



Audit Committee

Department of Foreign Affairs and Trade

ANNUAL REPORT 2017

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1. Chairman's Statement

Secretary General,

It is my pleasure to present to you the 14th annual report of the Audit Committee of the Department of Foreign Affairs and Trade which records the Committee's activities during 2017. The financial parameters of the two votes which comprise the Department's expenditure programmes are as follows:

	Revised Estimate (net)	Provisional Outturn (net)
	2017 (€m)	2017 (€m)
Vote 27 International Cooperation	485	483
Vote 28 Foreign Affairs and Trade	163	159

During 2017 the Audit Committee met on seven occasions, including meeting with you on three occasions. Members have also been available to support Department activities as and when required and, in particular, to help support the Evaluation and Audit Unit, e.g. in relation to developing its Strategy and Work Plan and ensuring it has appropriate resources to carry out its work. The Committee also met with representatives of the C&AG's Office during 2017 in relation to the 2016 audit. We were pleased to note that their audit report for 2016 was unqualified and included the opinion that proper accounts had been maintained. Their recommendations in relation to matters that would need further attention by the Department were noted by the Committee and we are pleased that the initial work on the 2017 accounts show that those recommendations are being pursued and addressed, as appropriate.

On behalf of the Committee I wish to thank you for your continued support and constructive engagement with the Committee during 2017. The Committee would also like to thank members of the Department for their ongoing engagement with and information provided to the Committee during 2017.

The Committee devoted time and an extra meeting early in 2017 for a self-evaluation workshop exercise. The conclusion of the workshop was that the Committee is working well and fulfilling its role. It was also agreed, however, that there were some improvements which could be considered to help strengthen the performance and role of the Committee. All the improvements were accepted by the Committee and all have since been implemented, including the Chair attending a meeting of the Department's Management Board in early 2018.

There was continued interaction with Department officials at meetings and some members took part in a very informative and helpful trip to Abu Dhabi and Vietnam to look at and learn more about the systems and controls in place and to better understand the broad range of Department activities being carried on through those Embassies. This also fulfils the Committee's requirement to continue to focus and better inform ourselves on the business of the Department and how it operates.

The Committee's work plan and agendas for meetings in 2017 formed the basis of our work during the year and provided for really good and appropriate engagement with the Department's work. This included a focus on internal controls and management of cash, risk management and its continued evolution within the Department's systems and processes; awareness and follow up of instances of suspected fraud; work on the development of the IT Strategy, updates from the Director General of Irish Aid and the implementation and follow up of audit report recommendations. In relation to the latter, the Committee suggested the development of a more systematic approach to reporting on the follow up on the implementation of audit recommendations, including to the Management Board as appropriate. Senior management also provided detailed briefings to the Committee on risk management systems, financial management, shared services and the challenges the new arrangements present, the implementation of IT audit report recommendations and the implementation of report recommendations with regard to the operation of the property management unit.

The Committee could not carry out its work and provide its advice without the excellent support and assistance provided by the Evaluation and Audit Unit (EAU), including its Secretarial role. Ensuring the EAU is appropriately resourced to carry out its work was a particular focus of the Committee during 2017 and we are pleased to note the positive developments in that regard during 2017 and into 2018.

We welcomed Mary Sutton, Noeline Blackwell and Louis Bradley as new members to the Committee during 2017. We are delighted to have their skills and experience on board and look forward to working with them over the coming years.

Donal Corcoran retired from the Committee in June 2017. Donal had served on the Committee since July 2010 and the Committee wishes to express its thanks to Donal for his commitment and excellent contribution to the work of the Committee and the Department during that time.

I would also like to take this opportunity to thank all other colleagues on the Committee for their continued contributions and support during 2017.

The Committee members would also like to use this opportunity to thank management and staff at all levels of the Department of Foreign Affairs and Trade who continue to deliver services to a very high standard. In particular I would like 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

June 2018.

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 2017, the members of the Committee were:

Mr. Jim O'Brien, Chairman of the Audit Committee from July 2016 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.)

Mr Donal Corcoran is a chartered management accountant and retired management consultant (Appointed as a Committee member in July 2010, retired in July 2017).

Mr. Jim Gillespie is a chartered accountant and a former partner in EY (formerly Ernst & Young), (Appointed as a Committee member in July 2011).

Ms. Emer Daly is a chartered accountant and company director (Appointed as a Committee member in March 2012).

Ms Mary Sutton is the country director for the Republic of Ireland at The Atlantic Philanthropies, (Appointed as a Committee member March 2017).

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

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

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 will advise 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 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.

The Audit Committee meets with representatives of the Comptroller and Auditor General (C & AG) at least once a year. While the Committee has a good working relationship with the Office of the C & AG, 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, sets out its role and terms of reference.

4. Observations and Recommendations of the Audit Committee

a. Financial Management

The Committee had two meetings with the Chief Financial Officer in 2017 and also met with the staff of the Office of the Comptroller and Auditor General. The audit report provided by the Comptroller and Auditor General for 2016 was unqualified and included the opinion that proper accounts had been maintained with a number of issues raised which need further attention. In discussions with the staff of the Office of the Comptroller and Auditor General, it was noted that the initial audit work on the 2017 accounts show that the recommendations are being pursued and addressed, as appropriate.

The Audit Committee would like to complement and thank the staff of Office of the Comptroller & Auditor General for the Audit Planning Memoranda provided for both Votes, acknowledging that they found them informative.

The Committee have noted continued efforts to improve the internal control environment particularly in the imminent roll out of the grant management standard approach which the Development Cooperation Division have been developing for some time. The Audit Committee also continued to review the fraud register during the year as a standing item on the agenda at each meeting. The Committee were updated on all instances of alleged fraud which were reported during 2017 and they continue to emphasise the importance of prompt reporting of suspected frauds. The Committee also notes that the Department has updated and revised its Counter Fraud Policy.

b. Audit Report Review and Tracking of Audit Report Recommendations

The Committee paid particular attention during 2017 to the tracking of audit report recommendations. In this regard the Committee looked back to reports issued in 2014. The Committee acknowledges the considerable progress with recommendation implementation generally but note, however, that some recommendations remain to be implemented. The Committee further suggested that when this information is reported to the Management Board and if there are any non-implemented recommendations which are rated 'medium to high' that these should be captured and included in risk registers, as appropriate, until they are fully implemented.

Reports of audits of Embassies which were reviewed by the Committee during the year noted that there were no 'high risk' recommendations. Reports reviewed were as follows:

- i. Embassy of Ireland London
- ii. Embassy of Ireland Seoul
- iii. Embassy of Ireland Nairobi

The Committee are aware of the extensive work conducted by the Evaluation and Audit Unit when advice is required from business units regarding risk decisions and fraud issues and investigations. Committee members appreciate the skills and experience that the Unit has in this area and the importance that this support role brings to the Department.

c. Evaluation Review

The Audit Committee reviewed and discussed evaluation work as follows:

Focused Policy Assessment (FPA) of the US Bilateral Mission Network.

The Committee noted the particular process for a focused policy assessment and how the Evaluation and Audit Unit developed that process for this piece of work. This included participation by the Department of Public Expenditure and Reform. The Committee were satisfied with the report and the conclusions reached. The report highlighted the valuable work done by the Department in the US and the need to ensure it is reviewed regularly to make sure it remains relevant and appropriate for the future. Challenges were noted in managing a number of Missions across the US with limited staff numbers and how best these risks should be managed were outlined in the report. The usefulness of this type of process, and how it is reported, for the wider Department and the Civil service more broadly were noted by the Committee.

Report of Review of Promotion and Outreach (MPO) Budget

This report reviewed by the Committee outlined the operation of the Promotion and Outreach Fund and the changes introduced by the Department in the budget allocation approach in use. Previously there was a general Department budget from which Embassies requested funding. Now each Embassy operates a separate budget. The Committee were satisfied with the report and received reassurances that the operation of internal controls on expenditure would remain as they had been. Further it was confirmed that there would be no changes to the oversight controls in place which ensures that funds continue to be used for the purposes intended.

Other Evaluation Activity

Irish Government Economic and Evaluation Service – Evaluation and Audit Unit (EAU) membership

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

d. Risk Management

The Committee continued to engage with Department officials on the Risk Management Framework which is one of the significant items of focus for the Committee. As well as the review of registers of business units whose staff are in attendance at meetings of the Audit Committee, the Risk Management Committee Secretariat updated the Committee and shared copies of the significant revisions made to the Management Board Risk Register.

The Committee noted that compliance by Missions and HQ to risk management policy and systems, through the provision of registers in 2017 stands at 97% and noted that the Risk

Management Committee and Secretariat provide ongoing support to business units with the completion of registers as part of annual business planning. The Committee also noted that training on risk management is provided as standard in pre-posting training and induction training for staff. The Secretariat also facilitated in-house training on risk management during 2017 when requested. The Secretariat also engage with other Government Departments including the Department of Public Expenditure and Reform and State Agencies, on the advice of the Audit Committee, to ensure the Department is up to date with new initiatives and progress more broadly in this area.

e. Audit Committee Self Evaluation Workshop 26th January 2017

The Committee held a self-evaluation workshop in January 2017 to ensure compliance with best practice regarding the conduct and operation of Audit Committees. They did this by reviewing the role and work of the Committee having regard to the guidance provided by the Department for Public Expenditure and Reform for Audit Committees, the Committee's existing Charter and by completing a questionnaire before the workshop to ensure members' views and suggestions fed into the discussion during the meeting.

Other participants included the Department's Secretary General who provided an overview of priority areas and emerging challenges facing the Department and his views on the role and functioning of the Committee. Dr. Cyril Sullivan from the Institute of Public Administration facilitated the workshop and also focused on developments and emerging trends in relation to Civil Service Audit Committees generally.

The conclusion of the workshop was that the Committee is working well and fulfilling its role. It was also agreed, however, that there were some improvements which could be considered to help strengthen the performance and role of the Committee, including the Chairman meeting with the Management Board from time to time, increasing the flow of information to members in relation to training opportunities and some changes to improve the efficiency of Committee meetings. All the improvements were accepted by the Committee and all have since been implemented.

f. Other Audit Committee Activity

Visits by the Audit Committee to Embassies abroad

i. Visit of the Audit Committee to the United Arab Emirates, Abu Dhabi, 8th – 9th October and Vietnam, 10th – 13th October 2017

From time to time members of the Committee undertake visits to Embassies abroad to gain a better understanding of the day to day challenges facing missions and to get an overview of the systems and controls in place in the context of general everyday operations. The Secretary General encourages members to participate in these visits where possible and believes that there are significant benefits to be gained for the role and operation of the Committee from these visits.

In October 2017 some members of the Committee visited the Embassies in Abu Dhabi, United Arab Emirates (UAE) and Hanoi in Vietnam. The visit provided insight into the operation of two very busy Missions in challenging regions and Members received an overview of the types of issues that challenge the Embassy teams on a daily basis. This includes the provision of consular services and assistance to Irish citizens; representing Ireland's interests at the highest political levels and supporting Ireland's trade and tourism efforts.

The members got a flavour of how a “mini-regional” approaches operate in the Middle East and in the Vietnam and the Mekong Sub-region, with the complex relationships between the countries in the regions requiring the individual Ambassadors to have a broad grasp of wider regional issues. Various meetings were arranged with Ambassadors, staff and the Heads of the Irish State Agencies, members of the Irish community and other useful business networks that the Embassies provide support to and engage with.

In Vietnam the members had a field visit to an Irish Aid-funded ethnic minority development programme implemented by the Government of Vietnam - an important programme in the context of the Irish Aid Strategy. It is operated via a local Civil Society Organisation, the Centre for Research on Initiatives of Community Development (RIC) in Hoa Binh province.

The visit generally gave the Audit Committee members greater insight into how the systems and controls operate in the context of the complexities and challenges surrounding the operation of two busy Embassies. Although quite limited in nature and time, the impression the Committee members formed from the visits was a positive one in that regard. The Embassies also benefit from the expertise of the Committee when recommendations to strengthen systems of internal control are made during the course of these visits. The Committee members provided a written report on the visits to the Secretary General. The members were extremely impressed with all the staff they met. The level of support and collegiality working between the Irish and local staff was apparent. The members of the Irish community reinforced the impression formed of the Missions which was how they very effectively deliver the Departments goals and serve Ireland's interests in their respective regions.

Other key areas covered/ observed by the Committee

ii. External Quality Assurance Assessment of Internal Audit

Under the International Standards for the Professional Practice of Internal Auditing, the Institute of Internal Auditors require that an external assessment of internal audit functions must be conducted at least once every 5 years. In that context, the Audit Committee were pleased and supportive of the Evaluation and Audit Unit initiating and conducting such an exercise during the last quarter of 2017. Members of the Committee also participated in this exercise with the external assessors and look forward to seeing the results in 2018.

iii. Progress on Implementation of Recommendations within the 2016 ICT Internal Audit Report

The Audit Committee acknowledged progress in the implementation of recommendations within the 2016 ICT Audit report but are also aware that there is more to be done, especially as this is an area that is very complex and is fast evolving. The Committee noted substantial progress in the development of the ICT Strategy for the Department and highlighted the importance of continuing that work, including in the area of business continuity planning. The EU Regulations being rolled out in 2018 in relation to Data Protection were also highlighted as an important area which the Department is working to ensure full compliance with. The Committee will continue to keep this area under review and to track progress of these recommendations in this key operational area.

iv. Progress on Implementation of Recommendations within the Review of the Property Management Unit 2016

The Committee acknowledged the significant progress outlined by the Property Management Unit team with regard to the implementation of 2016 Review recommendations. They expressed their appreciation for the work done by all involved in the short space of time since the last meeting. In particular they noted the strengthening of policy guidance for lease negotiations and renewals and purchases; the setting up of profiles for each Mission premises and the development of a database of management information to support the work of the Unit.

v. Internal Audit Strategy 2017 to 2019

The Audit Committee reviewed the Internal Audit Strategy for 2017 to 2019 which outlined the three year plan for the audit assurance programme. The Committee welcomed the new Strategy, which they considered to be excellent. The main aim of the document is to support the Department's Statement of Strategy which reflects the Programme for Government. The Strategy was approved by the Secretary General and agreed by the Management Board. The Committee understands that the Strategy will be regularly reviewed in line with any new Government or Departmental Strategies which may be issued and the Committee has asked that it be apprised of any significant changes.

vi. Other Evaluation and Audit Unit (EAU) work noted by the Audit Committee

- The Committee noted the active engagement by Evaluation and Audit Unit staff in relevant international networks. In particular there has been engagement in EU and other networking fora such as OECD/DAC Network on Development Evaluation and the sub-group on EU Evaluation Capacity Development and Active Learning Network for Accountability and Performance in Humanitarian Action. Participation in all of these networking events helps ensure that EAU and the Department are engaging in best practice in Evaluation initiatives at a global and EU level and also where appropriate influencing strategy and change in these areas.

- Membership of the Steering Committee of the INTOSAI Donor Cooperation at leadership level allows EAU to keep abreast of and influence strategy in capacity building in National Audit Offices in developing countries. Participation in the International Audit and Integrity Group (IAIG) helps ensure that EAU are aware of advances in the internal audit, investigation, integrity and compliance among bilateral and multilateral development agencies.
- The Unit organised three evaluation seminars as part of its outreach programme during the year:

March 2017	Building an evidence-based organisation
June 2017	Measuring Policy Influence
November 2017	Being Innovative about Evaluating Innovation

The Committee were pleased to note that these seminars were well attended by internal and external stakeholders. This demonstrated the interest and desire by DFAT staff, and others engaged in programmes supported by the Department, in learning about the importance of evaluation as an accountability tool and the need to keep up to date with new initiatives.

Finally, as the Chairman points out in his Statement, the Committee could not carry out its work and provide its advice without the excellent support and assistance provided by the Evaluation and Audit Unit (EAU) and, in particular, the Secretariat services provided to the Committee. The Committee also depends on an EAU that is appropriately resourced and which pursues a well drafted Work Plan and Strategy. We are pleased to note that this is the case in the Department of Foreign Affairs and Trade. While there were some challenges in 2017 on the staffing front, which have since been resolved, the Audit Committee is satisfied that the EAU is functioning well and is pleased that it is also actively engaging with Divisions and Units in the Department and elsewhere to help improve knowledge of and understanding about the many benefits and supports that evaluation and audit processes and activities can provide.

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

14th December 2017.

Appendix 2 - Summary of Some Key Observations

The Audit Committee list a number of observations to management during their meetings and the following are some, which although may already have been noted and elaborated on in the meeting minutes, are summarised as follows:

Resourcing Evaluation and Audit Unit

This is a key focus for the Audit Committee given its reliance on the Unit for support and assurances. It is critical, therefore, that the Unit is resourced appropriately if the Audit Committee is to be in a position to advise and assure the Secretary General about the adequacy of the systems and controls in the Department. While there were some challenges in filling vacancies that arose in the Unit, the Committee is pleased to note the progress made during 2017 in the filling of vacancies and in developing a more medium term workforce plan for the Unit. The Committee will continue to monitor developments in that regard to help ensure that the Unit remains appropriately resourced into the future.

Tracking of Audit Report Recommendations

The Committee paid particular attention during 2017 to this tracking system and have emphasised the importance of having a good system in place to track the implementation of audit report recommendations. While good progress has been made in that regard the Committee suggest that consideration be given to improving the system further, for example, by regular reporting to the Management Board on any non-implemented recommendations which are rated 'medium to high' and that these are considered for inclusion in risk registers, as appropriate, if not being implemented.

Risk of handling cash

The Audit Committee have noted that there can be significant amounts of cash handled at Embassies, in particular when it comes to consular services delivery. The Committee is aware that steps are being taken where possible to reduce the risks involved and advise that this should continue to be prioritised, including through the provision of more automated solutions as soon as possible.