



**An Roinn Gnóthaí  
Eachtracha agus Trádála**  
Department of  
Foreign Affairs and Trade

# **Audit Committee**

# **ANNUAL REPORT 2019**





## Table of Contents

1. Chairman’s Statement .....	3
2. Membership of the Audit Committee.....	4
3. Role of the Audit Committee .....	5
4. Observations and Recommendations of the Audit Committee.....	6
a. Financial Management.....	6
b. Audit Report Review and Tracking of Audit Report Recommendations.....	6
c. Fraud Register .....	8
d. Evaluation Review.....	9
e. Risk Management .....	9
f. Other Audit Committee Activity .....	10
Appendix 1 - Audit Committee Charter .....	13





## 1. Chairman's Statement

Secretary General,

It is my pleasure to present the 16th Annual Report of the Audit Committee of the Department of Foreign Affairs and Trade, which records the Committee's activities during 2019.

During 2019 the Audit Committee met on six occasions, including meeting with you in June. I also met with you separately on two occasions during the year. Some members of the Committee also attended the Heads of Mission Conference in January 2019. In February 2019 the Chair and two members of the Committee visited Ethiopia to see the work of the Department, and in July a member of the Committee attended the Global Ireland Summit, marking the first anniversary of the launch of Global Ireland 2025. The Committee's work plan for 2019 was fully implemented with many significant areas covered.

I attended a Management Board meeting in October when I updated the Board on the work of the Committee, highlighting the importance of a well and appropriately resourced Evaluation and Audit Unit to support this positive engagement and to help in providing assurance to the Committee.

Committee members are satisfied that the Department's systems and controls operate effectively. There are a number of areas that, by their nature, require ongoing attention, including risk management, tracking of audit recommendations, oversight of large and complex projects and fraud prevention.

The Committee also met with representatives of the Comptroller and Auditor General's Office during 2019 and noted the unqualified opinions provided in their reports on the audits of the 2018 Appropriation Accounts of both Vote 27 (International Co-operation) and Vote 28 (Foreign Affairs and Trade). Meetings with the Chief Financial Officer which took place during 2019 also provided the Committee with assurances regarding the work carried out to help strengthen controls in the Department.

In terms of Committee membership, Emer Daly retired from the Committee in February 2019, having served since 2012, and the Committee wishes to express its thanks to her for her commitment and excellent contribution to the work of the Committee and to the Department during that time.

Finally, I would like to thank the staff at all levels of the Department of Foreign Affairs and Trade who continue to deliver high standards of service to Irish citizens. I would also like to take this opportunity to thank staff in the Evaluation and Audit Unit for the ongoing support and valuable Secretariat service to the Audit Committee.

Jim O'Brien  
Chairman, Audit Committee  
Department of Foreign Affairs and Trade  
28<sup>th</sup> May 2020



## 2. Membership of the Audit Committee

Members of the Audit Committee are drawn from outside the Department of Foreign Affairs and Trade. They are appointed by the Secretary General of the Department. During 2019, the members of the Committee were:

**Mr. Jim O'Brien**      *Chairman*      Jim has been Chairman of the Audit Committee since July 2016 and is a retired civil servant, having last worked at Second Secretary General level in the Department of Finance, (Appointed as a Committee member in July 2014).

**Ms. Emer Daly**      *Member (retired)*      Emer is a chartered accountant and company director (Appointed as a Committee member in March 2012), Emer retired from the Audit Committee in February 2019.

**Ms. Mary Sutton**      *Member*      Mary is former country director for the Republic of Ireland at The Atlantic Philanthropies, and prior to that worked in Irish Aid and Trócaire (Appointed as a Committee member March 2017).

**Ms. Noeline Blackwell**      *Member*      Noeline is a solicitor and the CEO of the Dublin Rape Crisis Centre (Appointed as a Committee member July 2017).

**Mr. Louis Bradley**      *Member*      Louis is a retired chartered accountant having trained with KPMG, who worked for some time with UNICEF in New York. (Appointed as a Committee member July 2017).

**Mr. Anthony Hegarty**      *Member*      Anthony is a retired Chartered Accountant and former Chief Financial Management Officer and Head of the Financial Management Sector Board of the World Bank (Appointed as a Committee member in September 2018).

### 3. Role of the Audit Committee

The Audit Committee is formally appointed by, and advises, the Secretary General of the Department, who is the Accounting Officer for Votes 27 (International Cooperation) and 28 (Foreign Affairs and Trade). As appropriate, it advises the Minister for Foreign Affairs and Trade, and the Minister of State for the Diaspora and Overseas Development.

The Audit Committee is part of the governance framework, appointed to provide independent advice to the Accounting Officer regarding the suitability and robustness of the organisation's internal control systems and procedures, and is responsible to him/her for its performance in this regard.

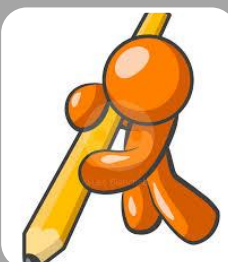
The Audit Committee has an advisory role with no executive functions, responsibilities or powers and has no role in approving evaluation and audit reports. It does not have any responsibility or involvement in the review and approval (on behalf of management) of annual financial statements for the Department's Votes.

The Committee provides an independent appraisal of the audit and evaluation arrangements, with a view to strengthening internal controls, fraud and risk management, as well as enhancing the effective operation of the audit and evaluation function within the Department. In particular, and in keeping with its Charter, the Committee:



#### Reviews

- the Department's evaluation and audit strategy and the annual work programmes arising from this
- the implementation of these programmes
- the resources available for this purpose




#### Examines

- reviews of the internal control systems and provides support, as necessary, to the Secretary General with the completion of the Annual Statement on Internal Financial Control to the Comptroller and Auditor General
- reviews of the risk management systems
- reviews of the fraud control systems

In line with the Department's Internal Audit Charter, the Head of the Evaluation and Audit Unit prepares an annual report on the activities of the Unit for the Secretary General, a copy of which is provided to the Audit Committee.

The Audit Committee meets with representatives of the Comptroller and Auditor General at least once a year. While the Committee has a good working relationship with the Office of the Comptroller and Auditor General, these meetings essentially involve the sharing of information and views. The Audit



Committee has no direct involvement in the annual audit of the financial statements for the Department's Votes conducted by the Comptroller and Auditor General.

The Audit Committee refers to guidance provided by the Department of Public Expenditure and Reform to ensure compliance on the role of Audit Committees in central government.

The Charter of the Audit Committee (see Appendix 1), which was revised in 2017 and reviewed in 2018, sets out its role and terms of reference.

## 4. Observations and Recommendations of the Audit Committee

### a. Financial Management

The financial parameters of the two Votes which comprise the Department's expenditure programmes are as follows:

2019	Revised Estimate (Gross) (€m)	Outturn (Gross) (€m)
<b>Vote 27 International Cooperation</b>	545	544
<b>Vote 28 Foreign Affairs and Trade</b>	271	266

The Audit Committee met with the staff of the Office of the Comptroller and Auditor General in February 2019.

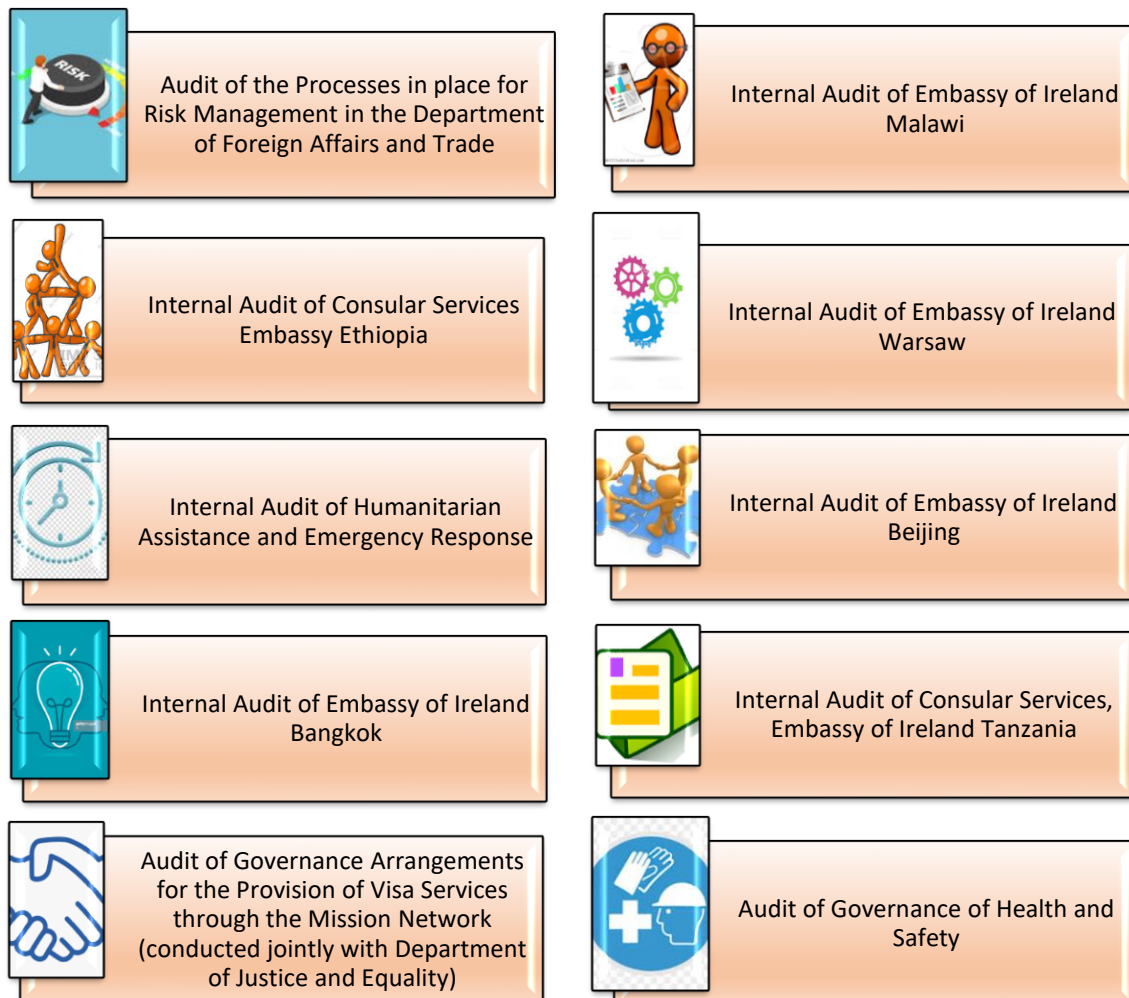
The Committee noted the unqualified opinion provided by the Comptroller and Auditor General in the reports on the audits of the 2018 appropriation accounts for both Votes 27 and 28. It was further noted that proper accounts were maintained and that a small number of management letter issues are being addressed. The Committee welcomed the very informative and helpful documentation provided by the staff of the Comptroller and Auditor General's office in advance of the meeting.

The Committee had two meetings with the Chief Financial Officer in 2019. During those meetings we received updates on steps to continue to strengthen financial management systems in the Department and welcomed the progress being made by the Chief Financial Officer and his team.

### b. Audit Report Review and Tracking of Audit Report Recommendations

The Audit Committee continued to monitor and track the implementation of audit report recommendations by management. We regard this focus on progress on the implementation of recommendations as important and as one of the means of assurance for the Accounting Officer that the control environment in the Department is maintained and improved where necessary. The Committee acknowledges that considerable progress was made during 2019. We note also that outstanding recommendations are the subject of ongoing management attention and we will, therefore, continue to monitor and track their implementation or note the acceptance by management, via the Risk Register, of the risks arising.

A total of ten internal audit reports were reviewed by the Committee during the year. It was noted that all recommendations made in audit reports were accepted by management. The Committee emphasised the importance of management's acceptance of recommendations and of the need to identify, via indicative timelines, when recommendations will be implemented. Internal audit reports reviewed during 2019 were as follows:




The Committee also received a report from the Head of Evaluation and Audit on implementation of the Unit's work plan for 2019, which we are satisfied was completed in line with the plan for the year.

During the year the Evaluation and Audit Unit performed formal follow up exercises on a number of previous internal audits and presented the following reports to the Committee:

- Review of Progress on Implementation of Recommendations in Audit of ICT 2015
- Follow up on Report of Department's Interaction with the National Shared Services Office
- Follow up on implementation of recommendations of audit of Embassy Warsaw

We welcomed the confirmation of progress on implementation of the recommendations in the three audits.



The Committee noted that opportunities for continued messaging of the need to maintain a robust internal control environment at Mission level were taken by the Department when events such as the Heads of Mission Conference took place. The 2019 Heads of Mission conference included a session that focused on this topic, as did training for officers taking up senior posts in Embassies abroad. In addition, trends arising in findings in internal audit reports, which had been noted by the Committee, were highlighted at these sessions. The Committee was pleased to note the emphasis placed at these sessions on reducing the handling of cash, the risk of duplicate payments to suppliers, reporting on suspicions of fraud and the advice provided on the need for vigilance when managing finance more generally.

The Committee notes that the Evaluation and Audit Unit provides for time in its work plans for the provision of advice when it is required by business units within the Department. In particular advice is given when decisions may arise involving increased risk, in addition to fraud issues and investigations. Committee members appreciate that the skills and experience which the Unit has, and continues to develop, is important as a support mechanism for the Department when advice is required. The Committee is also aware that it can be difficult to estimate exactly the time required in any given year to allow for this work and encourages sufficient contingency planning in this regard in annual work plans.

### **c. Fraud Register**

The review of the Department's Fraud Register was an agenda item at all of the Audit Committee meetings during 2019. The Committee was updated on changes to existing items on the Register, when new items were added and when existing items were removed and cases closed. We noted and welcomed the ongoing work by the Evaluation and Audit Unit to support and help in relation to fraud or alleged fraud investigations.

During 2019 the Unit established a dedicated fraud desk with an Officer appointed who is responsible for managing the fraud register and ongoing development of reporting on the fraud caseload to management, the Senior Management Group in Development Cooperation and Africa Division, the Management Board and the Audit Committee. This is a very positive step and we welcome that the Fraud Register is being developed further to help the Committee and management extract information in a way that helps show trends and any systemic issues that might arise. We welcome the progress during 2019 and the further work that is planned for 2020.

One of the key aims for 2020 is to undertake greater analysis of the information received to support the Department in identifying and addressing root causes of potential fraud, and strengthen management of programme risk.



#### d. Evaluation Review

The Audit Committee reviewed and discussed the following evaluation work during the year:



The Committee welcomed these evaluation reports, which inform members about key elements of the work of the Department. The Committee noted the lessons identified in the evaluation pieces and the value afforded to the Department by the findings.

#### **Irish Government Economic and Evaluation Service (IGEES): Evaluation and Audit Unit membership**

The Evaluation and Audit Unit is a constituent unit of the Irish Government Economic and Evaluation Service and is represented on its Internal Advisory Group. The Committee welcomes the active participation of the Unit in IGEES and supports it exploring the opportunities that the service affords for knowledge sharing and learning between Government Departments.

#### e. Risk Management

Risk management continues to be an area of significant focus for the Committee. During 2019 we continued to engage with the Chief Risk Officer and Department management on the risk management systems and processes in place across the Department. We met with the Chief Risk Officer and her team in February 2019, and reviewed risk registers for key divisions of the Department over the course of our six meetings during the year.

The Committee welcomes the progress made by the Chief Risk Officer and the Risk Management Committee Secretariat in embedding risk management across the Department and the Management Board's focus on strengthening risk management. We look forward to receiving updates on the evolution of risk management training across the Department, and the engagement with the Inter-Departmental eRisk Working Group on the Whole of Government work on risk.

## f. Other Audit Committee Activity



### External Quality Assurance Assessment of Internal Audit

Following the External Quality Assurance Assessment in 2018<sup>1</sup>, the Evaluation and Audit Unit developed an action plan to progress the recommendations and presented it to the Committee during the fourth quarter of the year. The Committee noted that a number of the recommendations were implemented during the year including the development and approval of an evaluation and audit strategy, and the appointment of the Director of Evaluation and Audit to the Executive Management Committee sub-committee of the Management Board.



### Meeting with the Director General of Development Cooperation and Africa Division

The Committee met with the Director General of Development Cooperation and Africa Division during the year. He briefed the Committee on the developments in the Division, including the challenges, risks and opportunities in implementing Ireland's new policy for international development, A Better World, which was launched in early 2019. The Director General also informed the Committee on progress in the implementation of the Standard Approach to Grant Management, which the Committee welcomed as a key element in the Department's management of risk. We valued the opportunity in September to meet with the team from the OECD Development Assistance Committee who were conducting the periodic Peer Review of Ireland's Development Cooperation Programme. We look forward to receiving a copy of the Peer Review Report when published.

In February 2019, some members of the Committee took part in a very informative trip to **Ethiopia** which provided an insight into how the systems and controls work, how risk is managed and how an Embassy functions in such an important and challenging region. The visit also provided the members with an opportunity to see how Ireland and the assistance it provides works on the ground and the impact it is having at project level. The visit gave the members a very good overview of the work of the Embassy, and aspects of the aid programme and provided an opportunity to interact with other donors as well as to engage with government officials.

<sup>1</sup> External Quality Assurance Assessment conducted in 2018 by EY (accountancy, audit, professional services firm) assessed the Department's Internal Audit function as 'Advanced', that it operates strongly against the IPPF standards and within the context of internal audit functions of comparable organisations.



### **Meeting with the Data Protection Officer**

The Committee welcomed the appointment of a new Data Protection Officer by the Department and was pleased to meet with him in September. He provided an update to the Committee on the implementation by the Department of the General Data Protection Regulation and reported the progress on implementing the recommendations of the GDPR Readiness Assessment conducted by Evaluation and Audit Unit in 2018. The Committee highlighted the significant financial and reputational risks to the Department of non-compliance with GDPR, and welcomed that GDPR is included at least quarterly on the agenda of the Management Board.



### **Meeting with the Director General of Corporate Services Division**

The Director General of Corporate Services Division met the Audit Committee to brief members on the issues and developments in his area of responsibility. These include Human Resources, ICT, Property Management, Security and Compliance. In addition, the Division has a central role in the opening of new missions across the world. We welcomed the update, recognising that the Division manages several areas of significant and dynamic risk for the Department, and that this briefing, together with the Evaluation and Audit Unit's reports on areas of the Division's work, helps to provide us with the reassurance that the Division and Department are identifying and dealing with the appropriate risks. The Committee noted that business continuity planning is an important consideration for the Department, given the Department's complexity and geographic spread, and looks forward to receiving an update on business continuity from the Department in 2020.



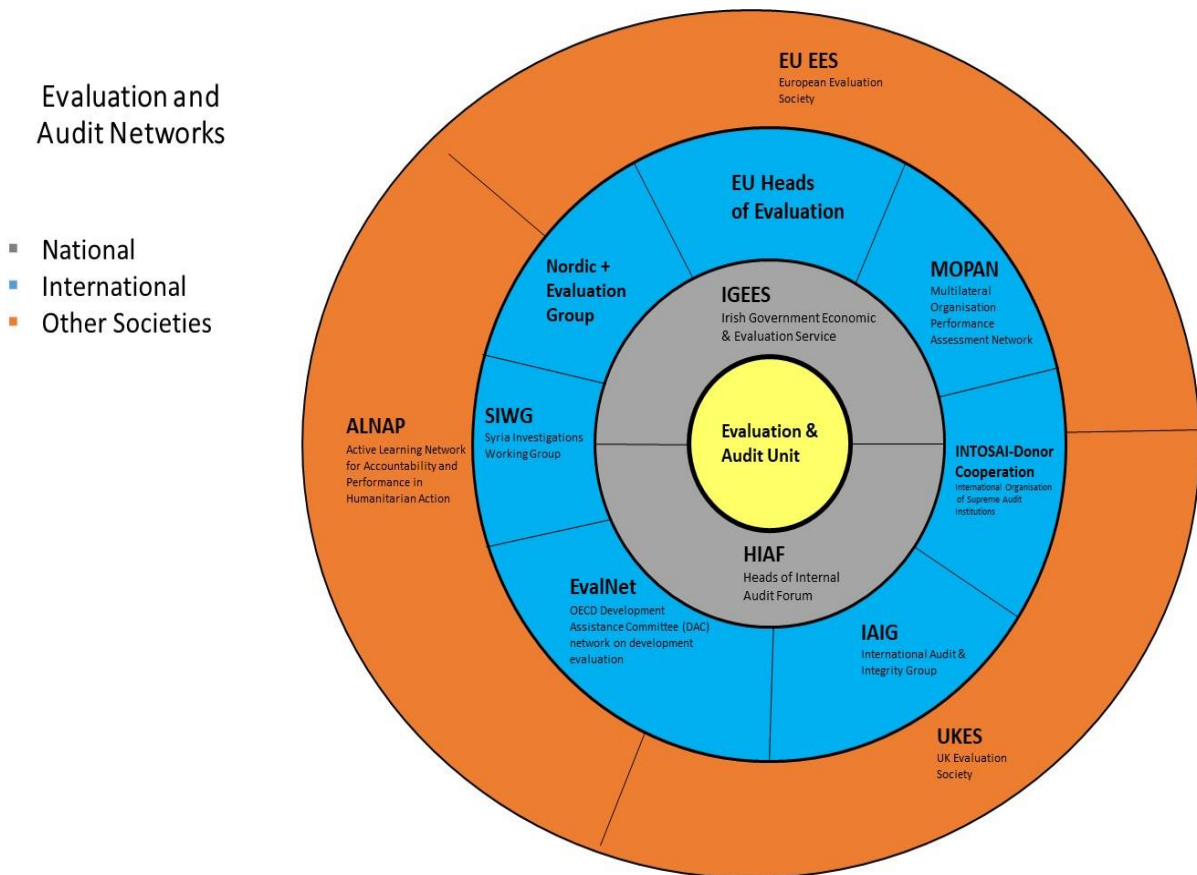
### **Evaluation and Audit Strategy 2020-2023**

The Committee was pleased to contribute to the development of the Evaluation and Audit Strategy for 2020 to 2023, and to note that it was agreed by the Secretary General and endorsed by the Management Board in November 2019. The Strategy is an important tool to guide the work of the Evaluation and Audit Unit over the coming period.



## Networks

The Evaluation and Audit Unit participates in a number of national and international networks for the purposes of professional collaboration, keeping abreast of best practice, and experience sharing, as illustrated in the diagram below. In addition, the Unit hosted two lunchtime seminars on evaluation, to which the Committee was pleased to be invited. The seminars were in collaboration with the Marine and Renewable Energy Ireland Centre in UCC on the topics of “Evaluation as a Roadmap for Climate Transition” and “Increasing the Effectiveness and Utility of Research and Evaluation for Policy makers”. They were well attended by Departmental and Government staff, as well as representatives from academia and civil society.



### Note of Thanks

Finally, the Committee wishes to thank the Secretariat to the Committee for the services provided throughout 2019 and also thank the Evaluation and Audit Unit for the support and assistance provided which enables it to carry out its work and provide its advice. The Committee depends on an Evaluation and Audit Unit that is appropriately resourced and which pursues a well-articulated Work Plan and Strategy. We are pleased to note that this was the case in the Department of Foreign Affairs and Trade in 2019.



## Appendix 1 - Audit Committee Charter

### **PURPOSE AND AUTHORITY**

The Audit Committee of the Department of Foreign Affairs and Trade (the Department) is formally appointed by, and advises, the Secretary General of the Department, who is the Accounting Officer for Votes 27 (International Cooperation) and 28 (Foreign Affairs and Trade). As appropriate, it will advise the Minister for Foreign Affairs and Trade, and the Minister of State for Trade and Development.

The Audit Committee is part of the governance framework, appointed to provide independent advice to the Accounting Officer regarding the suitability and robustness of the organisation's internal control systems and procedures, and is responsible to him/her for its performance in this regard.

The Audit Committee has an advisory role with no executive functions, responsibilities or powers and has no role in approving evaluation and audit reports.

### **MEMBERSHIP**

The Committee will have a Chairperson and at least four ordinary members, all of whom will be drawn from outside the Department (the quorum for meetings will be three members). The Accounting Officer will appoint members and the chairperson. The Chairperson of the Committee shall have right of access to the Accounting Officer.

At least two members of the Committee will be qualified accountants. The Committee membership will also ideally include at least one person with experience at a senior level of the civil or public service and some members

with professional experience in the area of development cooperation and the evaluation of aid programmes. Additional experience may be co-opted on a consultancy basis.

The role requirements will be clearly communicated to potential members at the outset including time commitments and an indication of frequency of meetings.

Members may serve up to three years, with the option to extend by up to three years.


All members will be obliged to disclose any conflicts of interest. Where a conflict of interest arises in the course of the work of the Audit Committee, the member will bring this to the attention of the chairperson and, where necessary, leave the room for the duration of the discussion and not take part in any decisions relating to the discussion. A note to this effect will be included in the minutes of the meeting.

### **MEETINGS**

To facilitate regular engagement with the organisation, the Audit Committee will meet at least quarterly, with the authority to convene additional meetings as circumstances require.

The Audit Committee may invite members of management, the Evaluation and Audit Unit, or others to attend meetings and provide information, as necessary.

On at least an annual basis, the Committee will meet with the Comptroller and Auditor General, or his/her nominee, with regard to external audit, to ensure cooperation, and avoid duplication and potential gaps in audit coverage.



Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.

Minutes will be prepared and circulated to the Accounting Officer and to the Management Advisory Committee.

Appropriate records of the work of the Audit Committee will be maintained.

## **FUNCTIONS**

The Committee will provide an independent appraisal of the audit and evaluation arrangements, with a view to strengthening internal controls, fraud and risk management, as well as enhancing the effective operation of the audit and evaluation function within the Department. In particular, the Committee will undertake to:

- Review the Department's evaluation and audit strategy and the annual work programmes arising from this.
- Review the implementation of these programmes.
- Review the resources available for this purpose.
- Examine reviews of the internal control systems and provide support, as necessary, to the Secretary General with the completion of the Annual Statement

on Internal Financial Control to the Comptroller and Auditor General.

- Examine reviews of the risk management systems.
- Examine reviews of the fraud control systems.

In carrying out these functions the Committee will be cognisant of any existing guidelines.

## **ANNUAL REPORT**

The Committee will provide an annual report to the Accounting Officer. This report will outline the work of the Committee during the year and include observations and recommendations of the Committee.

The Audit Committee will follow up on any recommendations from the Accounting Officer arising from this report, or in the course of other interactions.

## **PROTECTED DISCLOSURES**

The Audit Committee will refer any protected disclosures made to them to the Head of Evaluation and Audit who will comply with organisational policy regarding receipt and investigation of protected disclosures, in line with existing guidelines.

Audit Committee of the  
Department of Foreign Affairs and Trade  
December 2017