



Audit Committee

Minutes of the Meeting of 03 February 2021¹

Attendance & Declaration of Interests

Audit Committee:

Ms Patricia Byron (Chair), Ms Ilona McElroy, Mr Liam Irwin, Ms Anne Marie Walsh, Mr Gary Tobin.

Internal Audit (IA):

Mr Dermot Byrne (Head of Internal Audit), Ms Busola Laiyemo (Audit Manager & Secretary to the Committee)

The meeting was held virtually via Skype.

Declaration of Interests:

There was no declaration of interest in any item on the agenda for the meeting.

Agenda item 1 – Minutes and action points arising from the meeting of 07 December 2020

(i) Minutes

The Committee approved the minutes of the Audit Committee meeting of 07 December 2020.

(ii) Action points

The Committee noted that all the action points from the last meeting were actioned and scheduled for discussion under the respective agenda items.

Agenda item 2 – Progress of audits against plan

(i) Progress of 2020 IA Plan

It was noted that the Internal Audit work programme for 2020 is scheduled for completion in the first quarter of 2021. The Secretary outlined the progress of audit assignments on the work programme, with five out of the 10 audit assignments planned for the year completed and the remaining five at different stages of progress. A total of 358 of the 450 planned audit days were completed as at end-January 2021.

¹ A glossary of acronyms is included at Appendix B

Of the five audits currently in progress, three are nearing draft report stage, one is deferred until February 2021 and a draft terms of reference is being prepared for the final audit assignment.

The Committee noted that the level of progress was satisfactory considering the impact of the pandemic on the 2020 work program.

(ii) Draft Report: Audit of the New Government Banking System

The completion of the first phase of the project, which was to set up the Paymaster General (PMG) account with a commercial bank as per the Framework Agreement was acknowledged. The project management recommendations raised in the audit report about the second phase of the project and the progress of the Financial Management Shared Service (FMSS) project were also discussed.

Based on the Audit Committee's discussions, it was agreed that Internal Audit should get clarification from the Exchequer Section about the future trajectory and ownership of responsibility for the next steps of the project. An update should be provided at the next Audit Committee meeting (**action point 1**)

Agenda item 3 – Risk Committee presentation

The Chair of the Risk Committee, together with members of the Risk Team joined the Committee to give a presentation on the role of the Risk Committee, recent work and an outline of the main priorities for the year.

The Chair of the Risk Committee provided a briefing on the revision of the Risk Committee membership. The Risk Committee now comprises five standing members of the Executive Board and two Principal Officers who will serve on the Committee for a fixed period of time after which a staggered rotation will take place.

The work of the Risk Committee, and the Secretariat in relation to the risks register, the risk management framework, risk procedures manual and reporting to the Executive Board was also outlined. It was also noted that in parallel to the risk register process, other risk management systems such as weekly monitoring of the business plan and the budget risk assessment process every October are in place.

The Team outlined the work priorities of the Risk Team, including implementation of the eRisk system, currently in progress with on-going discussions between the Risk Team and OGCI. There is also a planned thematic review of the risk register and the proposed development of a risk appetite statement that will be fit for purpose for a government department. In response to this, the Audit Committee suggested engagement with the Governance Division of the IPA for assistance.

The Chair of the Audit Committee acknowledged that the information provided in the presentation is a useful background for focusing the work of the Audit Committee on the most critical risk areas. She thanked the Chair of the Risk Committee and the Team on behalf of the Audit Committee for the presentation and for the invitation to join the Risk Committee meeting at some stage during the year.

Agenda item 4 – External Quality Assessment presentation

The Chartered Institute of Internal Auditors (CIIA) carried out an External Quality Assessment (EQA) on Internal Audit in November 2020. The overall result of the EQA is that Internal Audit has achieved a high level of conformance with the IIA Standards and is in the upper quartile of the internal audit functions reviewed by the Chartered IIA as part of its external quality assessment process.

This means that Internal Audit conforms at an overall level with the International Professional Practices Framework for Internal Auditing and it is appropriate for the audit reports and other literature prepared by Internal Audit to state that it “conforms to the IIA’s Standards”.

The independent external assessor joined the meeting to speak to the key conclusions of the EQA. The Committee acknowledged the positive result of the EQA and the noted the recommended improvements to the Quality Assurance Improvement Programme. This was highlighted as an area where the Internal Audit Standards requires Internal Audit functions to regularly assess themselves with a view to continuous improvement.

The EQA Report documented the areas of strength and improvement that emerged from the independent survey and interviews with stakeholders.

The Chair thanked the assessor on behalf of the Committee for the EQA work and confirmed that the Committee will work with Internal Audit to address the areas for development identified in the report.

Agenda item 5 – Annual Secretary General (SG) Attendance

The SG noted that the year has been a test of the resilience of the operational system in the Department and he thanked the Committee and Internal Audit for the work done during the year. The Department's IT investments, as well as the work of the operations staff in the Corporate Office and HR, enabled a smooth set up of 93-95% remote working in the department.

The challenges of the last year impacted on the Department's risk appetite and the volatility of the environment makes the work of IA and the AC even more critical. The development of people skills is an emerging operational risk given the prolonged dislocation from the physical work interactions. Added to this, is the challenge of building the related potential physical and mental health issues into the management of the Department.

Overall, the department has responded to exceptional challenges in exceptional ways and seized the opportunities presented by the pandemic, particularly around the availability of senior management for Risk Committee meetings, given the absence of international travel for official business.

The Chair, on behalf of the Committee also briefed the SG on the key areas of assurance from the Committee's work during the year. The valued contribution of the members who rotated off the Committee during the year was acknowledged and the positive outcome of the EQA was highlighted. The plan to complete the ongoing audits on the Internal Audit work program for year 2020 was outlined. In addition, the Committee noted that the Comptroller and Auditor General's (C&AG) management letter did not raise issues of concern about the substance of the Appropriation Accounts that was of particular concern to the Committee. The progress of the Government Banking System project and plans to get clarity on the wider project management plans for the future of the project were raised. The presentation by the Risk Committee provided a line of sight on the work and plans of the Risk Section as a cornerstone of the work of the Audit Committee and assurance that the work of Internal Audit is strategic and adequate.

Agenda item 6 – Administration and annual reporting

(i) Freedom of Information (FOI) requests / Protected Disclosures update

The HIA confirmed that there was no FOI request received by the Unit since the last Audit Committee meeting.

There were also no Protected Disclosures notified to the HIA since the last meeting.

(ii) Audit Committee Charter

The Committee noted that the draft 2021 Charter in the Committee papers and that there is no significant difference from the 2020 Charter. The draft Charter was approved as final.

(iii) Audit Committee Annual Report

The draft Audit Committee annual report for 2020 was discussed. It was agreed that in order to give a complete picture and full record of activities in the year, the Chairman's statement that was being prepared should include a paragraph to set a context for the challenges faced because of Covid-19 in the year.

It was agreed that once completed, the Chair's statement should be added to the draft report. The report should then be circulated to the Committee members for comments before submission to the SG (**action point 2**).

Given the changes in business priorities, senior management and Audit Committee membership over the last few months, it was agreed that presentation to the Committee by Assistant Secretaries should resume in 2021, albeit not at every meeting. A schedule that takes account of key priorities should be prepared for 2021 (**action point 3**).

(iv) Internal Audit Annual Report

The HIA outlined the main sections in the Internal Audit annual report and provided a snapshot of the audit engagements in year 2020. It also outlines other Internal Audit activities during the year as well as interaction with other stakeholders.

(v) Internal Audit Service Level Agreement (SLA)

The HIA also gave the Committee a quick overview of the SLA and the appendix outlining the approved Internal Audit plan for 2021. It was noted that the review of the Appropriation Account process was already in the plan before the C&AG's management letter was received. The process was selected for audit because, based on multiannual Internal Audit Strategy, the area has not been recently examined by Internal Audit.

The Committee also noted that the audit of compliance with fiscal rules, which was previously on the draft plan presented to the Committee in December is currently not a critical priority. Instead it was agreed, to prioritise an audit of user-developed applications. Internal Audit has updated the 2021 plan accordingly and this is now appended to the Service Level Agreement for the year.

The HIA and the Secretary Generals of Department of Public Expenditure and Reform (DPER) and DFIN have signed the SLA.

Agenda item 7 – AOB

(i) Comptroller and Auditor General's Management Letter

It was noted that the C&AG's Management Letter has been received. This was reviewed by the Chair and based on discussions between the Chair and the HIA, it was decided that there was no significant issue for further consideration by the Committee in the letter.

The Committee noted that the substantive issue in the Management Letter was about the process rather than the health and accuracy of the Appropriation Accounts. It was agreed that Management comments, together with the

planned Internal Audit review of the process would address the issues raised in the letter and identify areas for further improvement.

(ii) Date of the next meeting

The date of the next meeting was agreed - Wednesday 28 April at 9:30 am.

Appendix A

Action Points Identified at the Audit Committee Meeting of 03 February 2021

No.	Action Required	By Whom	When
1	Internal Audit should get clarification from the Exchequer Section about the future trajectory and ownership of responsibility for the next steps of the GBS project and an update should be provided at the next Audit Committee meeting.	Secretary	Next meeting
2	The draft Audit Committee Annual Report should be circulated to the Committee members before submission to the SG.	Secretary	Before end-February
3	A schedule for the presentation of key business priorities and risks to the Committee by Assistant Secretaries should be prepared for 2021.	Secretary	Next meeting

Appendix B

Glossary of terms and acronyms

AC	Audit Committee
C&AG	Comptroller and Auditor General
CIIA	Chartered Institute of Internal Auditors
DFIN	Department of Finance
DPER	Department of Public Expenditure and Reform
EQA	External Quality Assessment
FMSS	Financial Management Shared Service
FOI	Freedom of Information
GBS	Government Banking Service
HIA	Head of Internal Audit
IA	Internal Audit
SLA	Service Level Agreement
SG	Secretary General