



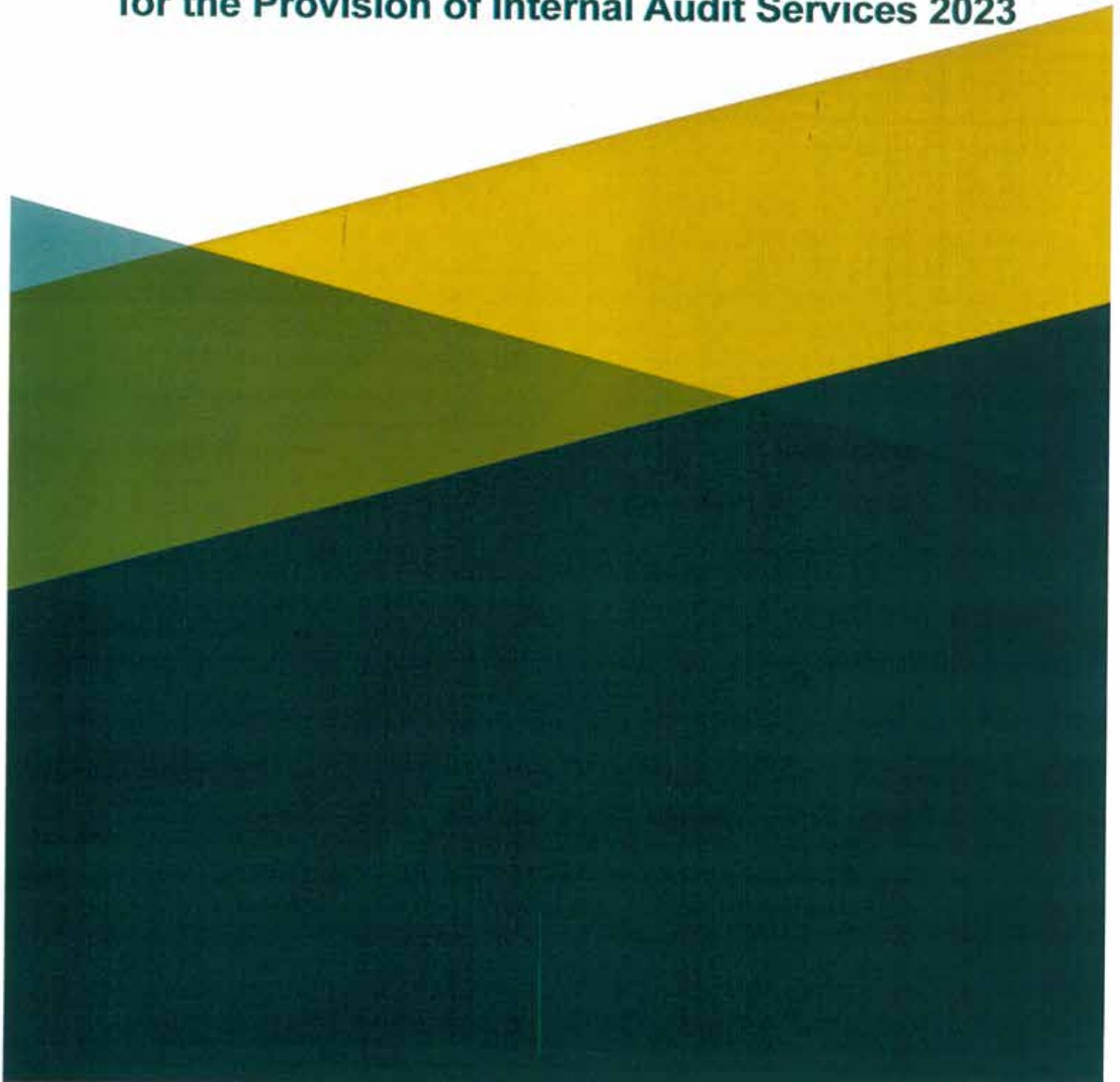
An Roinn Airgeadais  
Department of Finance



An Roinn Caiteachais  
Phoiblí agus Athchóirithe  
Department of Public  
Expenditure and Reform

**Internal & EU Audit Unit**  
**Department of Public Expenditure and Reform**

**Service Level Agreement**  
**with the Department of Finance**  
**for the Provision of Internal Audit Services 2023**



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# 1. Introduction

This Service Level Agreement (SLA) between the Department of Public Expenditure and Reform and the Department of Finance will regulate the business relationship between the two parties. It is in relation to the provision of internal audit (IA) services to Department of Finance by the Internal Audit Unit of Department of Public Expenditure and Reform. This agreement defines the levels of IA services and support to be provided to DFIN in 2023.

## **DEFINITION OF INTERNAL AUDIT:**

Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve the organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process<sup>1</sup>.

## **MISSION OF INTERNAL AUDIT:**

Enhance and protect organisational value by providing risk-based and objective assurance, advice and insight<sup>2</sup>.

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<sup>1</sup> Source: *International Professional Practices Framework of the Institute of Internal Auditors (Global)*

<sup>2</sup> Source: *As above.*

## 2. Services to be provided

### 2.1 IA Roles and Responsibilities

Consistent with the definition of internal audit, the role of IA shall be to evaluate adequacy of and compliance with the internal control systems, risk management and governance procedures operated by management in the Department of Finance.

IA shall be responsible for the review of the effectiveness of internal control and risk management arrangements in respect of the areas of responsibility of the Accounting Officer (Secretary General) of Department of Finance. The work of IA does not relieve line management of its responsibility for effective control of the activities for which it is responsible.

The Head of Internal Audit, in consultation with the Audit Committee and the Accounting Officer of the Department of Finance shall be responsible for drawing up an annual programme of audits having regard to that Department's Statement of Strategy and Risk Management Process. IA shall demonstrate objectivity, comprehensiveness and relevance in the selection of areas for inclusion in the audit programme.

IA shall function professionally, adhering to the Internal Audit Standards for Government Departments and Offices (2018) of the Department of Public Expenditure and Reform and taking account of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the International Standards of the Institute of Internal Auditors.

IA shall also endeavour to:

- a. Demonstrate value-added in audit findings and recommendations;
- b. Provide a quality, efficient and professional audit service;
- c. Be objective, independent and constructive in its work;
- d. Effectively monitor follow-up action taken to remedy weaknesses identified by internal audits;
- e. Collaborate with others by way of joint audits/examinations where appropriate.

### 2.2 Reporting

IA shall be independent of the activities it audits. This ensures an environment in which IA can make unbiased judgements and provide impartial advice to management.

The DFIN reporting lines for IA shall be:

**Primary:** To the Accounting Officer of the Department of Finance who has overall responsibility for the efficient and effective functioning of the Department.

**Secondary:** To the Audit Committee of the Department of Finance.



The role of the Audit Committee is to consider the adequacy and effectiveness of the Department's internal control systems, control environment and control procedures, to oversee the work of the IA function and to provide advice and professional guidance in relation to the systems of risk management and internal control within the organisation.

IA shall circulate papers relating to Audit Committee meetings not less than five working days in advance of each meeting. The Head of Internal Audit shall have direct access to the Chairman of the Audit Committee.

## **2.3 Steps in Approving an Audit Report**

- a. IA shall send the draft audit reports to the Division/Section being audited for comment.
- b. IA shall then incorporate comments received, replies to recommendations, and agreed action plans into the report.
- c. The report shall then be submitted to the Audit Committee for consultation and review as appropriate. IA shall incorporate the Audit Committee's comments into the report. This is the final audit report.
- d. IA shall send the final audit report back to Divisions/Sections for information and for formal sign off by the Principal Officer and Assistant Secretary (or equivalent) with responsibility for that area.
- e. IA shall then submit the report to the Accounting Officer of the Department of Finance and circulate it to the Corporate Affairs Section and to the Office of the Comptroller and Auditor General.

## **2.4 Obligations of Internal Audit**

With regards to managing relationships with Divisions in the Department of Finance, IA has the following general obligations:

- a. To conduct regular reviews of the risk register in order to ascertain the high risk areas within the audit universe; to consult with senior management of the Department in order to ascertain and prioritise audits for inclusion in the annual audit plan.
- b. To propose an annual audit plan to the Secretary General and the Audit Committee for consideration and approval.
- c. To ensure that the annual audit programme is completed while also allowing for contingency reviews or other urgent work to be undertaken when requested by the Accounting Officer and/or Audit Committee.
- d. To determine the scope and objectives of audit assignments in conjunction with the management of the Department of Finance.
- e. To notify relevant Line Management and the Corporate Affairs Section of the commencement of an audit.

- f. To provide Line Management in the Department with the opportunity to formally respond to draft audit reports.
- g. To issue a draft audit report detailing the adequacy of internal controls within two weeks after completion of the audit work regarding individual audited activities. Issuing the report is dependent on obtaining all relevant information and access to records from line management in the Department.
- h. To agree recommendations by way of a formal action plan with Line Management. Management comments and target dates for the implementation of the agreed action plans will also be included in the final report.
- i. To present the report to the next Audit Committee and to issue a final audit report for formal noting by the relevant Division within two weeks of the Audit Committee meeting.
- j. To maintain a register of outstanding audit recommendations and to update the Audit Committee and the Secretary General quarterly on the status of recommendations.
- k. To perform a follow up audit where appropriate, the purpose of which will be to ensure that recommendations and actions plans agreed with management have been implemented.
- l. To report progress on the audit work programme at least quarterly to the Department of Finance Audit Committee and explain significant variances in relation to performance targets.
- m. To identify, track and report operational problems which may occur.
- n. To adhere to the professional standards for audit including confidentiality, independence and objectivity.

## **2.5 Department of Finance Roles and Responsibilities**

The Department of Finance is responsible for the implementation and maintenance of an effective system of internal control and risk management.

IA shall derive its authority from, and will work under the general direction of, the Accounting Officer and the Audit Committee of the Department of Finance. The Head of Internal Audit will have the right of direct access to the Accounting Officer on all matters relating to internal audit.

## 2.6 Obligations of the Department of Finance

The Department of Finance has the following general obligations:

- a. To use IA services as defined in this SLA.
- b. To consult IA on all projects or programmes which have an impact on the demand for IA services.
- c. To make available all information relating to the Department, specific systems and processes, procedure manuals, regulations, laws, acts, risk analysis, etc. In this regard, the Department of Finance shall grant IA unrestricted access to all functional areas, records (both manual and electronic), property, and personnel in the performance of its audits.
- d. To inform IA of any significant concerns regarding risk management and/or control matters.
- e. To meet appointments, requests for information and deadlines for responses and recommendations.
- f. To provide responses to findings in audit reports within two weeks.
- g. To implement recommendations and action plans within agreed timeframes.
- h. To accurately and fully complete any Internal Audit Questionnaire(s) issued in a timely manner.

## 2.7 Protected Disclosures

In the event of the receipt of a Protected Disclosure by the Head of Internal Audit (HIA), he will contact the Department of Finance Audit Committee Chair to schedule a meeting of the Audit Committee.

The Audit Committee will discuss the Protected Disclosure and determine the most appropriate manner of review / investigation.



## **3. Agreed Work Programme**

### **Resources Available**

The Internal Audit Unit of the Department of Public Expenditure and Reform shall provide an internal audit resource of 330 audit days to the Department of Finance for new audits and other activities for the year 2023. A total of 110 audit days are in relation to three audits which were carried forward from the 2022 audit plan and will be completed in 2023. The Internal Audit Work Programme for 2023 was prepared having regard to Department of Finance Strategic Objectives, Risk Management Framework and other resources provided by management. See the Appendix for an outline of the Work Programme, which has been agreed with the Audit Committee.

## **Assessment of Service Provision**

### **3.1 Internal Audit Standards, Core Principles and Code of Ethics**

IA shall function professionally, adhering to the Department of Public Expenditure and Reform Internal Audit Standards (2018) and taking account of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the International Standards of the Institute of Internal Auditors. IA is committed to delivering quality internal audit services to the Department of Finance thereby assisting the Department to meet its business objectives. The service levels and their measurements are intended to assess whether or not the IA function is meeting performance levels necessary to satisfy the Department of Finance's business requirements.

### **3.2 Performance Monitoring Criteria**

IA performance will be evaluated in line with set criteria and any disputes over standards of performance will be evaluated on the performance indicators set out below:

- a. Reporting on recommendations accepted, turned into action plans and implemented. This will indicate the effectiveness of the service rendered by IA.
- b. Percentage of actual audit assignments completed against the annual audit plan. This will indicate the ability of IA to meet the Department's service expectations as well as the appropriate level of assurance to the Audit Committee.



### **3.3 Reporting by IA to the Audit Committee**

IA will report quarterly to the Audit Committee on the above performance monitoring criteria together with significant findings of audits carried out in the Department of Finance.

The audit work programme will be implemented having regard to the advice and guidance of the Audit Committee.

In line with protocols agreed between IA and the Risk & Compliance Section of the Department, IA will report quarterly to the Audit Committee on the status of all significant outstanding audit recommendations.

IA will provide an annual report of its activities to the Audit Committee and to the Accounting Officer.

## **4. Conflict Resolution**

Any conflict arising in relation to the audit work and the services to be provided under this agreement shall be resolved between the Accounting Officers of both Departments, in consultation with the respective Chairpersons of the two Audit Committees, where necessary.

## **5. Service Level Agreement Review**

The provisions of this agreement will be monitored by the Audit Committee of the Department of Finance throughout 2023 and will be reviewed annually by the Secretary General of Department of Finance, the Secretary General of Department of Public Expenditure and Reform and the Head of Internal Audit. The Audit Committee of Department of Finance will also provide input into the review mechanism. A review of the SLA and appended annual programme of audits will be undertaken annually.

## **6. Duration of the Service Level Agreement**

This SLA including the internal audit services listed above will be effective upon the date of signature by all parties and will continue until 31 December 2023. Service scope and performance targets will be reviewed annually prior to the commencement of the new audit year.

## **7. Amendments to this Agreement**

This agreement can be amended to add or remove IA services provided by IAU. Any such amendments shall be agreed by the Head of Internal Audit in consultation with the Audit Committee of Department of Finance and the Secretaries General of Department of Finance and Department of Public Expenditure and Reform.

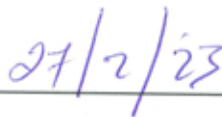
## 8.Approvals

This Service Level Agreement has been reviewed and approved by:

\_\_\_\_\_  
**David Moloney**  
Secretary General  
Department of Public Expenditure and Reform

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
**John Hogan**  
Secretary General  
Department of Finance

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
**Dermot Byrne**  
Head of Internal Audit  
Department of Public Expenditure and Reform

\_\_\_\_\_  
24<sup>th</sup> January 2023

\_\_\_\_\_  
Date



## APPENDIX: Planned Internal Audit Programme 2023

Department of Finance Summary Scoping Paper & Audit Activities - 2023						
#	Audit / Review Topic	Section / Division	Source	Proposed Quarter	Number of Days	Relationship to Risk Register (RR) / Statement of Strategy (SOS) / IA Strategy & Summary Scoping Note
	Carried forward audits from 2022 Plan					
1	Long haul travel	Cor. Affairs	Audit Committee	Q3/Q4	35	This topic was discussed at the December 2021 Audit Committee meeting. Postponed until Q4 2023 to achieve comparable 12 months travel with previous audit carried out in 2019.
2	Central Fund	Finance	C&AG ML / Audit Committee / Risk Register	Q1	45	TBC. The OCAG management letter for 2019 Finance Accounts recommends that this is an area that has not been audited in the last 3 years. Although it is not a high-risk area as per RR. IA will discuss with the Finance Unit the report the OCAG compiled on the Section 2 breach of the CAG legislation in relation to credit authorisation.
3	Cyber Security review (OGCIO)	Cor. Affairs	Risk Register	Q1	30	Procurement of external contractor to provide 3rd party assurance. Review of general cyber security arrangements on critical systems in DPER and DFIN.
	Total Audit Activities for carried forward audits from 2022				110	
	New audits for 2023 audit plan					
4	Suspense Accounts	Finance	IA Strategy	Q4	30	Controls, procedures and processes around and use of Suspense accounts.

**Department of Finance**  
**Summary Scoping Paper & Audit Activities - 2023**

#	Audit / Review Topic	Section / Division	Source	Proposed Quarter	Number of Days	Relationship to Risk Register (RR) / Statement of Strategy (SOS) / IA Strategy & Summary Scoping Note
5	Data Protection	Compliance	IA Strategy/DPO Request	Q3	35	Review of DP policy and application within the Department. Potential parallel review in DPER.
6	Risk Management	Compliance	Audit Committee / IA Strategy	Q1	30	Review of updates to procedures, policies, eRisk as a follow up to previous audit in 2020.
7	Freedom of Information (incl eFOI)	Cor. Affairs	Audit Committee / IA Strategy	Q3	35	Review of impact of updated legislation alongside policies, procedures applicable.
8	Use of Departmental Purchase Cards	Finance	Audit Committee / IA Strategy	Q4	25	Review of purchase card policy documents and controls
9	Protected Disclosures	Compliance	Audit Committee / IA Strategy	Q3/Q4	10	The scope will cover compliance with disclosure requirements and the impacts of the updated legislation in 2023
10	Cost of DFIN / DPER shared services	Finance	IA Strategy	Q2	55	Review of costings for all services received / provided under Shared Service arrangements between DFIN and DPER - there will be a parallel review of DPER costs and deliverables. (Examples of Shared Services include ICT/Audit provided by PER to FIN, Facilities Mgmt provided by FIN to PER - miscellaneous services to be identified as part of the audit)
	<b>Total Audit Activities for new audits 2023 audit plan</b>				<b>220</b>	

**Department of Finance**  
**Summary Scoping Paper & Audit Activities - 2023**

#	Audit / Review Topic	Section / Division	Source	Proposed Quarter	Number of Days	Relationship to Risk Register (RR) / Statement of Strategy (SOS) / IA Strategy & Summary Scoping Note
<b>Other Activities in 2023</b>						
A	Audit Committee Meetings				50	
B	Annual Planning & Reporting (including updated Strategic Plan)				20	
C	Tracking of Audit Recommendations				10	
D	Administration (including FOI Requests)				40	
<b>Total Days Allocated to Other Activities in 2023</b>					<b>120</b>	
Total Days Allocated to Other Activities in 2023					120	
Total Days Allocated for carried forward audits from 2022 audit plan					110	
Total Days Allocated for 2023 audits					220	
<b>Subtotal of Total Days Allocated</b>					<b>450</b>	



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