Annual Report of the Audit Committee\textsuperscript{1} of the Department of Finance for the year ended 31st December 2019

\textit{13 February 2020}

\textsuperscript{1} Submitted to the Accounting Officer in accordance with the Department of Finance Audit Committee Charter
2019 AUDIT COMMITTEE ANNUAL REPORT SUMMARY

MEMBERSHIP

Ms Patricia Byron - Non Executive Chairperson  
Ms Ilona McElroy – Non Executive Member  
Mr Liam Irwin – Non Executive Member  
Ms Emma Cunningham - Executive Member  
Mr John McCarthy - Executive Member

MEETINGS

14 February 2019  
02 May 2019  
23 July 2019  
15 October 2019  
12 December 2019

AUDIT COMMITTEE WORK PROGRAMME HIGHLIGHTS

Internal Audit and Control

- Approval of annual audit plan and monitoring of progress and completion of audits throughout the year

- Internal audit activity and reviews undertaken in the 2019 audit plan included:
  - Audit of Corporate Strategy Formulation and Business Planning
  - Audit of Workforce Planning
  - Audit of Health and Safety Incident Management
  - Review of the Implementation of the Third Language Scheme
  - Audit of Cyber security and disaster recovery arrangements
  - Audit of Management of Learning and Development
  - eDocs Records Management

In addition, the following audits from the 2019 audit plan are considerably advanced and will be finalised in the first quarter of 2020:

- Audit of Freedom of Information processing
- Review of the Implementation of Anti-Fraud Co-ordination Service
- Audit of Interaction with Tax Appeals Commission

The report of the Internal Audit Unit gives more detail on these audits.

- Review of audit report contents, findings, management responses and recommendations
- Monitoring of audit recommendations tracker report incorporating management responses.

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2 Membership as at 31st December 2019. Term of office of Non-Executive Chairperson, Mr Ambrose Loughlin ended in April 2019 and Ms Patricia Byron was appointed in his place.
Stakeholder interactions

- Interaction with the Comptroller and Auditor General representatives to discuss the 2018 audit report and related matters
- Annual discussion by the Chair with the Secretary General on the progress on internal audit issues and corporate governance in the past year.

Risk Management

- Review of current Risk Register and management dashboards and in particular how it informs the development of the internal audit plan.
- Updates on the Risk Committee meetings by the Head of Internal Audit.

Financial Management

Updates on financial management and government accounting developments including shared services in respect of human resources, payroll and pensions and purchase orders/procurement.
Chairperson’s Statement

As Chairman of the Audit Committee for the Department of Finance, I am pleased to present the Committee's annual report for 2019. The Committee works closely with the Internal Audit Unit and I wish to acknowledge the valuable contribution of that unit. The Committee is an important part of the overall control assurance framework within the Department and this report reviews the work of the Committee in 2019 and outlines the manner in which the Committee has sought to deliver on its key governance and assurance functions.

The Committee has an independent role in the provision of assurance to the Secretary General and this includes consideration of the adequacy and effectiveness of the Department's internal control systems, control environment and control procedures, overseeing the work of the Internal Audit Unit, providing advice and professional guidance in relation to the development of the Unit and the provision of advice and guidance in relation to the systems of risk management and internal control within the organisation.

The Committee met on a total of five occasions in 2019. In addition to the agenda items covering all aspects of the Committee’s role, management provided detailed briefings and presentations on a range of relevant issues impinging on structural and governance issues within the Department and this informed the work of the Committee and facilitated audit planning and reviews of audit reports, findings and recommendations.

On behalf of the Committee and on my own behalf, I would like to thank the internal audit staff for their work both on the quality and delivery of the audit programme and in supporting the work of the Committee over the year.

I would also like to thank colleague members of the Committee for their considerable time input in preparing for, and attending, the meetings and contributing their insights, experience and valued judgments on the wide range of issues that we have examined in 2019.

By challenging management and the internal audit function, the Committee has hopefully fulfilled its role in improving the governance environment, risk management and financial controls in the Department.

Patricia Byron
Chairperson
13 February 2020
1.0 Introduction

Under the provisions of the Audit Committee Charter for the Department of Finance, the Committee is required to report to the Accounting Officer on an annual basis after the end of a calendar year and, in any event, no later than the end of February.

This annual report covers the period from 1 January 2019 to 31 December 2019 during which time the Committee met on five occasions.

Good governance and effective control systems across all public service organisations including Government Departments are essential to protect the public funds and manage the limited financial and personnel resources.

The Committee will continue to assist and support the Accounting Officer and the Department by delivering effectively on its oversight and advisory mandate and through its interaction with senior and line management.

In addition to the annual reporting process, the Chairperson of the Audit Committee has a right of access to the Accounting Officer to report any significant issues that arise. The previous Chairperson met the Accounting Officer for an annual review of the Committee's work in April 2019. Also, the Accounting Officer attended the Committee meeting in October 2019.

This annual report from the Chairperson has been approved by the Committee.

2.0 Role of the Audit Committee

The role of the 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 Internal Audit and to provide advice and professional guidance; and
- To provide advice and guidance in relation to the systems of risk management and internal control within the Department.

In compliance with the Report of the Working Group on the Accountability of Secretaries General and Accounting Officers, the Committee met with the Office of the Comptroller & Auditor General in December 2019.

As specified in its Charter, the Committee does not have any executive role and is not responsible for any executive functions. It has no role in the detailed audit process or in signing off of audit reports.

3.0 Membership of the Committee

The composition of the Committee as at 31 December 2019 was:

- Ms Patricia Byron, non-executive member, member of the Central Bank Commission.
- Mr Liam Irwin, non-executive member, retired Revenue Commissioner.
- Ms Ilona McElroy, non-executive member, Partner, PwC.
- Mr John McCarthy, Assistant Secretary General and Chief Economist, Department of Finance
- Ms Emma Cunningham, Assistant Secretary General, Department of Finance

4.0 Role and Responsibility 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.²

The Internal Audit Unit (IAU) is based in the Department of Public Expenditure and Reform. A Service Level Agreement (SLA) between the Department of Public Expenditure and Reform and the Department of Finance regulates the business relationship between the two Departments in relation to the provision of internal audit services. The SLA for 2019 provided for 360 audit days being made available to the Department of Finance in order to undertake audit reviews and examinations consistent with the audit plan approved at the start of the year. In the event, 366 audit days were utilised, including a balance of 25 to be provided in 2020.

5.0 Role of Management

Management within the Department are responsible for the:

- Adoption and implementation of good governance arrangements
- Establishment of an effective control environment
- Review and maintenance of effective internal controls
- Compliance with risk management policy including the maintenance of integrated risk management structures
- Prevention and detection of fraud and irregularities and resolution of any such situation
- Support of the work of internal audit including the provision of information, responding in a timely manner to audit queries and appropriate implementation of audit recommendations

6.0 Review of 2019 Audit Committee activities

Committee Meetings

The Committee met on five occasions in 2019 as follows: 14 February, 2 May, 23 July, 15 October and 12 December 2019.

The initial part of each meeting is for the Chairperson’s business and the Committee members meet in a private session without the secretariat and Head of Internal Audit present. This allows the Committee to deliberate on matters arising on the agenda, the contents of meeting documentation and also provides an opportunity to discuss additional relevant matters and declare any conflicts of interest in relation to items on the agenda.

2019 Audit Plan

The Internal Audit work plan for 2019 was agreed by the Secretary General and the Audit Committee at the start of 2019. A progress report on this work programme was tabled at each meeting. This process worked well with the Committee kept apprised of the work underway and any delays in finalising the reports. The 2019 Audit plan included the following:

- details of ongoing audits carried over from 2018,
- new audit reviews proposed,
- follow up audits on issues raised by the Committee and validating the implementation of prior audit recommendations
- management and administration
- training and development

In terms of the reports presented, the Committee in general expressed its satisfaction with the quality and nature of the reports. The Committee questioned the auditors on the level of engagement of the units being

² Definition from the Institute of Internal Auditors UK and Ireland as quoted in the Public Financial Procedures - An Outline (2008, Section A5.12)
audited. Following consideration of all matters, including discussion with management responsible for the area under review, reports were accepted, amended or sent for further work.

Follow up arrangements are in place to validate implementation of recommendations whether through formal follow up audits or assurance confirmations by line management.

**Engagement with Assistant Secretaries**

The Committee commenced engagement with Assistant Secretaries (or Heads of Divisions) on a rotational basis during the year. The Assistant Secretaries provided an overview of a background of their Area of responsibility, their key priorities, challenges and risks. This has been very informative, especially for the non-executive members of the Committee. This schedule of presentations is to continue into year 2020.

**2019 Audit Reports**

The following table sets out the audits and reviews undertaken during 2019 and the status as at 31 December 2019.

<table>
<thead>
<tr>
<th>Planned Audit</th>
<th>Status at 31/12/2019</th>
<th>Date of presentation of final Report</th>
<th>Category of audit opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Strategy Formulation and Business Planning</td>
<td>Completed</td>
<td>Q2</td>
<td>1</td>
</tr>
<tr>
<td>Workforce Planning</td>
<td>Completed</td>
<td>Q3</td>
<td>1</td>
</tr>
<tr>
<td>Health and Safety Incident Management</td>
<td>Completed</td>
<td>Q3</td>
<td>2</td>
</tr>
<tr>
<td>eDocs Records Management</td>
<td>In Progress</td>
<td>Q1 2020</td>
<td>N/A</td>
</tr>
<tr>
<td>Review of Implementation of the Third Language Scheme</td>
<td>Completed</td>
<td>Q3</td>
<td>Consultative review*</td>
</tr>
<tr>
<td>Audit of cyber security and disaster recovery arrangements</td>
<td>Completed</td>
<td>Q4</td>
<td>Contracted out</td>
</tr>
<tr>
<td>Management of Learning and Development</td>
<td>Completed</td>
<td>Q4</td>
<td>2</td>
</tr>
<tr>
<td>Freedom of Information processing</td>
<td>In Progress</td>
<td>Q1 2020</td>
<td>N/A</td>
</tr>
<tr>
<td>Review of the Implementation of Anti-Fraud Co-ordination Service</td>
<td>In Progress</td>
<td>Q1 2020</td>
<td>Consultative review*</td>
</tr>
<tr>
<td>Interaction with Tax Appeals Commission</td>
<td>In Progress</td>
<td>Q1 2020</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Final audit reports, incorporating management’s comments, were provided to the Audit Committee as well as to the unit being audited, relevant senior and line management and the Accounting Officer. Final reports as well as minutes of the Committee meetings are also made available to the Comptroller and Auditor General.
Risk Management

Risk assessment and risk management continued to be a priority for the Department and the Committee in 2019. The risk status report of the Department shared with the Committee and the IAU has been helpful in focussing planned audit activity on “auditable risk “areas. As part of the Committee’s agenda, progress on identifying, assessing and addressing key risks and uncertainties will continue to be an important aspect of the interaction between the Committee and senior management. Specifically, the Committee has initiated plans to meet with the Risk Committee at least once in 2020 and it is hoped that this will continue into subsequent years.

7.0 Comptroller and Auditor General (C & AG)

The function of the C&AG’s Office is “to provide independent assurance that public funds and resources are used in accordance with the law, managed to good effect and properly accounted for and to contribute to improvement in public administration”.

In accordance with the Audit Committee Charter, a joint session was held with representatives from the C & AG’s office as part of the last meeting on 12 December 2019. Discussions took place on issues arising during the year, the C & AG’s Office audit plan for the Appropriation and Finance Accounts for the Finance group of Votes for 2019 and the Management Letters relating to the 2018 Audit.

The meeting also provided an opportunity to discuss areas of mutual interest. Assurances given about the C & AG’s Office interaction with Department staff and co-operation with the IA unit.

8.0 Assurance arrangements

The Committee, Internal Audit and the Comptroller and Auditor General are key elements of the overall control and assurance framework within the Department. In governance terms, the Committee and Internal Audit is increasingly seen as “the third line of defence” after the first line - individual line management and staff - and the second line - the business risk and control functions within each Division / Directorate.

The Committee welcomes the use of the control assurance / Internal Control Questionnaires as part of the Statement of Internal Financial Control process. The Committee also welcomes the ongoing work embedding risk management as enhancing these first and second “lines of defence”. These activities also assist in targeting Internal Audit resources to areas where greatest benefit is to be derived.

9.0 Audit universe and audit resources

The Committee wishes to emphasise the importance of maintaining and expanding, if possible, investment in internal audit expertise which is necessary to sustain a robust independent audit and assurance environment across the Department.

10.0 Acknowledgements

The Committee would like to thank the Secretary General and his secretariat, senior management and other colleagues in the Department for their co-operation and assistance during 2019. In addition the Committee would particularly like to acknowledge the work of the Head of the IAU in the Department of Public Expenditure and Reform, Mr Dermot Byrne, and his audit colleagues and in particular Ms Busola Laiyemo who was the Committee Secretary during the year.