by Internal Audit
  - Draw the Accounting Officer's attention to any issues the Head of Internal Audit judges particularly relevant to his/her preparation of the Statement on Internal Control
  - Compare work actually undertaken with the work that was planned and summarise performance of the internal audit function against its performance measures and criteria
  - Comment on compliance with the Government Internal Audit Standards and communicate the results of the internal audit quality assurance programme.
5. In addition, the Head of Internal Audit should make arrangements for interim reporting to the Accounting Officer in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the formal annual report. The Head of Internal Audit should also provide information required by the Accounting Officer or Audit Committee on an ad hoc basis.
6. In all cases the Head of Internal Audit has the right of direct access to the Accounting Officer and therefore, is entitled to report any risk management, control or governance issue directly. Any significant issues arising during the audit process relating to serious financial concerns, systems weaknesses or regularity or propriety issues should be "fast tracked" to the Accounting Officer

by the Head of Internal Audit irrespective of whether the findings have been fully cleared at lower levels. Departmental arrangements may dictate that this is reported to or through the Audit Committee.

7. The Head of Internal Audit should determine the way in which audit findings will be reported, subject to the provisions of the Government Internal Audit Standards, and the requirements of the Accounting Officer and any third parties.
  
8. The Head of Internal Audit should set standards for reporting and should ensure that reports are issued promptly and within Departmentally agreed turnaround times, which should ensure timeliness. Departments should ensure that auditees give priority to agreeing reports and corrective action plans. Significant delays in agreeing reports should be communicated to the Accounting Officer/Audit Committee. NIAO may also need to have access to draft reports, which are still outstanding at the time, the Comptroller and Auditor General signs off the accounts. Draft internal audit reports should be made available to the NIAO on request and follow Departmental arrangements on reporting to the NIAO.
  
9. The Government Internal Audit Standards and the Government Internal Audit Manual provide comprehensive direction and guidance on internal audit reporting.

## **Further Action**

10. Departments should ensure that their executive agencies, Non-Departmental Public Bodies, and other sponsored bodies are made aware of this letter.

## **Enquiries**

11. Any enquiries on the content or application of this letter should be addressed in the first instance to Dennis Moore, Fraud and Internal Audit Policy, Room G2.7 Rathgael House Bangor, Email: [dennis.moore@dfpni.gov.uk](mailto:dennis.moore@dfpni.gov.uk) Tel: 028 9127 7033 (ext 69033).

**Yours sincerely**

*David Thomson*

**DAVID THOMSON**  
**Treasury Officer of Accounts**