

Annex A: Significant internal control issues

Note: This annex is derived from guidance produced by the Auditing Practices Board (now the Audit and Assurance Council of the Financial Reporting Council).

1. Where appropriate, the governing body should set out in the statement of internal control the details of any actions taken or proposed to deal with significant internal control issues. This is to deliver assurance that significant internal control issues are being addressed.
2. Although it is not possible to provide a definition to suit all contexts, because the significance may change depending upon the circumstances, the following indicators of a significant internal control issue should be considered.
 - a. The issue seriously prejudices or prevents achievement of a principal objective of the higher education institution (HEI).
 - b. The issue resulted in the need to seek additional funding to resolve it, or resulted in significant diversion of resources from other parts of the HEI.
 - c. The issue has led to a material impact on the financial statements.
 - d. The audit committee advises that it is significant in this context.
 - e. The head of internal audit reports it as significant for this purpose in their annual opinion.
 - f. The issue or its impact has attracted significant public interest or has seriously damaged the reputation of the HEI.