



## **Audit Committee**

# **Department of Foreign Affairs and Trade**

**ANNUAL REPORT 2018**

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## 1. Chairman's Statement

Secretary General,

It is my pleasure to present the 15th Annual Report of the Audit Committee of the Department of Foreign Affairs and Trade which records the Committee's activities during 2018.

During 2018 the Audit Committee met on six occasions. Some members of the Committee also attended the Heads of Mission Conference in January 2018. I attended a Management Board meeting in January when, among other things, we discussed the work plan of the Committee for the year ahead. The interaction with and feedback from the Management Board members was very positive. On behalf of the Committee I wish to thank you for your continued engagement with us and for the time you give to keep us abreast of the important issues facing the Department. We note in particular the planned increases to the global footprint which directly impacts the Department and the proposed increase to the aid budget.

The Committee's Work Plan for 2018 was fully implemented and many of the presentations and sessions with Department Divisions are referred to in the main body of this Report.

During 2018 the Committee continued to emphasise the importance of risk management in the Department and we were pleased to note the developments that took place in 2018 in that regard, while noting that work is ongoing to help develop the system further. Emphasis was also placed on the continuing development of the system for tracking of the implementation of audit report recommendations within the Department. The Committee consider this an important part of its ongoing work and support to the Department.

The Committee also met with representatives of the Comptroller and Auditor General's (C & AG) Office during 2018 and noted the unqualified opinion provided in their report on the audit of the 2017 Appropriation Accounts. Meetings with the Chief Financial Officer which took place during 2018 also provided the Committee with assurances regarding the work carried out to help strengthen controls in the Department, including in relation to Debt Management and the reconciliation of balance sheets items in preparation for the Government wide financial management system which will be rolled out to all Departments in due course.

We were pleased to note the appointment of the Head of Evaluation and Audit (EAU) to the Executive Management Group this year. Having this access will help to strengthen the engagement by the EAU in the work of the Department and enhance the Unit's understanding on changes in risks and priorities for work planning. The Committee continued to monitor the implementation of the EAU Work Plan and we were satisfied with progress during 2018.

The External Quality Assurance of Internal Audit which was completed early in the year was an important piece of work which provided the Committee and the Department with good assurance on the quality and work of the Internal Audit Function, while also offering recommendations for consideration to help the function develop further in the future.

The appropriate resourcing of the EAU is critical to the work of the Audit Committee and we were pleased with developments in that regard during 2018. It is important that this continues and we will, therefore, keep this area under review during 2019.

In terms of Committee membership, Jim Gillespie retired from the Committee in June 2018. Jim had served on the Committee since July 2011 and the Committee wishes to express its thanks to him for his commitment and excellent contribution to the work of the Committee and the Department during that time. We welcomed Anthony Hegarty to the Committee in September 2018. Anthony brings a lot of skills and experience to the Committee and we look forward to working with him in the years ahead.

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 EAU for the ongoing support and valuable Secretariat service to the Audit Committee.

Jim O'Brien

Chairman

Audit Committee

Department of Foreign Affairs and Trade

30th May 2019.

## 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 2018, 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. Jim Gillespie** is a chartered accountant and a former partner in EY (formerly Ernst & Young), (Appointed as a Committee member in July 2011, retired in June 2018).

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

**Ms Mary Sutton** 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).

**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).

**Anthony Hegarty** 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.
- Reviews the implementation of these programmes.
- Reviews the resources available for this purpose.
- Examines 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 C & AG.
- Examines reviews of the risk management systems.
- Examines reviews of the fraud control systems.

The Audit Committee meets with representatives of the 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 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:

|  | <b>Revised Estimate<br/>(Gross)</b> | <b>Provisional Outturn (Gross)</b> |
|--|-------------------------------------|------------------------------------|
|  | <b>2018 (€m)</b>                    | <b>2018 (€m)</b>                   |
| <b>Vote 27 International Cooperation</b> | <b>515</b>                          | <b>514</b>                         |
| <b>Vote 28 Foreign Affairs and Trade</b> | <b>238</b>                          | <b>228</b>                         |

The Audit Committee met with the staff of the Office of the C & AG in March 2018.

The Committee noted the unqualified opinion provided in the report on the audit of the 2017 appropriation accounts by the C & AG. It was further noted that proper accounts have been maintained and a small number of management letter issues are being addressed. The accompanying documentation provided by the staff of the C & AG's Office was noted by the Committee as both informative and helpful.

The Committee had two meetings with the Chief Financial Officer in 2018. During those meetings the new Debt Management Policy was presented and welcomed by the Committee. This policy covers an area that the Committee has expressed an interest in and believes that the new policy will help further strengthen systems of internal control in this area. A presentation on work done regarding balance sheet items more generally and their treatment was also noted by the Committee. This was considered timely in terms of preparation for the roll out of centralised government wide automated financial management systems on which work is ongoing. The Committee was appreciative of the work of the Finance Division during 2018 and noted that the steps being taken would contribute to strengthened financial management systems for the Department.

### 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 with 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 2018. 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.

The following is a list of audit reports which were reviewed by the Committee during the year. It was noted that all recommendations as reported were accepted by management. The Committee emphasised the importance of management's acceptance of recommendations and of the need to indicate via indicative timelines when recommendations will be implemented. Reports reviewed in 2018 were as follows:

- i. Audit of Governance and Management Arrangements for the Passport Reform Programme
- ii. Embassy of Ireland Moscow Audit Report
- iii. Embassy of Ireland Jakarta Mission Audit Report
- iv. Embassy of Ireland Brasilia Mission Audit Report
- v. Embassy of Ireland Jakarta Investigative Audit Report
- vi. GDPR Readiness assessment
- vii. Embassy of Ireland Buenos Aires Mission Audit Report
- viii. Audit Report of Joint Secretariat - North South Ministerial Council
- ix. Report of Departments Interaction with National Shared Service Office
- x. Reports of systems of internal controls in operation for grants monitoring:
  - a. Ethiopia
  - b. Malawi
  - c. South Africa
  - d. Uganda

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 conferences such as the Heads of Mission Conference and the Deputy Heads of Mission Conference took place. Both of these conferences in 2018 held sessions which focused on this topic. 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 EAU provides for time in its work plans for the provision of advice when it is required from 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 2018. 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 EAU to support and help in relation to fraud or alleged fraud investigations. We asked that the Fraud Register be 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 work done in that regard during 2018 and the further work that is taking place in 2019.

### d. Evaluation Review

The Audit Committee reviewed and discussed evaluation work in relation to **Irish Aid's Provincial Programmes in Inhambane and Niassa provinces, Mozambique 2007-2016; the Rapid Review of One World One Future - OWOF (Development Cooperation Policy for International Development review prior to White Paper development) and the Evaluation of Irish Aid Local Development Programme in Northern Province, Zambia 2007 – 2016.**

The Committee welcomed this evaluation work, which helps inform Committee members and provides excellent context and background for its work generally. The reports and work carried out were well received by the Committee, which noted the lessons learned and the value that can be taken by the Department from the findings.

#### **Irish Government Economic and Evaluation Service – Evaluation and Audit Unit membership**

The EAU 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 it exploring the opportunities that the service affords for knowledge sharing and learning between Government Departments.

### e. Risk Management

The Committee continued in 2018 to engage with Department officials on the Risk Management systems and processes in place. This is an important area of focus for the Committee.

The Committee noted the good work conducted in 2018 by the Chief Risk Officer (CRO), together with the Risk Management Secretariat, for Divisions and Missions regarding common risks and their treatment. It is understood that this work will help strengthen the understanding of the recognition, rating and control of these risks and bring more consistency in their treatment. The Committee also noted the focus on new and changing risks for the Department such as compliance with General Data Protection Regulations, growing the global footprint of the Department and its Missions abroad and dealing with

new and emerging foreign policy priorities. The Committee welcomed the plans and initiatives outlined by the CRO and Risk Management Secretariat and thanked them for the renewed energy and dynamic focus that they bring to risk management in the Department. The Committee will keep this area under review and looks forward to receiving regular updates on progress as the work plan is rolled out.

The Committee was also pleased to note that regular reviews of the Department Risk Register take place at Management Board level at least bimonthly and that revisions are made as and when considered necessary.

## **f. Other Audit Committee Activity**

### **Other key areas covered/ observed by the Committee**

#### **i. External Quality Assurance Assessment of Internal Audit**

The report on the External Quality Assurance Assessment of the proper functioning of Internal Audit in the Evaluation and Audit Unit was presented to the Committee during the first half of 2018. This was an important piece of work that the Committee supported. The Committee noted the positive opinion given in all areas of the assessment which indicated that internal audit is functioning well and the Committee looks forward to updates in 2019 on the implementation of the recommended actions therefrom which will help develop the internal audit function further in the future.

#### **ii. Audit Committee Reflection on Charter**

The Committee included time for reflection, in one of its meetings in 2018, to consider whether its Charter continues to be fit for purpose and reflect best practice. The conclusion we reached is that there were no major changes required at this stage but that it would be appropriate to have a more thorough review in the second half of 2019. At that stage it is expected that management would have considered the External Quality Assurance report and follow up actions and implications, if any, it may have for how audit and evaluation work is resourced and managed in the Department.

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

The Director General (DG) of Development Cooperation and Africa Division met with the Committee during the year. He outlined the challenges and opportunities ahead. He updated the Committee on the roll out of the standard approach to grant management and the assurance that this would bring for decision making and reporting on grants. The focus in 2018 on the development of the new aid policy – ‘A Better World’<sup>1</sup> was outlined. The DG spoke about the importance of getting the policy right and of the consultations held to include and invite all interested voices to contribute.

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<sup>1</sup> Link to Irish Aid website for - [A Better World – Ireland’s Policy for International Development](#)

The Committee noted the challenges presented and welcomed the approach outlined in developing the new policy, including the focus on risk identification and management.

**iv. Meeting with Head of Global Irish Services, Head of Consular Division, Director of Passport Services Integrity Unit and Deputy Director Irish Abroad Unit.**

The Committee welcomed the introduction of the publication of an annual report of the work of the Emigrants Support Programme (ESP) and noted the awareness raising and accountability benefits that this would bring and complimented the work of the section for introducing the initiative. The Committee noted the important work carried out by Consular Division and noted the challenges that changes in foreign policy delivery can bring to this section of the Department e.g. Brexit and the increased demand for consular service products. The Committee welcomed the work on development of a customer charter within this section. The Committee also welcomed the overview provided by the Head of Integrity Section of the Passport Service of the key challenges which her section deals with and the systems and processes in place to deal with these challenges.

**v. Presentation from Director of Passport Services including Passport Reform Programme**

The Audit Committee regard the service delivered by the Passport Office as one which is of significant importance to the Department. The Committee congratulated the Head of Global Irish Services and the Director of Passport Services regarding their success in the delivery of online applications services for passports for adult and child renewals. The Committee noted the continuing growth in the demand for passports during 2018 and noted the continued demands that this places on resources and the impact that it has on managing work flows. The Committee was updated on progress in the Passport Reform Programme and while there has been much success in the work to date, the Committee noted some of the challenges experienced with procurement and was provided with an update on how this is being managed and taken forward. The Committee noted management's focus on ensuring that this is well managed and that risks are mitigated and asked that they be kept informed, as appropriate, of developments as the project moves forward.

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

- The Committee noted the active engagement by EAU 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 (INTERNATIONAL ORGANISATION FOR SUPREME AUDIT INSTITUTIONS) 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.

## **Note of thanks**

Finally, the Committee wish to thank the Secretariat to the Committee for the services provided throughout 2018 and also thank the EAU for the support and assistance provided which enables it to carry out its work and provide its advice. The Committee also depends on an EAU 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 2018.

## **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

14<sup>th</sup> December 2017.