



Audit Committee

Minutes of the Meeting of 21 July 2021¹

Attendance & Declaration of Interests

Audit Committee:

Ms Patricia Byron (Chair), Ms Ilona McElroy, Mr Liam Irwin.

Apologies: 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 WebEx.

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 28 April 2021

(i) Minutes

The Committee approved the minutes of the Audit Committee meeting of 28 April 2021.

(ii) Action points

The Committee noted that all the action points from the last meeting were actioned. The survey of Risk Committees and Audit Committee arrangements in other Government Departments was discussed under agenda items 4(ii).

¹ A glossary of acronyms is included at Appendix B

Agenda item 2 – Progress of audits against plan

(i) Progress of 2020 IA Plan

It was noted that nine out of the 10 assignments on the Internal Audit work programme for 2020 were completed. The final assignment, the review of risk management maturity is progressing slower than planned due to delays in receiving information from the relevant Sections. It is however expected that the review will be completed before the next Audit Committee meeting. It was confirmed that the delay in completing the review would not have an adverse impact on the delivery of the current year's audit work programme.

(ii) Progress of 2021 IA Plan

The Committee noted that the current year plan provides 300 audit days from Quarter 2 to Quarter 4. It was noted that two of the audits planned for the year were in progress. The Terms of Reference for the review of the DFIN's response to Covid-19 were discussed under agenda item 2(iii) below. It was also noted that planning is in progress for the review of the Appropriation Accounts process

The Secretary also outlined the changes made to the 2021 Audit work programme at the request of Management. The two audits on the plan for Human Resources Section are now postponed and the scope of the review of DFIN's response to Covid-19 has been broadened. This leaves four assignments on the 2021 work programme. The number of audit days allocated to each assignment has been adjusted accordingly.

The HIA noted that the Corporate Office has been informed that IA would be happy to take on any additional assignment that will be a useful substitute subject to the availability of capacity. The general approach is to adopt an argyle planning methodology that builds flexibility into annual work programme. This allows Internal Audit to re-direct their focus towards emerging strategic issues that required audit attention.

(iii) Draft Terms of Reference: Review of DFIN's response to Covid-19

The auditor assigned to this review joined the meeting to provide details of the scope of the review. The review involves an examination of contribution of different Divisions across the Department, including remote working arrangements. It was noted that the review is timely as it provides an opportunity to consolidate the learning from the different activities that occurred in the Department in response to Covid-19.

(iv) Draft Report: Review of the implementation of FATF recommendations

The auditor assigned to carry out this audit joined the meeting to speak to the report and highlight the main findings in the report. It was recalled that this audit was initially proposed in 2018 but it was decided at the time to push it back to allow for the completion of the FATF follow up review in 2019.

It was noted that implementation of the FATF Recommendations requires action on the part of other organisations and that DFIN's role is largely that of coordination of those actions. The public profile of this area of work was discussed and it was clarified that failure to deliver on the implementation of the Recommendations posed a risk to Ireland Inc. The Committee noted that out of the 40 Recommendations, there are currently only seven partially compliant recommendations and this reflects the cooperation of all the parties involved in the implementation of the FATF recommendations.

It was clarified that the role of Internal Audit does not include the development of policy or legislation. However, recommendations in relation to improvements in governance, internal controls, etc. are well within the remit of the IA function. The Committee noted that Management accepted all the Internal Audit recommendations and some were already implemented. Progress with the implementation of the recommendations will be monitored through the recommendations tracker as per usual practice and the draft report was approved.

Agenda item 3 – Assistant Secretaries presentation

The Director with responsibility for Climate and International Finance Division joined to meeting to give a presentation on the key areas in the Division for the Audit Committee's information. He outlined the Division's work in relation to international financial institutions and the risks facing the State in that regard. The risks posed by further waves of Covid on funding and other risk areas were also outlined.

In addition, the role of Division in the State's climate change agenda was outlined. The overarching EU targets and the Programme for Government commitments in relation to renewable energy, reduction of greenhouse gas emissions and climate targets were summarised. The Department's role in financing investments that can deliver the targets and collaborating with the other Government Departments and organisations were outlined.

The overall role of the Division in managing relationships with the World Bank, IMF EIB and other international financial institutions as well as the Department of Foreign Affairs, the Central Bank of Ireland and other Irish institutions was also discussed. The impact of Covid-19 on these relationships, particularly in relation to the restriction of international travel and the default to virtual meetings was also highlighted.

Finally, the Division's responsibility for Risk and Compliance, including Data Protection for the Department was outlined. The on-going project on development of an eRisk register and the other items on the Risk & Compliance Section's plan were discussed.

The Committee acknowledged the wide span of the responsibilities of the Division and the usefulness of the presentation in providing information to guide the Committee towards the key areas where assurance should be sought. On behalf of the Committee, The Chair thanked the Director for the comprehensive presentation

Agenda item 4 – Audit Committee administration

(i) Risk Committee update

The Audit Committee member who attended the recent Risk Committee meeting gave a confirmation that the discussions at the meeting were generally in line with the briefing note include in the Audit Committee papers. Their attendance at the Risk Committee meeting provided a feel for how risks areas are identified for inclusion in the register, how changes in risk ratings are discussed and how the decision to remove risks from the register is arrived at. It also provided an opportunity to observe the robustness of discussions and the way that those discussions feed into the work of the Audit Committee.

The Secretary also briefed the Committee on the recent development of having standing members on the Risk Committee. It was noted that this provides a mechanism for continuity of discussions from one meeting to the other.

The Committee noted that Risk Management is an area that matures over time and the assurance that this crossover between the two Committees provides was acknowledged and satisfactory. Given that the Risk Committee is open to arranging Audit Committee members' attendance at one or two meetings in the year, it was agreed that Internal Audit should ask the Risk Committee for dates of the remaining meetings in 2021 (**Action Point 1**).

(ii) IA survey of Audit and Risk Committee models

Based on discussions at the April 2021 meeting, it was agreed that the HIA should survey the Heads of Internal Audit Forum (HIAF) to establish the Audit Committee and Risk Committee arrangements in place in other Government Departments and Offices.

The auditor assigned to carry out the analysis of the survey responses joined the meeting for the discussion of the survey. The analysis included an examination of the responses from the organisations surveyed in response to the question of whether they have a combined Audit and Risk Committee (ARC). The respondents were also asked to provide a summary of any difference in the tasks of the ARC when compared to arrangements of a separate Audit Committee if applicable.

The overall conclusion from the survey is that:

- 80% of the organisations that responded to the survey (including ALL the Government departments that responded) have a separate Risk Committee and Audit Committee. They are generally satisfied with the arrangement and the level of connection between the two.
- The 20% of organisations with a combined ARC are not Government departments. They did not identify any significant difference in the responsibilities of their combined ARC when compared with the separate Risk Committee and Audit Committee model.

The Committee was satisfied that the arrangement in DFIN is comparable to those in other Government Departments.

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

The HIA confirmed that there was no FOI request and no Protected Disclosure in the period since the last Audit Committee meeting.

(iv) Internal Audit Recommendations Tracker

The Secretary provided an outline of Internal Audit Recommendations that were implemented since the last presentation to the Audit Committee as well as the status update for the open recommendations being progressed by the respective Divisions.

The high rate of completion of recommendations in the period since the last Audit Committee meeting was noted. It was acknowledged that this rate of completion reflects the appropriateness of the recommendations as well as effort on the part of Management to complete the recommended actions. The Committee asked that this acknowledgement should be conveyed to the relevant Section within the Department (**Action Point 2**).

It was also noted that some recommendations remained outstanding because their implementation require physical presence in the office, which has not been possible due to the on-going remote working arrangements. It was agreed to keep tracking the recommendations as per usual practice.

Agenda item 5 – AOB

(i) Date of the next meeting

The date of the next meeting was noted - Wednesday 13 October at 9:30 am. It was agreed that the meeting would be held virtually via WebEx.

Appendix A

Action Points Identified at the Audit Committee Meeting of 21 July 2021

No.	Action Required	By Whom	When
1	Internal Audit should confirm the dates of the remaining Risk Committee meetings in 2021 and communicate this to the Audit Committee members.	Secretary	Before the next meeting
2	Internal Audit should convey the Committee's acknowledgment of the high rate of completion of audit recommendations in the last quarter to the relevant Section within the Department.	Secretary	Before the next meeting

Appendix B

Glossary of terms and acronyms

ARC	Audit and Risk Committee
DFIN	Department of Finance
EIB	European Investment Bank
FATF	Financial Actions Task Force
FOI	Freedom of Information
HIA	Head of Internal Audit
HIAF	Heads of Internal Audit Forum
IA	Internal Audit
IMF	International Monetary Fund