



## **Audit Committee**

# **Department of Foreign Affairs and Trade**

## **ANNUAL REPORT 2014**

June 2015

## Table of Contents

|    |  |    |
|----|--|----|
| 1  | Chairman’s Statement .....                                   | 3  |
| 2. | Membership of the Audit Committee.....                       | 6  |
| 3. | Role of the Audit Committee .....                            | 7  |
| 4. | Observations and Recommendations of the Audit Committee..... | 9  |
| a. | Departmental Organisation and Management.....                | 9  |
| b. | Audit Review .....   | 10 |
| c. | Evaluation Review .....                                      | 11 |
| d. | Risk Management .....  | 12 |
| e. | Fraud .....  | 13 |
| f. | Key Specific Areas of Work .....                             | 14 |
|    | Appendix 1 - Audit Committee Charter .....                   | 16 |
|    | Appendix 2 - Summary of Recommendations .....                | 17 |
|    | Appendix 3- Audit Report Terminology .....                   | 18 |

## 1 Chairman's Statement

Secretary General,

It is my pleasure to present to you the 11th annual report of the Audit Committee of the Department of Foreign Affairs and Trade which records the Committee's activities during 2014. The financial parameters of the two votes which comprise the Department's expenditure programmes are as follows:

| <b>Revised Estimate<br/>(net)</b>        | <b>Provisional<br/>Outturn (net)</b> | <b>Peak Year<br/>Outturn (net)</b> | <b>Expenditure Reduction from<br/>Peak Year</b> |          |
|--|--------------------------------------|------------------------------------|---|----------|
| <b>2014 (€m)</b>                         | <b>2014 (€m)</b>                     | <b>2008 (€m)</b>                   | <b>€m</b>                                       | <b>%</b> |
| <b>Vote 27 International Cooperation</b> |                                      |                                    |   |          |
| 478                                      | 475                                  | 768                                | 293   | 38       |
| <b>Vote 28 Foreign Affairs and Trade</b> |                                      |                                    |   |          |
| 167                                      | 153                                  | 217                                | 64  | 30       |

The Audit Committee met on five occasions during 2014. In addition, members of the Committee gave generously of their time between meetings in exercising oversight over the work programme of the Evaluation and Audit Unit of the Department. While the Committee's agenda during 2014 ranged across the diverse responsibilities of the Department, the main issues our work programme addressed during 2014 revolved around the broad themes of financial management and control, risk management, and fraud, all of which are dealt with in greater detail in the body of the annual report.

In the context of these key themes, one of the more important reports reviewed by the Committee during 2014 was the review of management systems in Irish Aid key partner countries conducted by the Evaluation and Audit Unit. This report assessed the adequacy and reliability of systems and risk management in place for the management of Irish Aid funds at country level, based on a rigorous assessment of systems in place across eight partner countries as well as South Africa and Zimbabwe.

The Committee noted the overall conclusion that internal systems and controls in place for management of the aid programme are adequate to good across all missions. But the Committee also noted that potential areas of weakness had been identified around formalisation and documentation of systems, risk identification and management of the modalities being used and the partners supported, and management and reporting structures. To this end, the Committee recommends more standardisation of practice across partner countries (whilst recognising the need for flexibility in the application of guidelines at country level to take account of local context); an annual assessment of staffing levels/skills at missions in key partner countries to identify any gaps emerging; and more sharing of good practice across partner countries.

The Committee also engaged with the issue of civil society funding during the year. In light of issues that had arisen in some Charities in recent times, the Committee recommended that assurance be obtained from the boards of civil society partners of Irish Aid that appropriate remuneration policies exist for senior personnel. The Committee were assured that memoranda of agreement with partner organisations include a requirement that, in line with the Statement of Recommended Practice – Accounting and Reporting by Charities, programme grant partners are obliged to set out in their published audited financial statements the number of staff receiving emoluments above €70,000.

The Committee continued to engage with a significant issue of fraud, noted in last year's annual report and uncovered in the summer of 2013 when the Passport Office discovered irregularities in the issue of a small number of passports. The Committee met with the head of the Passport Service to discuss the response to (a) the report of the external group set up to review passport service systems, processes and controls, and (b) the review of the Evaluation and Audit Unit of the corrective measures taken by the Passport Office since the discovery of the fraud to strengthen internal controls and reduce the likelihood of further passports being issued fraudulently. The Committee welcomes the actions taken by the Department in this regard.

With regard to ensuring sound systems and practice, the Committee welcomed the audit of internal control systems for diplomatic mail conducted in 2014 following the theft of a diplomatic bag bound for the Embassy in Berlin. The Committee welcomes the conclusion that overall, in the opinion of the Evaluation and Audit Unit the systems of control are good. The Committee agrees with the recommendations made in the report, and in particular recommends that the Department take a number of steps to strengthen arrangements (see Appendix 2), including a review of whether there are more effective options for a diplomatic mail service than the current system.

A particularly welcome development during 2014 was the appointment by the Department of a Chief Financial Officer at Assistant Secretary level. This is a post which has been advocated by the Committee for some time. In the context of the need for strong financial management and control in the Department, and the integration of the finance functions of the two Departmental votes, the Committee see this position as vital to the development of the finance function. The Committee had an initial meeting with the Chief Financial Officer in 2014, and look forward to engaging with him in the future.

Risk management continues to be a focus of interest for the Committee. The Committee noted the appointment of a replacement Chief Risk Officer during the year, along with the production of an updated risk management policy. The Committee welcomes the new policy document and the positive approach to risk management. The Committee would like to stress that risk management is a challenging issue, and can only be successfully embedded when it is widely seen as of value and not simply as a process in and of itself.

An important part of the Committee's work is oversight of the internal audit work plan and evaluation work plan. The Committee welcomed the planned activity and the introduction of a formal rating system for audit opinions, and suggested that there is a need for an assessment of the resource commitment associated with the main activities in the plans and some level of redundancy to allow for unplanned activities. The Committee note that delivery of the plans is predicated on resourcing levels in the Evaluation and Audit Unit being maintained. The departure of senior

personnel from the unit in 2014 has caused some staffing challenges and the Committee urges the Department to prioritise the addressing of these staffing issues.

A summary of all the recommendations arising from the annual report is outlined in Appendix 2.

With regard to the operation of the Audit Committee itself, following the departure of Phil Furlong in 2013 the Committee welcomed the appointment of Jim O'Brien in 2014. The Committee has remained actively engaged in a dialogue on the role of the internal audit function in public sector organisations initiated by the Department of Public Expenditure and Reform (DPER) and commentary on guidelines for Audit Committees produced by DPER. The Committee had originally intended to submit for your consideration its proposals for amendments to its existing Charter during 2014 based on these engagements, but as the process to finalise the DPER guidelines took somewhat longer than expected, we now intend to submit these proposals in 2015. While the Audit Committee has operated on a voluntary basis since its establishment, the Committee acknowledges the decision of the Department to pay a small stipend to Audit Committee members for preparation and attendance at meetings. As per the guidance provided by the Department of Public Expenditure and Reform, permission was granted for this.

Members of the Audit Committee are also extremely grateful for the support which it has received unstintingly from management and staff at all levels throughout the Department of Foreign Affairs and Trade who continue to deliver service of the highest quality, notwithstanding the challenges posed by prolonged budgetary stringency and an extensive range of work priorities. I must pay particular tribute to the excellent work of William Carlos, who moved on from his post as head of the Evaluation and Audit Unit, and to Patricia Ryan, who had ably provided administrative support to the Committee for a number of years. We look forward to working with Tom Hennessy in his new role as head of unit, ably supported by his colleagues, whose professionalism and commitment is exemplary. Anne Barry and Liam Foley also provide a high-quality, valued secretariat to the Audit Committee.

Richard Boyle

Chairman

Audit Committee

Department of Foreign Affairs and Trade

June 2015

## 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 2014, the members of the Committee were:

**Dr. Richard Boyle**, Chairman of the Audit Committee from July 2013, is Head of Research, Publishing and Corporate Relations, Institute of Public Administration (Appointed as a Committee member in January 2008).

**Mr Donal Corcoran** is a Chartered Management Accountant and retired management consultant (Appointed as a Committee member in July 2010).

**Mr. Aidan Eames** is a Solicitor in private practice (Appointed as a Committee member in July 2010).

**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).

**Mr. Jim O'Brien** 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).

### 3. Role of the Audit Committee

The Audit Committee advises the Secretary General on the internal audit policies and strategies for the management of risk appropriate to the functioning of the Department of Foreign Affairs and Trade and by so doing supports him in the discharge of his responsibilities as Accounting Officer of the Department. The Audit Committee may also advise the Minister for Foreign Affairs and Trade, and the Minister of State for Trade and Development where it is appropriate to do so.

The Charter of the Audit Committee (see Appendix 1) sets out its role and terms of reference. The Committee has two main roles, namely:

- To advise on the operation of the Evaluation and Audit function within the Department.
- To examine and monitor the implementation of the Department's risk management strategy.

The Committee has responsibility for the following:

- Endorsing and periodically reviewing, a Charter for Evaluation and Audit which clearly defines the purpose, authority, roles, responsibilities and reporting relationships of the Audit Committee, Evaluation and Audit Unit and management of the Department.
- Reviewing and advising on the proposed programme of work for the Evaluation and Audit Unit within the Department.
- Monitoring the implementation of the evaluation and audit plan.
- Assessing the results of completed evaluation and audit reports, evaluating the effectiveness of internal control and advising Departmental management of its conclusions thereon.
- Advising the Secretary General on the effectiveness of the Evaluation and Audit function.
- Requesting special reports from the Evaluation and Audit Unit as considered appropriate.
- Assessing the implementation of agreed corrective actions by management having regard to follow-up on evaluations and audits.
- Advising on whether adequate resources and skills are available to the Evaluation and Audit Unit of the Department and making recommendations on the allocation of resources where it considers this desirable.
- Encouraging the development of best practice in the Evaluation and Audit Unit.
- Monitoring the implementation of the Department's risk management strategy and advising the Secretary General on the effectiveness of this process.
- Preparing an annual report to the Secretary General.

The Audit Committee acts in an advisory capacity and accordingly has no executive functions. Thus it does not have front-line responsibility for the detailed evaluation and audit process or for signing off of evaluation and audit reports. Neither does it have any executive responsibility or involvement in the review and approval (on behalf of management) of annual financial statements for the Department's Votes.

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 Department of Public Expenditure and Reform has recently issued guidance on the role of the Audit Committee in the central government sector. It is the intention of the Audit Committee to use this guidance as a framework to review and revise its Charter in 2015.



## 4. Observations and Recommendations of the Audit Committee

### a. Departmental Organisation and Management

#### I. **New Secretary General**

The Audit Committee met with the outgoing Secretary General David Cooney and the incoming Secretary General Niall Burgess. Both were kept briefed on each meeting of the Committee and of its ongoing work and they both ensured that the Committee was kept up to date on any relevant developments. The Committee thanked Mr Cooney for his strong support of and excellent co-operation with the Audit Committee during his tenure as Secretary General. The Committee welcomed Mr Burgess on his appointment as Secretary General and look forward to working with and supporting him during his tenure.

#### II. **New Head of Evaluation and Audit Unit**

Tom Hennessy was appointed Head of Evaluation and Audit replacing William Carlos who has been appointed Ambassador to Mozambique. The Audit Committee acknowledges William Carlos's excellent contribution to its work and wishes both of them well in their new appointments.

#### III. **New Chief Financial Officer**

The Audit Committee welcomed the appointment of John Conlan as Chief Financial Officer. The Committee believe that this appointment over time will yield significant benefits to the Department through a more focused engagement of financial management skills at Management Advisory Committee level. Mr Conlan met the Audit Committee on 14 May 2014 and outlined his initial priorities and indicated that his first objective was to gain an understanding of the Department's activities, systems, processes, procedures and risks.

#### IV. **DAC Peer Review**

The Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) conducted a peer review of Irish Aid in 2014. The review praised Ireland's aid programme and in particular its contribution to tackling, hunger, nutrition and poverty. According to the OECD, Ireland is one of the best performing donors when it comes to directing its development aid to the world's neediest countries. The review also made a number of recommendations to help improve Ireland's performance. A copy of the review can be found on the OECD's website at [www.oecd.org/Ireland/peer-review-Ireland.htm](http://www.oecd.org/Ireland/peer-review-Ireland.htm). The Committee found this review to be a great source of information and suggestions of best practice, which it recommends the Department consider carefully and implement as appropriate.

## **b. Audit Review**

### **I. Audit Reports**

During the year the Audit Committee received and discussed audit reports prepared by the Evaluation and Audit Unit (E & A Unit). The E & A Unit selects topics for audit using a risk-based audit planning process, and presents its audit plan to the Audit Committee for review and agreement each year. A total of nine audit reports were issued during 2014. The Audit Committee has identified the following most significant audit reports for discussion here:

#### **a. Review of the Management Systems in Irish Aid Key Partner Countries**

During the second quarter of 2014 a synthesis report on the adequacy and reliability of systems and risk management in place for the management of Irish Aid funds at partner country level was presented to the Audit Committee by the Evaluation and Audit Unit (E & A Unit). This was based on a rigorous assessment by E & A Unit of the systems in place across eight partner countries as well as South Africa and Zimbabwe. This work, for the most part, was carried out during 2013. The review was requested by the Secretary General following on from the fraud in the Uganda country programme in 2012.

Following on from this work the Committee was advised that a task team comprising of individuals across Development Cooperation Division and a sub team of individuals with the necessary technical skills was set up; the former to oversee the implementation of the recommendations of the review and the latter to look at the development of standards as required. As well as highlighting a number of key recommendations (see Appendix 2), the Committee will meet regularly with the management of Key Partner Countries at Headquarters to monitor and receive updates on the implementation of the recommendations therein.

#### **b. Passport Services**

Following the discovery of a fraud in the Passport Office in 2013, the management of the Passport Office conducted a "Look Back" review to identify the extent of any other such potential frauds and to identify what, if any, control weaknesses has contributed to the fraud perpetrated. The E & A Unit conducted an independent review of this "Look Back" process and the Audit Committee considered the findings of this review which confirmed that the approach of management was appropriate as were the immediate steps taken to control risks and systems. The Department also initiated a special review of passport arrangements by an external expert panel. A member of the E & A Unit participated in this review and the overall findings were communicated to the Audit Committee. Members of the Audit Committee were

given access to read the report and we understand that the Department has taken on board the recommendations of this External Panel.

**c. Diplomatic Mail**

Following an incident in which a diplomatic mailbag went missing from the responsible courier, the E & A Unit conducted an audit of the internal control systems for diplomatic mail. The E & A Unit assessed the overall system of internal control as good, but made a number of recommendations to the Department in the areas of physical integrity, discharge of Data Protection obligations, the contract in place with the service provider and also recommended that the Department conduct a review to identify if there are more efficient and effective options for diplomatic mail.

**d. Other**

Other audits carried out but not yet presented to the Committee prior to this report were: -

- The audit of grants awarded to Misean Cara in 2012 and 2013.
- The review of the role and arrangements for Duty Officers.
- Audit of Reconciliation Fund.
- Audit of the Embassy of Ireland Pretoria.
- Audit of the Representative Office Ramallah.
- Assessment of Internal Control and Risk Management Systems in Sierra Leone.
- Meetings with the relevant UN agencies to identify what assurance is provided for funds contributed by Irish Aid to “Common Humanitarian Funds” and “Emergency Response Funds”.

**c. Evaluation Review**

Irish Aid country programme evaluations were a core feature of the 2014 evaluation work programme. These country programme evaluations focus on assessing the appropriateness and effectiveness of the programme’s strategic choices and associated partnerships. In addition to providing lessons to what was achieved (or otherwise), country programme evaluations are an important way of providing accountability to both the Irish public and to the host country. Very importantly, country programme evaluations help inform future strategic decision-making and are ordinarily carried out towards the end of each country programme cycle which typically covers a period of 4-5 years of implementation.

In keeping with the Department's aim of promoting a culture of evaluation across the Department, the 2014 work plan included support to a range of evaluative work being commissioned and managed by other business units. This support was primarily focused on advising the planning and management of evaluations by the business units concerned.

### **Irish Aid Country Programme Evaluations**

In 2014 evaluations of Irish Aid's country programmes in Sierra Leone and Timor-Leste were completed and evaluations of the country programmes in Uganda and Malawi were initiated.

- The Sierra Leone Country Strategy covered the years 2011-2013 and expenditure of €16.4 million. In terms of the overall strategy, the evaluation found that the choices made by Irish Aid have been relevant, justifiable, and consistent with the needs of Sierra Leoneans. The evaluation highlighted a concern in relation to some indicators for which there was poor quality data or where no data was available as anticipated.
- The Timor-Leste evaluation highlights that the Irish Aid programme (2000 to 2013<sup>1</sup>) helped to build bilateral relations and a significant fund of goodwill towards Ireland in East Timor. The report recognised that results are difficult to define in fragile contexts, and while the evaluation found that Irish Aid made notable achievements, it was not possible to precisely measure outcomes, return on investment, or value for money. The evaluation found that Irish Aid made notable achievements in those areas where it had a good understanding and a comparative advantage or where it worked with strong technical partners.

### **d. Risk Management**

The Audit Committee continued to monitor the Department's risk management process during the year. At the invitation of the Chief Risk Officer, the Committee reviewed the Department's revised Risk Management Policy at its March 2014 meeting. The revised policy covered the key areas of risk management including risk identification and assessment, risk ownership, monitoring and mitigation, communications, reporting structure and oversight functions.

At the meeting, the Audit Committee welcomed the new policy document and made a number of suggestions which were taken on board by the Chief Risk Officer.

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<sup>1</sup> Irish Aid closed the programme in Timor-Leste in 2013

The Audit Committee welcomes the appointment by the Secretary General of a member of the Management Advisory Committee, Adrian O'Neill, to be the Department's Chief Risk Officer. Mr O'Neill succeeded the former Chief Risk Officer, Anne Barrington following her Ambassadorial posting in 2014. The Chief Risk Officer is supported by a Risk Management Committee and a Risk Management Secretariat. The Committee met with the new Chief Risk Officer in the forum of the formal Committee meeting in February 2015.

The Audit Committee considers that the Risk Management Secretariat has a very important role in supporting Divisions and Missions to assess risks and to put in place risk mitigation strategies at operational level, while also alerting the Chief Risk Officer (and the Management Advisory Committee) to strategic threats to the achievement of the Department's goals.

The Chief Risk Officer has a work plan for the period 2013 – 2015, which sets out clearly stated and measurable targets across a number of areas with the aim of embedding risk awareness into the corporate culture. The intention is that risk management should not be an administrative exercise, decoupled from the 'real' business of the Department, but rather should instinctively inform decision-making throughout our entire organisation.

The Audit Committee acknowledges the continued progress made during the year in defining the Risk Management Policy, refining the Department's risk register, implementing processes to support risk management and clarifying the linkage between business planning and risk management.

The Audit Committee noted the key risks identified in the Department's major risk register.

## **e. Fraud**

The issue of fraud and the monitoring, detection and prevention of fraud by the Department of Foreign Affairs and Trade in all its activities and with the disbursement of public funds is a significant concern for the Audit Committee. It can have major reputational impacts on the programme of work of the Department and undermine public confidence.

The risk of fraud exists in every organisation. However, when public funds are involved, there is an even greater demand for transparency from those with responsibility for disbursing public funds. Substantial public funds are spent in the development aid programme by Irish Aid which amounted to €478m in 2014 which is 74 % of the total budget of the Department. It involves multiple counterparts in many jurisdictions and additional vigilance is required in this area for the potential for fraud. Irish Aid has put in place systems and procedures to enable proper reporting by partner organisations in receipt of development aid regarding actual and suspected instances of fraud. The Audit

Committee has previously urged the Department to be vigilant and proactive in the scrutiny, testing and investigation of potential fraud risks both within Ireland and abroad and particularly with third party organisations supported by Irish taxpayers money.

The Audit Committee received an update in relation to the investigation of incidents of fraud at the Passport Office in the summer of 2013 and a copy the report arising from the External Review which was undertaken. The Committee considered the main findings and recommendations of the report of the External Panel, which was established by the Secretary General, to review passport systems following the discovery of the fraud. The Audit Committee also considered the findings and recommendations of the Internal Review undertaken by the Evaluation and Audit Unit at the Department which had reviewed the 'Look Back' project undertaken by the Passport Service following the incident and confirmation was received that immediate steps had been taken to address control risks. The Audit Committee welcomed the actions taken by the Department following the discovery of fraud and noted the Department's commitment to take action in all identified risk areas associated with the issue of passports. The Audit Committee was informed of the necessity to update the current automated passport system which is near the end of its useful life and significant technology changes and skills enhancements that are necessary in the area to meet future requirements. The Department committed to take the necessary steps to address this.

The Audit Committee and the Evaluation and Audit Unit continued its ongoing appraisal of the Fraud Register. The Fraud Register is kept updated with incidents of fraud as they are detected and reported and with actions undertaken. The structure of the updated Fraud Register continues to be reviewed by the Audit Committee including a process for closing off items that have been addressed such that current issues of fraud receive the primary focus. The Audit Committee stresses the importance of full reporting of incidents of suspected and actual frauds, frauds under investigation and progress in relation to same.

The Audit Committee has engaged with the Secretary General and the Evaluation and Audit Unit with a view to putting in place a "Policy on Protected Disclosures" within the Department and the resources and procedures necessary to support such a policy. This is currently under review by management and the Audit Committee expects to see progress made in this area in 2015.

## **f. Key Specific Areas of Work**

### **i. Ratings and opinions in audit reports – clarity for the reader**

In the 2013 annual report, the Audit Committee made a recommendation that internal audit reports should use a clear traffic light system to distinguish the significance of opinions, findings and recommendations.

In response to this, the Evaluation and Audit Unit implemented a rating system in the second half of 2014 to assist the reader in understanding the overall opinion and the significance of the individual findings.

Appendix 3 has details of the tables of terminology used in reporting opinion in each audit report and a table of explanation of degree of satisfaction with compliance where applicable.

## **II. Meeting with the Uganda Auditor General - Mr. John Muwanga**

At the invitation of Minister of State Costello, Uganda's Auditor General Mr John Muwanga visited Ireland in order to brief public officials on the role and functions of his office as well as the follow up to the 2012 fraud uncovered at the Office of the Prime Minister by the Auditor General.

Some members of the Committee met with Mr John Muwanga to discuss issues arising from the audit of the Government of Uganda accounts in 2012. They had a wide-ranging and interesting discussion on the role of the AG in Uganda and the operation of the Audit Committee here in Ireland.

Discussions centred on the role of an Audit Committee within a government department and how it can add value and effect / influence change, as well as how its role operates - comparing the situations in Ireland and Uganda. In Uganda the Ministry of Finance (Permanent Secretary/Secretary to the Treasury) appoints Audit Committees for all government ministries; but there still remains work to be done around clarity and understanding on the role and purpose of Audit Committees.

The 2012 fraud in Uganda which involved a high level of collusion at a senior level was discussed. €4 million of Irish Aid funds together with the funds of three other donors (a total of €11.6m) were fraudulently withdrawn. All the money was subsequently recovered from the Government of Uganda.

Most of the main players involved in the perpetration of the fraud were identified and suspended. It is impossible to know who the ultimate beneficiaries of the funds were and the possibility that there may have been beneficiaries other than the direct perpetrators cannot be ruled out. This matter is being pursued by the Uganda police and other investigative bodies.

Some weaknesses in systems facilitated the fraud, both in the Treasury and the Bank of Uganda. These weaknesses were not clearly identified in the various external assessments of public financial management systems carried out by international bodies and donors.

Irish Aid is satisfied with the work of the Office of the Auditor General (OAG), not just on this particular case, but with the overall independence and capacity of the office.

## Appendix 1 - Audit Committee Charter

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

The Committee will have a Chairperson and at least four ordinary members who will be drawn from outside the Department (the quorum for meetings will be three members). At least two members of the Committee will be qualified accountants and some members will have 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 members will normally serve for at least two years. The Committee will usually meet at least six times each year.

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

The Committee will provide an annual report to the Secretary General. This will be based, inter alia, on:

- A review of the Department's evaluation and audit strategy and the annual work.
- Programmes arising from this.
- A review of the implementation of these programmes.
- A review of the resources available for this purpose.
- Monitoring reviews of the internal control systems.
- Monitoring reviews of the risk management systems.

The Committee will invite the Comptroller and Auditor General, or his/her representative, to meet with it at least once a year.

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



## Appendix 2 - Summary of Recommendations

### Departmental Organisation and Management – Development Cooperation Directorate (DCD)

1. DCD should ensure that there is standardisation of practice and procedures across Key Partner Countries; however high-level procedures should not be excessively prescriptive and there should be flexibility in the guidelines at country level to take account of local context.
2. An annual assessment of staffing levels / skills should be undertaken at missions in Key Partner Countries as part of the business planning process; the Audit Committee should be informed where there are any significant gaps.
3. 'Good Practice' operated in one Partner Country should be shared across the other Partner Countries. This practice should be included in the local guidelines for that country.
4. The Committee should be kept apprised by DCD on progress on implementation of the recommendations in the report of the Irish Aid development cooperation programme carried out by the DAC Peer Review in 2014.

### Evaluation and Audit Unit

5. The Evaluation and Audit Unit should review the process for formally closing off items on the Fraud Register including notifying the Audit Committee in this regard.
6. The Evaluation and Audit Unit should review the internal audit work plan for the 2014-16 periods to ensure that it is achievable given the resources available. The Unit should also review the amount of staff time needed for non-audit (but necessary) activities so that it can be properly reflected in assignment scheduling.

### Other Department matters

7. With regard to the diplomatic mail service, the Department should:
  - a. Satisfy itself as to the physical integrity of diplomatic pouches/bags.
  - b. Ensure that any obligations under the Data Protection Act at the time of the theft of the Embassy Berlin bag have been fully discharged.
  - c. Ensure that a signed contract is in place with each diplomatic mail service provider.
  - d. Review whether there are more efficient and effective options for a diplomatic mail service.

### Appendix 3- Audit Report Terminology

| System Assessment Rating | Criteria   |
|--------------------------|--|
|                          |  |
| <b>Very Good</b>         | No apparent weaknesses and where the system and practice could serve as an example of good practice for the organisation as a whole  |
|                          |  |
| <b>Good</b>              | Appropriate systems in place but some areas for improvement  |
|                          |  |
| <b>Adequate</b>          | Basic system in place and complied with but where there are substantial areas for improvement  |
|                          |  |
| <b>Weak</b>              | Absence of a system or procedures<br>System exists but has significant deficiencies in terms of completeness or essential checks<br>System exists but evidence that there is substantial non-compliance. |

#### Compliance rating matrix

| Rating                     | Criteria   |
|----------------------------|--|
| <b>Satisfied</b>           | There is clear evidence that all conditions have been complied with  |
| <b>Partially Satisfied</b> | There is evidence of a substantial level of compliance but some areas where there is either non-compliance or where it is not possible to assess compliance. |
| <b>Not satisfied</b>       | Evidence indicates that there is substantial level of non-compliance or there is an absence of evidence to form an opinion                                   |