



**Office of the Comptroller and
Auditor General**

External Peer Review

Report

18 May 2020



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Abbreviations used in report

C&AG	Comptroller and Auditor General
HR	Human Resources
ICT	Information and Communications Technology
INTOSAI	International Organisation of Supreme Audit Institutions
ISSAI	International Standards for Supreme Audit Institutions
NSSO	National Shared Service Office
OCAG	Office of the Comptroller and Auditor General
OGCIO	Office of the Government Chief Information Officer
PAC	Public Accounts Committee
SAI	Supreme Audit Institution. Supreme Audit Institutions are independent Government-entities whose external <i>audit</i> role is established by the constitution or <i>supreme</i> law-making body of a country.
SAI PMF	SAI Performance Measurement Framework



1 Peer Review — Key Conclusions

1. The mission of the Comptroller and Auditor General (C&AG) is to provide independent assurance that public funds and resources are used in accordance with the law, managed to good effect and properly and to:
 - issue audit opinions on the accounts of government departments and public bodies;
 - publish reports on important matters selected using his/her discretion relating to value for money and the administration of public funds; and
 - authorise, under the comptroller function, the release of Exchequer funds for purposes specified by law.
2. In carrying out this critical role, the C&AG is supported by his Office (OCAG or “the Office”) of some 174 staff¹ to produce a wide range of products, most notably the financial audits of the Appropriation Accounts of departments in the Government of Ireland and many publicly funded Irish agencies and institutions. The OCAG also produces performance audit reports on Government bodies making use of public resources and publishes them either as Special Reports or as Chapters within the C&AG’s Report on the Accounts of the Public Services. These activities provide assurance to stakeholders, including the Oireachtas and the public, while underpinning the accountability and performance of the bodies concerned.

Who audits the auditors?

3. The C&AG arranges for an independent financial audit of his Office each year, as one might expect. However, it has in addition become the norm that national audit institutions would subject themselves voluntarily from time to time to an independent external assessment of their performance against international standards and good practice, often in the form of a “peer review” — a review carried out by persons coming from or with deep experience in other audit institutions. This is the report of such an exercise, fulfilling a commitment made in the OCAG “Statement of Strategy 2016-2020”.
4. The peer review was conducted in accordance with the international peer review guidelines² using the SAI Performance Management Framework³ developed by the relevant international body, INTOSAI, and adjusted by the peer review team in consultation with the C&AG to suit the particular circumstances of the Office. We reviewed each of the six domains within the framework covering the Office’s independence, its internal governance and support functions, its relationships with external stakeholders and its primary products: the financial and performance audit reports. The peer review and the international team undertaking it⁴ had two main objectives:

¹ Average staff numbers in 2019.

² INTOSAI International framework of Professional Pronouncements – GUID 1900 Peer Review Guidelines

³ www.idi.no

⁴ See Annex

- to underscore organisational accountability and transparency, which are important elements of the OCAG’s credibility; and
 - to inform the OCAG’s strategic direction (and in particular its next round of strategic planning to commence this year), by drawing on the team’s experience and their examination of the Office.
5. In this Report, we have given our holistic views of the Office as well as an assessment of its performance for each of the six domains.

Overall conclusion

6. Overall, we concluded that the OCAG meets or substantially meets international standards and good practices as set out in the INTOSAI Performance Measurement Framework. We noted gaps and shortfalls in some areas and have made recommendations to the OCAG to address them. The Office embraced our findings and has accepted all of our recommendations.
7. Since it adopted international standards (known as ISSAIs⁵) for auditing, the OCAG has implemented them assiduously across its financial audit and reporting (performance audit) practices and in its internal governance. In our view, the Office has achieved a high level of compliance with the ISSAIs. Moreover, the OCAG is a well-functioning work place. Its staff are professional, qualified, disciplined, motivated and well-led. Stakeholders that we interviewed hold the Office in high regard. They found the Office fully independent and very professional and its reports well written. The OCAG has advanced considerably since the last peer review in 2008. It has many strengths that provide a good platform for the future. These strengths are evident in this report and can be seen under the various domains that we have assessed.

Crossroad

8. But we were also left with the sense of an organisation at a crossroad, grappling with the choices required to determine its future shape and direction as it grows, while preserving what has been serving it well. In our view, the organisation is poised for positive change and needs to take full advantage of this opportunity. The OCAG staff are aware of this change agenda and so are its stakeholders. Yet, much remains to be done before the OCAG can fully deliver on this agenda.
9. Change management, if done well, would position the OCAG to add more value. This would permit the Office to better respond to the demands of its stakeholders and play its role in helping Government departments and agencies to deliver better public services and be more accountable. The challenge would be to make the change while continuing to deliver its core functions efficiently and in a professional and independent way.

⁵ International Standards of Supreme Audit Institutions (ISSAI)

What does this mean?

10. In our view, the Office could be more engaged with the audited entities. By building on its privileged position to look across the Government and using its deep understanding of practice within the public administration and the experience it has accrued, the OCAG would provide more insight and exemplars of good practices to the entities. The Office has the opportunity and potential to go beyond simply signing off on the accounts to become the advocate for best practices, making its insights available to the entities, without compromising its independence and objectivity. We also agree with the priority in the existing Statement of Strategy about the importance of further developing the capacity for delivery of more, better and highly relevant Special Reports on topics related to economy, efficiency and effectiveness. And we believe that the Office can and should deliver its products in a more timely fashion, so that its contribution to the accountability of public bodies would be maximised. This is supported strongly by key stakeholders in the Dáil and the Executive.

Capacity and capability

11. Can the Office deliver on this promise? It has a competent and engaged staff of professionals who are generally well placed to deliver. But there remains the issue of capacity and capability, which needs to be addressed. In this report, we have noted that the Office is stretched in resource terms, and that the statutory demands applicable to the financial audit cycle take precedence in the allocation of resources. The Office does not have its own budgetary power and so must work within the resources it is given. While we have detected no threat from this situation to the independence of the Office, it does not currently have the resources to fulfil a broader mandate to meet all of the targets set in its Strategic Plan.
12. Performance is not just about resources, and we have seen opportunities for the Office to be more efficient in its audit processes, while at the same time empowering its staff. The Office could analyse the various steps in its audit processes, in consultation with its staff and audited entities as appropriate, to drive out greater efficiency and be more timely in delivering its products.
13. Despite a great deal of organised effort in relation to the training and development of its staff, the Office does not have a full range of in-house capabilities that will be needed to further deliver in the areas of performance audit. Despite recent efforts to develop skills beyond the traditional accountancy skill base, it may be that some of the products which the Office ought to be producing, or the functions which it performs, will need other skills. The Office might need to address how this can be achieved, making the best use of existing staff and assessing other skills that might be needed. We have offered a number of suggestions and recommendations in this report to assist the Office in developing its capacity and capability for performance auditing.

Culture

14. The Office may also be in need of a culture change. We noted in our discussions with stakeholders, and in the reports which the Office has commissioned in relation to stakeholder views of the Office, that the OCAg seemed reluctant to engage with the audited entities beyond the strict requirements of producing the audit. This lack of engagement with audited entities and other stakeholders was seen as a result of safeguarding OCAg's independence. But they are not mutually exclusive. There is a demand for the Office to be more open to a greater engagement with stakeholders not just with audited entities but also in the Oireachtas, with the media and the wider public. This could become one of the values to be embraced by the staff and senior management could help through leading by example.

2 Introduction

- 15.** The Comptroller and Auditor General's (C&AG) mission is to provide independent assurance that public funds and resources are used in accordance with the law, managed to good effect and properly accounted for and to contribute to improvement in public administration. The C&AG is required by law⁶ to:
- issue audit opinions on the accounts of Government departments and public bodies;
 - publish reports on important matters selected using his/her discretion relating to value for money and the administration of public funds; and
 - authorise, under the comptroller function, the release of Exchequer funds for purposes specified by law.
- 16.** The Office of the Comptroller and Auditor General's (OCAG) exists to assist the C&AG in carrying out his functions. Its broader mission is to add as much value as it can to public service in Ireland through the provision of high-quality audit services, focused on improving the use of public money and resources, and strengthening public accountability. The peer review was commissioned by the C&AG with two main objectives:
- to underscore organisational accountability and transparency, which are important elements of the OCAG's credibility; and
 - to inform the OCAG's strategic direction, by drawing on the team's international experience.
- 17.** The peer review was undertaken by an international team comprising
- Martin Sinclair (Chair), former Assistant Auditor General, National Audit Office, United Kingdom
 - Nancy Cheng, former Assistant Auditor General, Office of the Auditor General of Canada
 - Kevin Cardiff, former member of the European Court of Auditors and former Secretary General of the Department of Finance of Ireland.
- 18.** The peer review was conducted in accordance with the international peer review guidelines⁷ using the SAI Performance Management Framework (SAI PMF)⁸ developed by the International Organisation of Supreme Audit Institutions (INTOSAI) adjusted by the peer review team in consultation with the C&AG to suit the circumstances of the OCAG.⁹ We reviewed each of the six domains within the framework covering the OCAG's independence, its internal governance and support functions, its relationships with external stakeholders and its primary products: the financial and performance audit reports.

⁶ *Comptroller and Auditor General (Amendment) Act 1993*

⁷ INTOSAI International framework of Professional Pronouncements – GUID 1900 Peer Review Guidelines

⁸ www.idi.no

⁹ The SAI PMF has 25 performance indicators in its six domains. Six of these were not applicable to the OCAG. These are three indicators relating to compliance audit, which is not separately carried out by the OCAG, and three relating to SAIs which have jurisdictional functions.

2.1 Gathering evidence

19. We carried out the review by interviewing staff in the OCAg in each of the relevant functions, interviewing external stakeholders and by reviewing relevant documentation. Annex A sets out the main sources of evidence used to support the assessments of the review team.
20. The review included an examination of selected financial and performance audits. The review also took evidence from an independent external review of the OCAg's financial audit quality control (June 2019), and from an independent external review of the performance audit manual (June 2018) and of performance audit files (May 2019).

2.2 Assessment of performance

21. The SAI PMF requires assessment of a SAI's performance, using the evidence gathered in the course of the review, against criteria that are based on the International Standards for Supreme Audit Institutions (ISSAIs) and on other good practices for SAIs identified by INTOSAI.
22. The assessments of the review team, set out in the conclusions for each of the six domains, are graded as follows¹⁰
 - Fully meets ISSAI standards
 - Substantially meets ISSAI standards, but with some gaps or shortfalls
 - Significant gaps or shortfalls in meeting ISSAI standards.

2.3 Acknowledgement

23. We greatly appreciate the cooperation and support provided by the Office of the Comptroller and Auditor General of Ireland and its staff during our work, and thank them. Their openness and cooperation were invaluable in enabling us to complete our work. We also acknowledge all of the parties, external to the OCAg, who gave freely of their time and contributed greatly to our understanding of the OCAg's situation and performance.

¹⁰ Performance was assessed against each of the performance indicators.

3 Independence and Mandate

24. Independence is essential for the effective operation of a Supreme Audit Institution (SAI). The INTOSAI Lima Declaration (ISSAI 1) states that independence can only be achieved if the SAI is independent of the audited entity and is protected against outside influence.^{11,12} The INTOSAI Mexico Declaration (ISSAI 10) identified eight pillars for the independence of external Government audit.¹³ These texts have been endorsed by the United Nations General Assembly.¹⁴
25. The ISSAIs require SAIs to have an appropriate and effective constitutional framework within which the law sets out the details regarding the establishment of the SAI including its role, powers and duties.
26. The legal framework should provide for the SAI to act independently, without the real or perceived risk of being influenced by the Executive or other entities. The Lima and Mexico Declarations identify financial independence, operational autonomy and an independent Head of a SAI as a minimum to obtain this independence.
27. A SAI should be sufficiently empowered by a legal framework that establishes its role and clearly describes the public financial operations it is responsible for auditing.
28. The ISSAIs require SAIs to have a sufficiently broad mandate covering all (or most) public financial operations, regardless of how they are reflected in the national budget. In order to exercise this mandate, a SAI needs to have the right to access and obtain information and documentation necessary for its activities. In order to hold audited entities accountable, SAIs need the power to, and be required to, freely prepare, submit and publish its audit reports.

Findings

29. Article 33 of the Irish Constitution establishes the post of Comptroller and Auditor General. The Constitution requires the appointment of the C&AG by the President, on nomination by Dáil Éireann. The arrangements for the remuneration, and tenure of office of the C&AG are set out in the *Comptroller and Auditor General Amendment Act 1993*. The term of appointment is indefinite but the post holder must stand down upon reaching the age of 70. The current holder of the post was selected for nomination by the Dáil following an open competition, conducted in line with the general recruitment process for senior public appointments.¹⁵

¹¹ The Lima Declaration was approved during the International Organisation of Supreme Audit Institutions (INTOSAI) Congress in 1977. It defines the characteristics and requirements for SAI independence and effective functioning.

¹² ISSAIs – the International Standards for Supreme Audit Institutions.

¹³ The Mexico Declaration was approved at the INTOSAI Congress in 2007.

¹⁴ UN General Assembly Resolutions 66/209 and 69/22 encourage States to apply the principles of independence of SAIs as set out in the Lima (ISSAI 1) and Mexico (ISSAI 10) Declarations

¹⁵ Top Level Appointments Committee process.

- 30.** The Constitution, together with various supporting legislation, provides a strong independent position for the C&AG who is free to determine his/her own ways of working and rules of procedure and with strong privileges and immunities.¹⁶ This framework also provides for a high degree of initiative and autonomy. We were told that there is no history of external or political attempts to interfere in the C&AG’s decision making process, or to challenge the right of the post holder to exercise the functions of the Office fully and freely.
- 31.** The OCAg is by statute part of the Civil Service.¹⁷ Its staff (which does not include the C&AG) are civil servants subject to Civil Service terms and conditions and it follows the standard Civil Service procedures in matters such as recruitment, promotion and performance management. Staff members are bound by the Civil Service Code of Standards and Behaviour.¹⁸ However, the staff of the OCAg are “civil servants of the State”, rather than “civil servants of the Government”, so that they are not accountable to Government ministers in the same way as most civil servants. We were told that in practice the OCAg generally has full freedom to make its own decisions on staff numbers and grading within its agreed budget. It must, however, seek the agreement of the Department of Public Expenditure and Reform if it wishes to create new posts at Director of Audit level. The OCAg told us that, as a small organisation, there were clear practical advantages in using the structures and procedures of the Civil Service in managing its staff.
- 32.** The budget of the OCAg is approved by the Dáil as a separately identified component of the State’s annual budget. In practice, however, the OCAg, as part of the Civil Service, negotiates its budget with the Department of Public Expenditure and Reform (a Ministry audited by the C&AG). The OCAg, in seeking additional funds, must explain its case in some detail to the Department and may not secure full funding of its bid. For example, its settlement for 2020 included 70 per cent of its bid for additional funding. The OCAg is free to use the allocated funds without further scrutiny from the Department or other Government entities. While the Dáil has the authority to amend this budget it has never done so.
- 33.** The OCAg is accountable to the Oireachtas for its use of Exchequer funds under the same legislative framework applicable to Government entities. This obligation is discharged by the Secretary of the OCAg who is the appointed accounting officer for the OCAg. Under the legislation, the audit of the OCAg is to be conducted by a private sector firm, which is to be appointed by the C&AG¹⁹ and it completes all of the necessary work up to the C&AG’s certification.

¹⁶ *Comptroller and Auditor General Amendment Act 1993, Comptroller and Auditor General and Committees of the Oireachtas (Special Provisions) Act 1998*

¹⁷ *Comptroller and Auditor General Act 1923*

¹⁸ Civil Service Code of Standards and Behaviour, published by the Standards in Public Office Commission.

¹⁹ *Comptroller and Auditor General Amendment Act s13*

34. The *C&AG Amendment Act 1993* provides the statutory basis for the C&AG to carry out both financial and performance audit. The scope of the performance audit mandate in relation to effectiveness is limited to the evaluation of the measures put in place by the managers of a public body to test its own effectiveness rather than to examine the effectiveness of the operation itself. The Act also defines the central entities and other bodies which fall within this mandate.²⁰ Section 5 of the Act covers semi-state bodies which have a variety of governance structures depending on the purpose of the entity and the circumstances at the time of its creation. The bodies covered by the C&AG's audit are listed in supporting schedules and in subsequent legislation as bodies are established or dissolved.
35. Section 8 of the *C&AG Amendment Act 1993* gives the right to inspect the accounts of any entity receiving funding equivalent to 50 per cent or more of its income from grants of public funds and determines the scope of these inspection activities. In practice these rights are exercised rarely and only when specific matters are brought to the C&AG's attention.
36. Section 10 of the *C&AG Amendment Act 1993* gives the C&AG and staff unrestricted right of access to all information necessary for them to perform their statutory functions. We were told that there have been very few occasions where the C&AG's right of access has been questioned or challenged.
37. The Act gives the C&AG the right to report on all aspects of the work and ensures that all reports are placed before the Dáil for consideration by the Public Accounts Committee thus making them available to the wider public. However, the Act is quite prescriptive on how reports are presented before the legislature. This has implications for the timing of report publication which is beyond the control of the OCAG. For example, all of the C&AG's reports on the Appropriation Accounts (42 accounts in 2019) are brought together, including the related report Chapters, in a single annual report. In practice this means that laying of the annual report and of all of the Accounts to the Dáil by the OCAG is usually on or close to the statutory deadline of 30 September rather than as individual Accounts or Chapters are completed. It is also unusual for a SAI to take on the function of publishing the Executive's Accounts. The C&AG's performance audit reports (Special Reports) are required to be submitted to the Minister (Executive) of the audited body who, in turn, is obliged to lay them, without amendment, before the Dáil within three months of receipt.²¹ As a consequence the OCAG loses a degree of control over the timing of report publication.

Conclusions

38. We concluded that the OCAG substantially meets ISSAI standards in respect of its independence and its mandate, but with some gaps or shortfalls.
39. The constitutional and legislative framework surrounding the post of C&AG is strong affording a high level of independence in terms of freedom to exercise the statutory functions free from restriction and undue influence.

²⁰ *Comptroller and Auditor General Amendment Act s3-7.*

²¹ *Comptroller and Auditor General (Amendment) Act 1993, S.11*

40. We noted a number of aspects of the statutory framework which, in theory at least, may place constraints on the independence of the OCAg. They are:
- the requirement to submit the OCAg’s proposed budget to the Department of Public Expenditure and Reform (a Ministry audited by the C&AG) before it is approved by the Dáil as part of the State’s overall budget;
 - the OCAg (except for the C&AG) being part of the Civil Service and therefore bound by Civil Service rules on staffing and recruitment;²²
 - the C&AG’s limited mandate to examine the effectiveness of public expenditure;
 - the constraints on the process of reporting the C&AG’s work: on some financial audits in relation to timing and on Special Reports where control of the timing of publication rests with the Minister;²³
 - the responsibility placed on the C&AG to publish the Executive’s Appropriation Accounts;²⁴ and
 - the limited extent to which the C&AG can ‘follow’ public money into the hands of a recipient who is a non-government organisation.²⁵
41. It is our view that the effectiveness of the OCAg would be further enhanced if these shortcomings were addressed. These are largely matters for the Oireachtas. Nevertheless we have highlighted a number of matters concerning the independence and mandate of the C&AG which, if addressed, would bring the OCAg fully into line with international standards²⁶ as they have developed over the last 20 years.

Recommendation 1

42. *We recommend that the OCAg review its legislative mandate and determine if there are any legislative constraints that could bear substantively on its independence. For any such constraints, the OCAg should seek legislative amendments to address them.*

OCAg response: accepted

43. We will carry out a detailed review of the mandate, in order to identify possible amendments to legislation that we consider would further strengthen the independence of OCAg. We will communicate the outcome of this review to the Minister for Finance by 31 December 2020.

²² *Comptroller and Auditor General Act 1923, s4.*

²³ *Comptroller and Auditor General (Amendment) Act 1993 s9(2)*

²⁴ *Comptroller and Auditor General (Amendment) Act 1993, S.3(11).*

²⁵ *Comptroller and Auditor General (Amendment) Act 1993, S.8.*

²⁶ International Standards of Supreme Audit Institutions. www.issai.org.

4 Internal Governance and Support Services

44. The system of internal governance and the ethical framework applying to a SAI is crucial to the delivery of its mandate. The SAI is more likely to be effective in delivering on its objectives if it is well-led, with strong common understandings of the objectives and values of the organisation, and guided by appropriate planning processes at the strategic and operational level, in turn supported by good internal control systems for the management of risk. Moreover, since the key deliverable of any SAI is assurance in relation to the use of public resources, the SAI must be trusted in terms of both its integrity and ethical framework and the soundness of the products it delivers to its stakeholders and the general public. Systems of the SAI must ensure that the same standards are applied to any work that is contracted out by the SAI to other agents. Moreover, the SAI's role as a critical assessor of the work of other public bodies is undermined if it is not itself in a position to act as an exemplar for sound financial management and good governance.
45. The importance of these dimensions is reflected in several elements of the INTOSAI Framework of Professional Pronouncements²⁷ including those relating to transparency and accountability, and to the value and benefits of SAIs.²⁸

4.1 Planning cycle

46. A strategic plan is important to provide organisational direction. Planning should take account of stakeholders' expectations, emerging risks, and the institutional environment in which the SAI operates. The plan should contain indicators for measuring the achievement of the SAI's strategic objectives. The objectives set out in the strategic plan should be operationalised in annual plans.
47. The planning process should follow principles of good governance, with clearly defined timelines, roles and responsibilities. Ownership at the top level in the SAI is essential but there should be an opportunity for everyone within the SAI to have input, and external stakeholders should be consulted.
48. SAIs should report publicly on their operations and performance, to demonstrate that they are fulfilling their mandate.

Findings

49. There is a well-considered Statement of Strategy 2016-2020. This document sets out the OCAG's own view of the key issues and challenges facing it, based on its own analysis and on feedback from various stakeholders, and outlines its proposed approach to meeting its mandate for the relevant period. This document outlines targets to be met and challenges to be addressed, giving some indications also of the timeframes within which these actions should happen, although often without a formal quantification of, or metrics for, the targets outlined.

²⁷ The IFPP consists of INTOSAI Principles, International Standards of SAIs (ISSAIs) and INTOSAI Guidance.

²⁸ ISSAI 12: The values and benefits of Supreme Audit Institutions – making a difference to the lives of citizens. ISSAI 20: principles of transparency and accountability.

50. The Statement of Strategy is supported by subsidiary documents, such as a People Strategy and an Engagement Strategy, as well as by formal annual operational plans dealing heavily with expected audit product and how that is to be achieved.²⁹ There are also plans for the main support functions in the areas of human resources and information technology management. Senior staff appear clear on where the responsibility for delivery of these operational plans lies.
51. These strategic and operational plans rely on the understanding of senior management of OCAG mandate and of its environment, but they do not incorporate any overall environmental analysis to guide the direction of travel for the OCAG, or the specific choices of performance audit topics, for example by identifying emerging issues and trends in public administration or in relation to pressures on the public purse, as a guide to the planning work.
52. The strategic plan was the subject of broad staff discussions before and after finalisation, but for annual operational plans, communication to staff relies on top down messages passing through managers.

4.2 Organisational control environment

53. SAIs should have in place a quality control system that ensures quality in all their work. SAIs should, therefore, have a code of ethics to ensure that staff conduct is beyond reproach, establish an appropriate system of internal control, have a quality control system in place for its audit work and periodically evaluate whether the quality control processes are operating effectively through a quality assurance process.

Findings

Ethics

54. The extensive ethics framework for the OCAG is made up of multiple layers with ISSAI 130 at the pinnacle including general rules and codes applying to civil servants³⁰, specific audit-related rules governing the OCAG staff (and extended to contractors) set out in the audit manuals, professional codes of conduct applicable to members of accountancy bodies, all supported in turn by hierarchical oversight through the chain of management. Formal “statements of interests” are required of senior officers and those dealing with particular functions on an annual basis. Those subject to such declarations are required also to declare conflicts of interest where they arise in the course of business, and to withdraw from decision making or action in such cases. A senior manager is designated as the Monitoring and Ethics Director to support compliance with the framework. Ethical risks are considered as part of the risk management framework. There are well developed whistleblower rules on a statutory basis, as well an internal “Speak Up” policy.

²⁹ The accounts which the C&AG is required to certify each year are set down in statute. As a consequence, the OCAG has limited discretion around the financial audit workload, and many of the resources of the Office are, thus, pre-committed.

³⁰ The general Civil Service Code does not, however, apply directly to the C&AG in person, although various ethics rules and procedures, including annual statements of interests, do apply.

Governance and Control

55. As regards the system of internal control, it should be noted that although there is a “Governance Framework” outlining in detail the purpose of the various internal groupings and committees established to run the OCAG, there is no overall internal control framework (ICF) document, or systematic overall ICF review process. However, there is an organised system of control in all the key areas, including a systematic risk management process and there is reporting at the Management Board on developing risk issues. A Risk Management Committee exists and all staff are required to attend an annual event allowing for feedback from staff on risks. Every ‘hot’ item has a list of actions with follow up. There is ISO accreditation for IT security. Moreover, the OCAG has recently established a Governance Unit at least in part to support its control processes.
56. There is an Audit Committee which comprises four independent non-executive members. Internal audit is contracted to an external firm, and based on an interview with the relevant partner of the firm concerned there is a strong basis for suggesting that the internal audit and Audit Committee systems are working according to the applicable guidelines. The number and resource-intensity of internal audits should have regard to the risk environment. The OCAG contracted out 20 days of internal audit per year, which was seen as adequate by the internal auditor. However, 20 days would amount to far less than half a person-year in-house. Secondly, in the case of a contract arrangement for internal audit, there may be more risk that the contractor be over-influenced by management views in the selection of audit topics. Such risk could be managed by a strong and active Audit Committee. There is follow up of internal audit recommendations and there has been a recent drive to deal with outstanding recommendations ensuring that there are few outstanding overdue issues.
57. As regards quality control systems and the quality assurance systems, it is clear that there are extensive systems in place, overseen by the Secretary as Quality Assurance Director. There is a system of quality control reviews and Engagement Quality Control Reviews (EQCRs) for both financial and performance audit. This is more developed in relation to financial audit.

Performance

58. A tightly hierarchical structure provides clarity about task assignments and each person has clear accountability to a manager. Performance appraisal systems are developed but may not be perceived to provide an adequate approach in themselves to the management of underperformance: staff survey results from 2017³¹ indicated little belief that poor performance is effectively addressed. At the same time, however, there was a firm belief that senior managers are held accountable for results and most agreed that people in the OCAG are held accountable for achieving goals. In the absence of meaningful performance pay or formal performance linked schemes, promotion is a key motivator and employee survey results indicate that there was a high degree of belief that good performance leads to promotion. Managers are very aware of the need for incentives and have used ‘plum’ assignments and selection for further education to signal to staff their concern for development and performance. An exception is general service administrative staff for whom promotion opportunities are very sparse within the OCAG.

³¹ Civil Service Employee Engagement Survey, 2017.

4.3 Leadership and internal communication

59. In order for a SAI to achieve its objectives, strong leadership and good communication with staff are necessary. Management should lead by example, setting the tone and establishing good practice. Staff should be aware of their obligations and informed of decisions relating to key issues related to the organisation.

Findings

60. Staff surveys and our discussions with staff suggest many leadership strengths, and a high level of trust in senior managers, who are seen as being open, fair, supportive, and developmental. At a formal level, leadership processes are well integrated into the OCAG's work and the formal structures outlined in the Governance Framework are utilised in practice as well as on paper for periodic review of progress and for decision making.
61. The senior managers in the OCAG do appear to communicate the mandate, vision and core values, with a growing number of fora and systems for communication in place. As regards internal communication, considerable efforts are being made, including by the establishment of the various standing fora and more active communication from senior staff, to ensure good communications. The OCAG considers it important to ensure good communication to staff, but sometimes key messages are spread via the organisational hierarchy, rather than more directly. There are signs of improvement in internal communications over time but one much awaited improvement is in relation to electronic dissemination of internal information: it was a common refrain that a planned-for intranet system, would be an essential tool in regard to communications, of big messages and small. We were told that one of the immediate priorities for the new Governance Unit was to introduce an intranet for the OCAG.
62. Ethical standards and quality standards are a very clear part of the organisation's values and culture. Staff reported very positively on managers' openness to feedback from them, and quality of output is a constant message in annual conference, manuals, in the C&AG's very personal oversight of audit products etc. One potential shortfall in the communication of values may be in relation to a reticence against change, as a key value of the OCAG. For very good reasons, the protection of standards, the emphasis on quality, the proper desire to avoid risk, may have engendered too much conservatism in the OCAG, and staff answering the 2017 survey were unconvinced about the value placed on a change orientation in the OCAG.
63. The SAI leadership is active in promoting values, through manuals, informal messaging via managers and all-staff meetings, including annual conference, wellbeing and development fora, etc. In this, the role of the C&AG personally is not to be underestimated – even on matters which are proper to the Secretary/Accounting Officer and Management Board, staff do look to the C&AG for a lead. Senior managers are respected by staff and are generally regarded as fair.

4.4 Contracting Out

64. The OCAG contracts out some financial audit work to private sector firms. It currently has a three-year agreement (2018-2020) with its staff side (unions) which limits the quantum of contracted out work to no more than 24 staff-years over the three-year period. In 2018 and 2019, the OCAG contracted out the full upper limit of 8 staff years each year. Over and above this, the OCAG contracts a private sector firm to carry out the cold review of completed financial audits for assurance that international standards have been appropriately applied.
65. The purpose of contracting out is to increase the capacity of the OCAG to manage the financial audit workload in particular audits scheduled for delivery in the peak periods of June and September. The audits for contracting out are selected by Deputy Directors and approved through a formal contracting out plan approved by the lead Director for financial audit. The policy applied is that generally audits selected must be inherently low risk and have no recent history of significant audit issues.
66. Firms are contracted to deliver the planning and execution phase of the audit and to work collaboratively with the OCAG on the finalisation phase. The firms' paper audit file is reviewed by the OCAG once the first two phases are completed. The OCAG's review processes then follow the same pattern as for the OCAG's own audits up to certification by the C&AG (or the appropriate officer where delegated). Contracted out audits are subject to the same post audit quality assurance processes as all of the OCAG's other audits (See chapter 5 Audit Quality and Reporting).
67. Audits are contracted out for one year with the possibility of a one-year extension in a few cases. The OCAG uses the Office of Government Procurement's framework agreement for accounting and auditing services to identify suitable firms to do contracted out work. Firms on the framework are pre-screened for professional standing, public sector experience and a number of other factors. On the basis of expressions of interest from qualified firms the OCAG runs mini competitions for clusters (packages) of 4 or 5 audits based on price, methodology, understanding of the environment and the quality of staff resource. Price is the dominant criteria, although for the most recent mini competition the weighting was reduced from 40 % to 35% to enhance the quality element.
68. Firms are required to declare any conflicts of interest in the two-year period leading up to the intended start date of the contract. There is no post contract cooling off period.

Conclusions

69. We concluded that the OCAG substantially meets ISSAI standards in respect of its planning and internal governance. The OCAG fully meets ISSAI standards in respect of outsourced audits.
70. We noted that the key elements of a good internal governance system were in place. The OCAG is a generally well led by a respected senior management team with effective governance acting through structures set out in an explicit Governance Framework. The reviewers formed an overall positive view of the OCAG in relation to governance and control.
71. Some gaps remain in the governance and control mix framework – for example, an overall internal control framework document, and an implementation matrix for strategic plans.

72. We also noted some areas where improvement might contribute to a more effective office. For example, the OCAG could become more aware of its strengths. Staff might also view management as overly conservative in relation to change, and hence might underestimate the appetite for change in the OCAG. Preserving the best elements of the OCAG ethos should be an important value, but so should openness to change.

4.5 Financial management, assets and support services

73. SAIs require adequate financial resources, assets and well managed support services to function effectively. They must apply good management principles to ensure best use of their resources. This means that the SAI should have an appropriate organisational management and support structure that provides good governance and supports internal control and management practices. SAIs should, therefore
- ensure effective management of their financial resources
 - ensure effective planning and use of their assets and infrastructure
 - have appropriate administrative support for effective management and maintenance of their assets and infrastructure.

Findings

74. By statute, the OCAG is required to follow the Civil Service system. This means that it need to adhere to Civil Service procedures and practices (in particular as documented in “Public Financial Procedures”), which provides considerable strength and support. For example, much of the Information and Communications Technology (ICT) needs of the OCAG are provided by the Office of the Government Chief Information Officer (OGCIO), general financial practices and procedures are laid down centrally by the Department of Public Expenditure and Reform, and the OCAG will eventually operate its financial systems on a shared services basis, with accounting systems provided for it from a central system. Accommodation is also arranged on a centralised basis by the Office of Public Works.
75. Financial systems are effective, if a little dated, responsibilities are clear, and costs are recorded, monitored and controlled. The OCAG is audited by external auditors and recommendations are followed up. Its Account is presented by the C&AG to the Public Accounts Committee and the Secretary is accountable at that Committee for financial management issues. Further development of financial systems will be on a “shared services” basis – this could have real benefits for the OCAG if well implemented, but in the meanwhile the OCAG is in “waiting” mode.
76. Accommodation and ICT needs have been reviewed in recent years, and the OCAG has both an in-house expert and access to shared expertise of the OGCIO. Staff report having adequate ICT tools and support, but there is room for improvement. An ICT implementation plan is in place which needs to be implemented.

Conclusion

77. We concluded that the OCAG fully meets ISSAI standards in respect of its financial management, assets and support services.

Recommendation 2

78. *We recommend that the OCAG include additional quantification of targets and a formalised implementation matrix in its forthcoming strategic plan, and feed them directly into operational planning.*

OCAG response: accepted

79. The strategic plan for 2021-2025 will be in place by 31 December 2020. This will include both a quantification of targets and an implementation matrix. We will review our operational planning and monitoring processes to ensure that the identified targets and actions are captured by these processes. We will report on progress against the targets in our corporate publications.

Recommendation 3

80. *We recommend that the OCAG develop an overall internal control framework (ICF) document, with regular updating and review.*

OCAG response: accepted

81. This will be in place by 30 June 2020, alongside a policy and procedure for monitoring and review.

Recommendation 4

82. *We recommend that the OCAG further develop internal communication systems, so as to be less reliant on hierarchical and “grapevine” messaging, including as a key priority by expediting plans for a well-developed intranet information dissemination system.*

OCAG response: accepted

83. OCAG launched its intranet on 23 March 2020, and will continue to enhance its content and its potential for communication and engagement. In addition, in formulating and rolling out the updated strategy, staff workshops and various staff fora will continue to be a key element.

Recommendation 5

84. *We recommend that, within the limits and constraints that apply to them, the OCAG review the performance incentives and recognition framework (including for junior support staff), in consultation with staff.*

OCAG response: accepted

85. Staff learning and development will continue to be a key strategic focus for OCAG during 2021 – 2025. The management of performance, and recognition of good performance, is an important element of this. In the strategy for 2021 – 2025, we will set down our objectives, actions and targets in this regard.

Recommendation 6

- 86.** *We recommend that the OCAG consider improving the efficiency and effectiveness of contracting out by extending the contract periods.*

OCAG response: accepted

- 87.** Previously, OCAG sought to put multi-year contracts out for tender but there was insufficient interest from commercial audit firms, so we had to revert to one-year contracts, extendable by a further year. We are currently finalising our procurement of contracting out for 2020 audits. Before we commence this exercise for 2021 audits, we will engage with large and medium size commercial audit firms to get an overall understanding of what types of contracts would be of most interest to such commercial firms, both in terms of length of contract and audit mix.

5 Audit Quality and Reporting

88. The mandate of a SAI defines its responsibilities for audit. The C&AG's audit mandate incorporates
- Financial audit. The *C&AG (Amendment) Act 1993* provides for the audit of the Appropriation Accounts of Government departments and other bodies, as well as the audits of a wide range of other bodies, for example in the education sector. The C&AG is also the auditor of certain entities under other legislation (e.g. the National Asset Management Agency).
 - Performance audit. Section 9 of the *C&AG (Amendment) Act 1993* provides that the C&AG may carry out examinations for the purpose of ascertaining, *inter alia*, whether resources have been used, or acquired and disposed of, economically and efficiently. The Act also provides that the C&AG may examine the systems a Department or body have in place to enable it to evaluate the effectiveness of its operations.

5.1 Financial audit

89. Financial audit determines whether an entity's financial statements are presented in accordance with the applicable financial reporting and regulatory frameworks. This is achieved by obtaining sufficient and appropriate audit evidence to enable the auditor to express a reasonable assurance based opinion on whether the financial information is free from material misstatement, whether due to fraud or error. The auditor is required to report on the financial statements, and communicate the results of the audit in accordance with the findings.³² The ISSAIs require SAIs to
- adopt audit standards that are in line with the fundamental principles of financial auditing as reflected in ISSAI 200 and incorporate them into policies and procedures that reflect the context of the SAI itself;
 - establish a system for ensuring that the members of an audit team collectively possess the professional competence and skills necessary to carry out the audit;
 - implement quality control measures.
90. Financial statements should be audited in a timely manner and the SAI should report publicly on any non-submission of financial statements due.

³² ISSAI 200 elaborates on this.

Financial Audit Coverage

91. The OCAg’s financial audit practice is driven by the statutory requirement on the C&AG to carry out an annual audit of all central Government entities (and some other defined bodies such as health and education bodies)³³. This includes the Appropriation Accounts of Government departments and the accounts of Government agencies and semi-state entities (see Figure 1).

Figure 1: OCAg, financial audits 2018

Voted accounts	41
Departmental Fund	27
Health entities	28
Financial entities	26
Semi-State bodies ^a	109
Education sector	48
North/South Bodies	7
Total	286

Source: Office of the Comptroller and Auditor General

Note: a: Includes subsidiaries of State bodies

92. The statutory requirements are comprehensive requiring the C&AG to provide an opinion on the proper presentation of the accounts and an assurance that the funds were expended on the ‘intended purposes’ as set out in the relevant legislation (known as the regularity assertion).³⁴ The C&AG also has a focus on matters of propriety in the conduct of public business which arise from his audit of the Appropriation Accounts or from the operation of financial controls in these departments. This is based on custom and practice over many years and draws on a number of sources but in particular the requirements of ‘Public Financial Procedures’³⁵ and by extension from value for money principles.
93. The OC&AG’s Strategic Plan 2016-20 reflects these statutory obligations and gives a commitment to delivering high quality professional audit services. This is reflected in the OCAg’s annual and sectoral business plans.

Financial Audit Standards and Quality Management

94. The OCAg has formally adopted the International standards for SAIs as the basis for conducting its financial audit work (ISSAI 140 and ISSAI 2000).³⁶ This commitment is reflected in all key policy documents such as the Strategic Plan and annual performance report and on the website³⁷. In practice this commitment is given effect through the OCAg’s adherence to the International Standards on Auditing as promulgated by INTOSAI. These International Standards on Auditing (ISAs) are referenced as the basis of the audit opinions in all the C&AG’s audit certificates.

³³ Comptroller and Auditor General Amendment Act 1993

³⁴ Comptroller and Auditor General Amendment Act 1993

³⁵ Guidance issued by the Department of Public Expenditure and Reform

³⁶ issai.org

³⁷ www.audit.gov.ie

95. The requirements of the ISAs are reflected fully in the OCAG's Financial Audit Manual and in the templates within the OCAG's audit documentation software (Team Mate). These also contain additional guidance, as required, based on the legislative framework and public auditing requirements in particular the obligation to cover matters of regularity and propriety. The Manual also sets out the OCAG's quality control and quality assurance procedures including its adherence to International Standard on Quality Control 1 (ISQC1) which deals with whole of OCAG procedures.
96. The OCAG is committed to all staff in the financial audit practice having a recognised professional accountancy qualification and has the human resources and training policies in place to sustain this. There is a comprehensive professional training scheme for all new entrant trainee auditors and a substantial programme of further training courses to support the continuous professional development (CPD) of qualified staff (see chapter 6 on Human Resources and Training). There are clear procedures (at the level of each individual audit) that audit teams, collectively and individually, have the competence and capabilities required to undertake each engagement and to attest to the ethical requirements set out in the Civil Service Code and international standards (see chapter 4 on Internal Governance and Ethics).
97. As part of quality assurance there are mandated requirements for first and second stage review by appropriately senior staff for all financial audits. In addition, there are risk based procedures to identify audits which are of significant size, complexity or sensitivity (overall or on identified issues) to require the appointment of an Engagement Quality Control Reviewer from outside the management chain to give independent quality control as opinions are formed.
98. The OCAG undertakes annual cold reviews of a sample of completed audits to learn lessons and reinforce quality. Every second year these reviews are carried out by external reviewers drawn from a major accountancy firm. The most recent of these reviews reported in June 2019 found that the OCAG is in compliance with the requirements of international standards in delivering its financial audits. They identified a small number of areas for improvement covering the updating of the Financial Audit Manual, documentation, and risk assessment. Action on the recommendations including staff training was completed by December 2019.
99. The OCAG has a scheme of delegation through which certification of 32 per cent of accounts were delegated by the C&AG to Directors or Deputy Directors in 2019.³⁸ The delegation is based on turnover subject to certain conditions and restrictions such as where there is history of audit issues over a period of years or where a material issue arises which warrants consideration by the C&AG, for example a qualified audit opinion, or a matter which warrants reporting.. These audits are all subject to the same quality assurance framework. In addition, the C&AG, personally, carries out a cold review of a sample of delegated audits. For the audit of 2019 accounts the turnover thresholds for delegation have been doubled partly to reflect inflation in entity budgets and partly to increase the number of Accounts where certification is delegated.

³⁸ 68% of 2018 accounts were certified by the C&AG; the balance were certified by Directors (21%) and Deputy Directors (11%), under delegated authority.

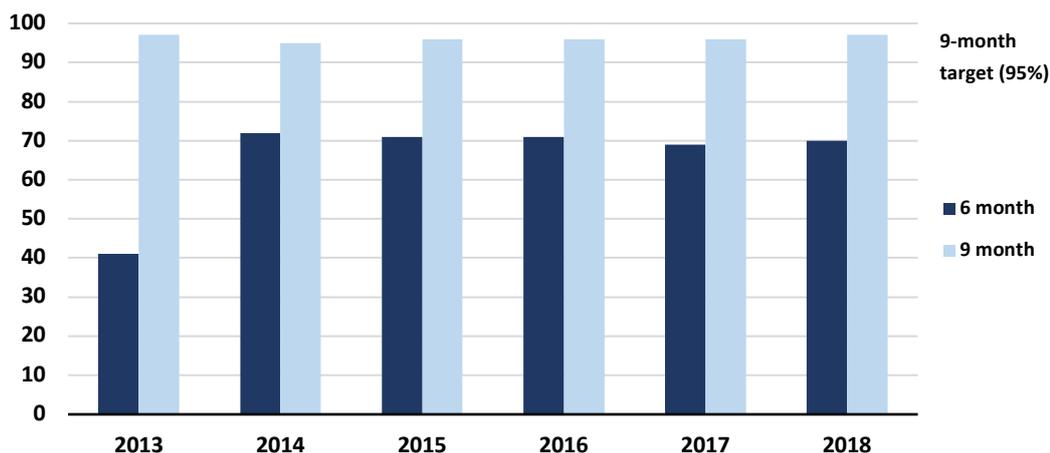
- 100.** Each year the OCAG contracts out to private sector firms work on a number of audits (50 in 2019) to support its certification of the Accounts (see Chapter 4 on Internal Governance and Support Services). This is undertaken to increase capacity and better manage significant peaks in the OCAG’s workload. The sourcing of suitably qualified firms is done following public procurement guidelines and the Office of Government Procurement framework agreements for accountancy and audit services. The firms are contracted to deliver audit planning and execution and to complete finalisation jointly with the OCAG prior to certification. This work is subject to the OCAG’s quality assurance framework.

Financial Audit Process and Results

- 101.** In order to test how financial audits are carried out in practice we reviewed the report of the external cold review of financial audits reported in June 2019 and examined four audit files for Accounts certified in 2019. These included one Account subject to EQCR procedures; one contracted out and one with a modified audit opinion. For the files that we reviewed we met the audit teams to understand the process and were taken through the electronic document (Team Mate) files in order to demonstrate compliance with the ISAs (Ireland) and the Financial Audit Manual. We focussed particular attention on audit planning and finalisation.
- 102.** International standards require all financial audits to be subject to first and second stage review prior to certification. Within the OCAG, these roles are carried out by Senior Auditors and Deputy Directors respectively. In addition, where audits are certified by the C&AG, it was also evident that senior management at Director level and above are closely involved in the final certification process and offer a probing challenge before the final approval of audit opinions.
- 103.** The independent cold review of a sample of audits completed in 2019 concluded that the OCAG had achieved a high level of compliance with international standards with scope for improvement in a small number of well-defined areas. Our own file review confirmed this assessment and found that the audit procedures elaborated in the Financial Audit Manual were applied consistently in the conduct of audits. Quality assurance procedures were well understood by all staff and applied consistently. Where areas for improvement are identified the resulting action plans are clear and monitored closely by the Audit and Management Boards, as appropriate. This includes training for staff.
- 104.** We observed that staff are required to declare their compliance with relevant ethical standards on each individual financial audit engagement. It was clear that staff awareness of these standards and of the requirements of ISQC 1 is strong across all levels within the OCAG. The results of individual financial audits are reported in the audit opinions included in the certification of each Account. The recommendations contained in the OCAG’s audit completion memoranda and management letters to every audited entity are followed up during the subsequent year’s audit. The OCAG’s Annual performance report contains an analysis of the recommendations by category drawn from management letters but this, although published on the OCAG website, is not reported to the Dáil.
- 105.** The OCAG’s performance in delivering statutory financial audits is reported in its Annual Performance Report and, since 2016, in an annual Special Report of the C&AG.

106. In 2019 the C&AG certified 292 Accounts.³⁹ By end September 2019, the C&AG had certified Accounts covering 95 per cent of central Government expenditure, meeting the OCAg’s planned target (see Figure 2). The number of individual audits certified by the same date was approximately 66 per cent of the total number of audits expected against a target of 70 percent (see Figure 3).

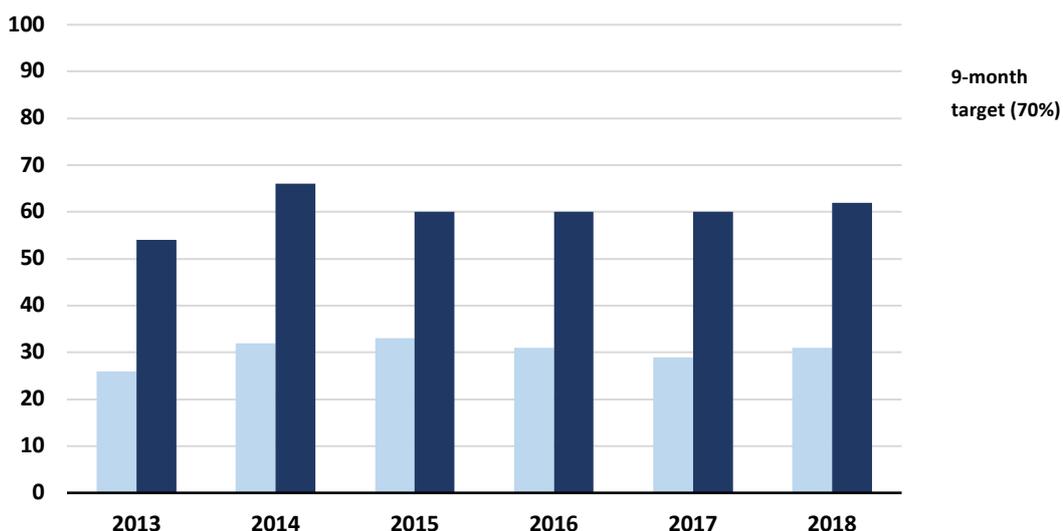
Figure 2: OCAg — Audits certified by monetary value 6 months and nine months after the financial year-end, 2013 to 2018^a



Source: Office of the Comptroller and Auditor General

Note: a Year of audit. For example, 2017 accounts were audited in 2018.

Figure 3: OCAg – Audits certified by number 6 months and nine months after the financial year-end, 2013 to 2018

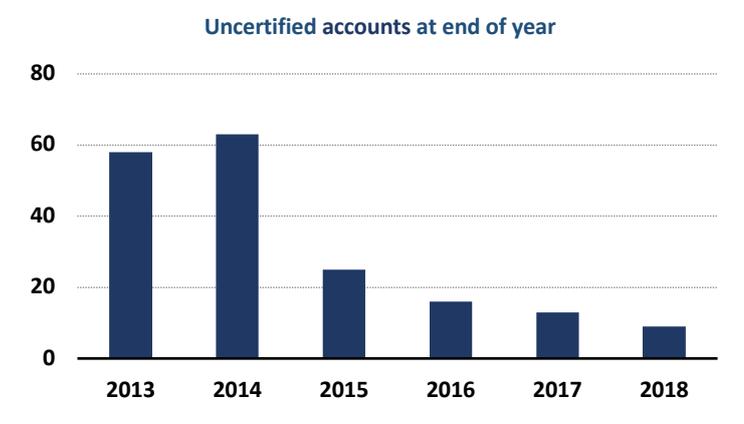


Source: Office of the Comptroller and Auditor General

107. By the end of the year almost all planned audits were completed, with the number of uncertified accounts down to 9 having been over 60 in 2014 (see Figure 4).

³⁹ Comprising 280 audits with years of account ending in 2018 and 12 accounts for prior periods of account.

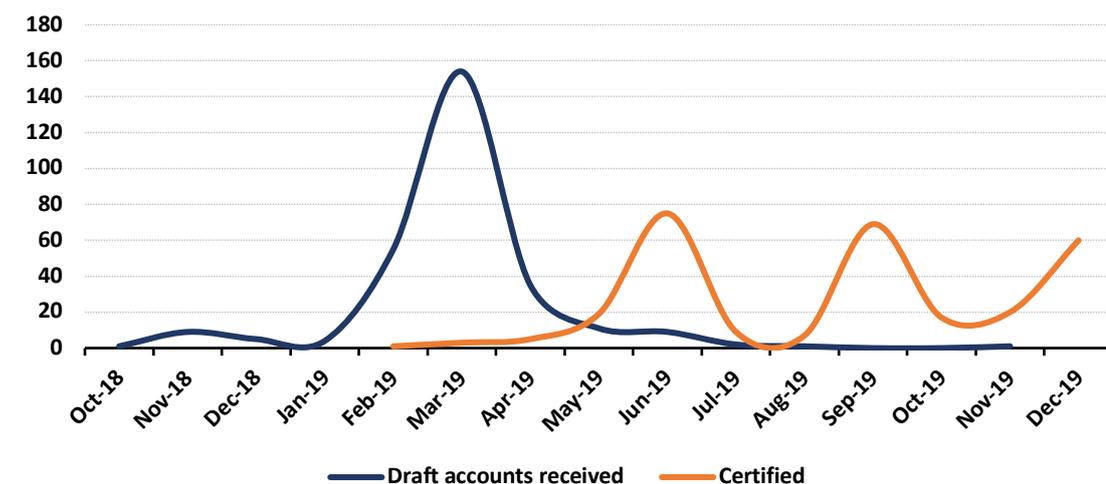
Figure 4: OCAG — Uncertified accounts at year-end 2013 to 2018



Source: Office of the Comptroller and Auditor General

108. We reviewed the time taken by entities to render Accounts to the C&AG for audit and the time then taken by the OCAG to complete their audit and certify the Accounts (see Figure 5). The average time taken by entities to submit their Accounts in 2019 was 90 days. 77% of entities did so by three months after the year-end.⁴⁰ We should acknowledge that this metric does not cover the quality of the submissions which undoubtedly varies. Thereafter, the time taken to finalise the audit was 195 days and it was not until the end of October that the 70% target was achieved. The extended delivery times compare unfavourably with leading international peers but are a consequence in large measure of the resource constraints within the OCAG and its working methods.

Figure 5: Draft 2018 Accounts received and certified, 2018



Source: Office of the Comptroller and Auditor General

⁴⁰ For most entities 3 months after year-end is 31 March. For some entities in the education sector, 3 months after year-end is either 31 November or 31 December.

- 109.** The C&AG is keenly aware that the timely production of audited financial statements is an important element of an effective system of accountability for public finances and has said so in his public reports.⁴¹ The OCAg is firmly focussed on improving overall performance in this area evidenced by the very significant reduction in the number of Accounts outstanding at year end.

Conclusion

- 110.** We concluded that the OCAg's audit quality and reporting in financial audit fully meets ISSAI standards.
- 111.** The financial audit practice is functioning well and all stakeholders commented very positively on its professionalism and focus on high quality work. It is clear, however, that the overall system for the accountability and the transparency of public expenditure in Ireland would benefit greatly from more timely information through the faster delivery of certified accounts to the Dáil. This would require the audited entities and the OCAg to work closely to streamline the process and improve the overall efficiency of the system.

Recommendation 7

- 112.** *We recommend that the OCAg continue to place substantial focus on shortening delivery times for its financial audits. The OCAg should review its audit approaches regularly against best practice and apply them consistently across the Office. The OCAg should also improve its programme and project management, including tight control of budgets and more effective co-ordination with audited entities to manage the overall process.*

OCAg response: accepted

- 113.** Timeliness of financial audit will continue to be a key strategic focus for OCAg during 2021 – 2025. Under the existing strategy, reduction of the number of accounts not certified at year end was a key objective. As this has been largely achieved, attention to in-year timeliness has increased. Progress in this area requires effort not only from OCAg but also from others involved in the process, including audited bodies, parent departments, rule-makers and those exercising oversight.
- 114.** Within OCAg, we will continue to critically review our audit approach. This will be reflected in the programme of work for the Quality and Standards Unit, the main elements of which will be highlighted in the strategy for 2021-2025.
- 115.** In addition, we are actively reviewing our business information systems, to ensure that we have all the necessary information available on a timely basis, to inform our audit programme and resourcing. The timelines for delivering key enhancements will be set out in the strategy for 2021 – 2025.
- 116.** We will also develop a specific engagement strategy, to be reflected in the overall strategy, in respect of other stakeholders whose efforts will also be required to progress timeliness of financial audit.
- 117.** Lastly, we will consider any implications for overall resourcing of OCAg, which will inform the annual estimates process.

⁴¹ C&AG Special Report Number 95 – Financial Reporting in the Public Sector November 2016.

Other areas for consideration

- 118.** During the peer review we have identified a number of areas for the OCAG to consider in developing its next strategic plan in the later part of 2020.

Efficiency of the financial audit process

- 119.** The financial audit practice functions well. Staff are highly professional and keenly aware of their roles and responsibilities. However, we found that some of the methods adopted are very process heavy and time consuming such as an overreliance of substantive testing at a transaction level. More generally the financial audit practice places very considerable demand on the OCAG's staff resources at a time when the OCAG is seeking to free up capacity to undertake more performance audit work. We believe there are significant opportunities to improve the overall efficiency of the financial audit process without any loss of audit quality. This would also lead to faster delivery times overall and potentially free up staff time for other work. It would be beneficial to:

- streamline review processes and consider a flatter structure for managing financial audits;
- encourage use of peer learning opportunities (for example with outsourcing firms, other SAIs) to streamline financial audit methodologies;
- promote greater consistency of working practice across the OCAG; and
- give greater focus to audit costs.

- 120.** In the medium term the OCAG needs to be more aware of wider changes in the audit profession and to the emergence of new audit approaches within such as the use of data analytics. The possibility that the Irish Government may wish to move to accruals accounting in the medium term would also bring pressure for the faster certification of Accounts.

Adding greater value for audited entities from financial audit

- 121.** In reviewing the financial audit practice, we spoke to a number of senior leaders in audited entities. We heard consistently that the OCAG's staff are held in high regard for their professionalism and objectivity. However, while relationships were seen as good they were generally at the working level and focussed on managing the audit process. Formal audit communications such as Audit Planning and Completion memoranda are often highly generic and do not reflect to any great extent the OCAG's undoubted understanding of the entity's business. There was little continuing engagement at senior levels outside the handling of immediate audit issues and a repeated sense that audited entities were not benefitting as much as they could from the OCAG's deep knowledge and expertise across the public sector or from its unique position to identify and share good practice.

- 122.** We believe there are significant opportunities to build stronger relationships with audited entities. This could offer the possibility of improving the quality of the insights offered through the financial audits leading to improved accountability and transparency to the Dáil and wider civil society. It could also provide departments and other audited bodies with greater added value from the audit process.

123. We believe it would be beneficial to:

- deepen professional working relationships between senior OCAG management and key senior staff in Government to promote mutual understanding and channels of communication;
- tailor communications more specifically to the needs and circumstances of individual departments and audited bodies;
- engage more fully with their audit committees.

5.2 Performance audit

124. Performance audit focuses on whether Government undertakings, systems, operations, programmes, activities and organisations are performing in accordance with the principles of economy, efficiency and effectiveness with a view to the audits contributing to significant improvement in the conduct of Government operations and programmes. This is achieved by examining performance against suitable criteria and providing recommendations for improvement.⁴² Similar to financial audit, the ISSAIs require SAIs to

- adopt audit standards that are in line with the fundamental principles of performance auditing and incorporate them into policies and procedures that reflect the context of the SAI itself;
- establish a system for ensuring that the members of an audit team collectively possess the professional competence and skills necessary to carry out the audit;
- implement quality control measures.

125. A SAI's legal mandate for performance audit is often wide and the scope of performance audit is flexible. SAIs need to determine how they select audit topics which cover significant issues and have an impact.

Findings

126. The OCAG Performance Audit Practice, generally called Reporting, is comprised of two types of Reports — Chapters and Special Reports. Chapters are performance audit reports on matters arising from the annual audit of Appropriation Accounts of Government departments or controls over financial reporting in those departments. Special Reports are used for all other performance audits or any general matters arising from audit examinations, as defined in the *Comptroller and Auditor General (Amendment) Act 1993*.

⁴² ISSAI 300 elaborates on this.

Performance Audit Standards and Quality Management

- 127.** In 2017, the OCAg formally adopted the INTOSAI International Standards of Supreme Audit Institutions for performance audits (ISSAI 3000) as its auditing framework. We noted that the OCAg stated on its website that “all examinations are conducted in accordance with international standards”.
- 128.** Following the adoption, the OCAg revised and re-launched its Reporting Manual. The Manual was comprehensive and contained key elements of the full performance audit cycle, including quality assurance. In addition, it provided guidance for staff on subject areas such as procurement, performance measurement and reporting, and contracting.
- 129.** The OCAg commissioned an external review to map the requirements of ISSAI 3000 and related non-authoritative guidance to the Reporting Manual to identify potential gaps. In a June 2018 report, the consultant concluded that the OCAg was strongly or broadly consistent with the ISSAI 3000 standards and guidance in all but one requirement. At the time, the Manual did not address the requirement for consideration of fraud risk. The consultant report also identified a number of areas where clarification was needed to better align its operating procedures with some ISSAI 3000 requirements.
- 130.** In February 2020, our review of the Reporting Manual showed that fraud risk consideration was added under the Planning section. For this review, we selected about one-third of all ISSAI 3000 requirements as the basis for our file review. As we looked for them in the Manual, we found that further clarification continued to be needed for the policies and procedures to be fully consistent with ISSAI 3000 standard. We noted that the Manual was supplemented by several templates and checklists. They helped clarify OCAg requirements for performance audits. In our view, the Manual together with the templates and checklists set out performance audit policies and procedures that were substantially consistent with ISSAI 3000 requirements. It is advisable that the OCAg continue to update and clarify the Reporting Manual to be fully consistent with international standards.
- 131.** We found that the Reporting Manual set out the expectation for audit teams to have collectively the appropriate skills, knowledge and experience to carry out performance audits. The Manual also set out consideration for the use of specialists and the approval process for their use when such needs were identified.
- 132.** The Reporting Manual laid out the need for regular progress meetings between the Senior Auditor (project leader) and the Deputy Director responsible for the Report. For Special Reports and complex annual report Chapters, it specified the need and the nature of review meetings with the audit Director. Expectation for clearance and disposition of comments from audit entities were clearly stated in the Manual.

133. As part of quality assurance, the Manual stated that all Special Report audit projects will be assigned an Engagement Quality Control Reviewer (EQCR) while EQCR assignment to projects for Chapters will be risk-based. In addition, all Senior Auditors working full-time in Reporting will be assigned an EQCR at least once every three years. In November 2018, the C&AG approved that a sample of published Reports will be subject to a quality assurance review, effective 2019. In 2019, OCAG engaged the consultant to conduct a practice review of two Reports. This also served as a path finder to develop methodology for future reviews. As we completed our review in February 2020, OCAG was in the process of contracting professional services for further practice reviews.

Performance Audit Process and Results

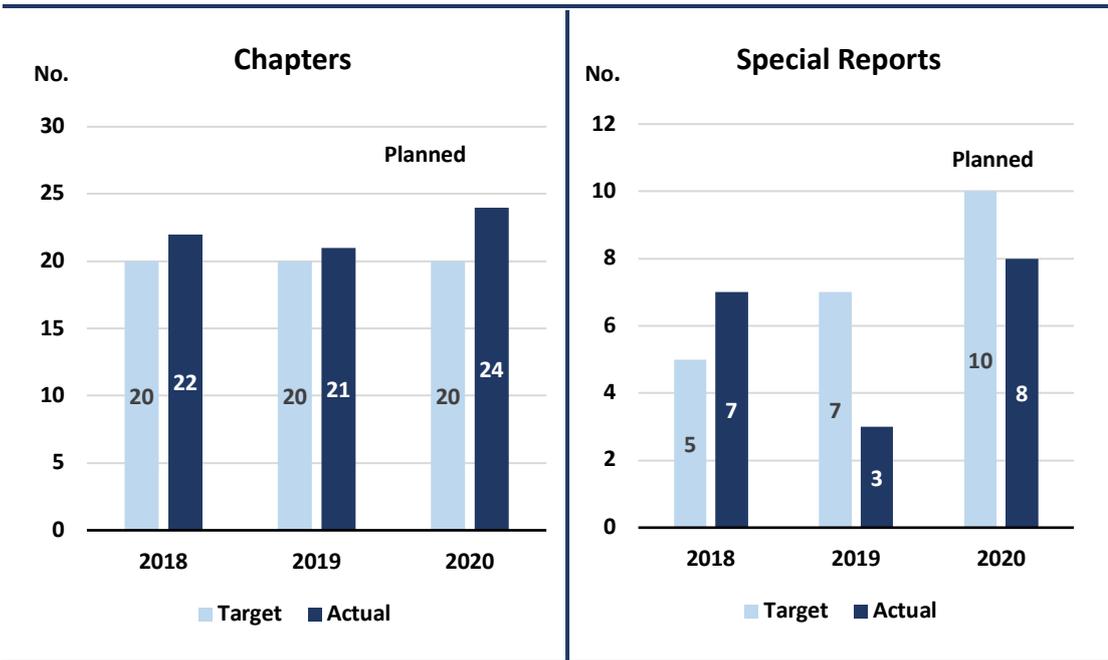
Audit Coverage and Selection

134. Audit selection at OCAG was based on an assessment of the significance and materiality of a subject matter, as well as if and how it fits with the five key themes set out in the Reporting Strategy. Dedicated Reporting staff were assigned to teams responsible for large portfolios such as revenue, health, education, or employment and social protection. They monitored potential issues and risks in those portfolios on a regular basis. This included watching for any significant matters arising from annual Accounts audits that could potentially be the subject matter of a Chapter for reporting to the Oireachtas. General Reporting and other Reporting staff were responsible for monitoring potential issues in other portfolios as part of other Chapter work and for identifying broader, cross-sector and more complex topics as subject matters for a Special Report.

135. In its 2016-2020 Strategic Plan, Reporting work was identified as one of three priorities. The OCAG also set 2020 targets for the number of Special Reports and percentage subject matters that encompass cross-cutting themes. The 2018-2020 Reporting Strategy set out five key themes for audit selection and specific targets for Chapters and Special Reports for each of the three years. Sector reporting strategies were developed and refreshed periodically to support audit topic selection annually, resulting in an annual audit plan for Reporting. We found that there was good alignment between the Strategic Plan and the Reporting Strategy and that they were well supported by sector reporting strategies.

136. The Strategic Plan aimed by 2020 to publish 10 Special Reports each year and focus at least 20 percent of the Reports on cross-cutting themes. The Reporting Strategy contained incremental targets to reach those final numbers by 2020. We found that the OCAG met its Chapter targets for 2018 and 2019 and was on track for 2020. While it met the target for 2018, the OCAG fell short in the number of Special Reports in 2019 and continued to be challenged to meet the 2020 target (see Figure 6).

Figure 6. Number of signed report, target versus actual by year, 2018 to 2020



Source: Office of the Comptroller and Auditor General

137. We found that OCAg capacity for Reporting work was a key constraint on meeting the target number of Special Reports. The OCAg conducted audits of the Appropriation Accounts of Government departments and annual financial statements of many Government bodies. With few exceptions, the mandates for those financial audits were set by law. However, the mandate for its Reporting work was discretionary in nature. Hence, resources were allocated first and foremost to staff financial audits while fewer resources were available for Reporting work. In addition, Reporting staff dedicated to large portfolios were more likely to focus on their assigned portfolios, leaving primarily General Reporting and other Reporting staff to identify and conduct audits of broader topics. Consequently, the capacity for Special Reports with cross-sector and more complex audit topics was not commensurate with the target numbers set out in the Strategic Plan and the Reporting Strategy.

138. Moreover, we observed that there was a propensity toward producing Chapters over Special Reports. Chapters were produced annually and were published by September 30 each year, at the same time as the annual Appropriation Accounts. With a set deadline, they tended to be tightly scoped and took priority in staffing within Reporting work. We noted that there had been instances in the past where certain Special Report projects had to be halted to accommodate the completion of Chapter work in order to meet the Chapter publication deadline. In discussing this issue with management and some Reporting staff, we noted that there did not appear to be sufficient incentive to mount Special Reports over Chapters. Figure 6 above showed that OCAg met target numbers for Chapters consistently and is on track to meet target again in 2020. But, actual and planned number of Special Reports was not meeting expectation.

- 139.** In its Strategic Plan, OCAG underscored the importance of making a real and tangible difference to help improve public administration and facilitate accountability. Chapters and Special Reports are both valuable ways to serve that objective. In setting the target of publishing 10 Special Reports each year from 2020, the OCAG recognized the importance of auditing broader, cross-sector and more complex topics that might span multiple Government departments and include Government bodies. We encourage OCAG to strike a better balance between the volume of Chapters and Special Reports in its Reporting work.
- 140.** The capacity constraint along with the propensity for Chapter work made it challenging to meet the target numbers for Special Reports. In order to address the capacity constraint, OCAG sought additional funding from the Oireachtas over a three-year period. The business case for the funding request included a phased approach to increase the percentage of Reporting staff at the OCAG from 19 percent in 2019 to 24 percent by 2022, reaching a final target of 25 percent by 2023. Management told us that the OCAG received 70 percent of the additional funding it requested for 2020.
- 141.** With respect to audit coverage of entities, the 2018 and 2019 Reporting work examined a wide spectrum of Government departments and included Government bodies. All large portfolios were considered for Chapter work annually; other departments were risk-assessed and considered for audits on a less frequent basis. Regarding audit coverage of subject matters, approaching set targets for Special Reports would help the OCAG make a greater impact as articulated in its Strategic Plan.
- 142.** Management told us that its audit staff conducted both financial and performance audits. All Reporting staff possess knowledge and skills in a single discipline — financial reporting and auditing. The OCAG recognized the need for other skill sets and had engaged specialists in the past to supplement project teams. It has also supported audit staff in pursuit of post-graduate qualifications in policy analysis with the Institute of Public Administration.⁴³ The lack of other disciplines and expertise in other fields could become an inhibitor in identifying and considering worthy subject matters for audit. Financial audit is an important skill set but may not be sufficient to identify other types of issues for audit examination. Lack of specific expertise could also render a subject not auditable and be ruled out of an examination that may carry a significant benefit. It is advisable for the OCAG to assess its staff mix and consider if and when it should recruit and build staff expertise in specific areas to better support its Reporting work.

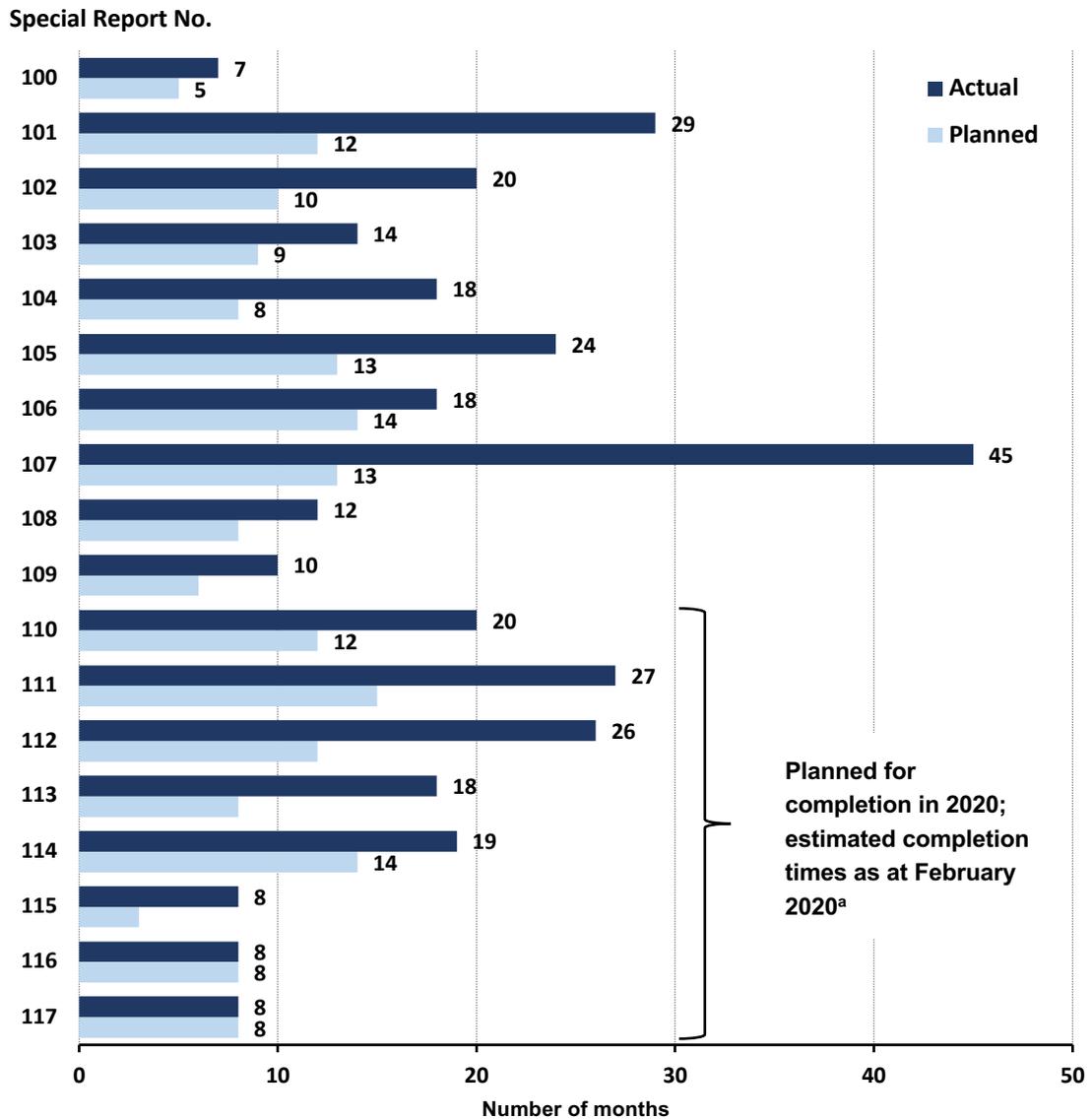
Audit Planning, Implementation and Reporting

- 143.** In 2018 and 2019, the C&AG signed and submitted a total of 53 Reports, comprising of 43 Chapters and 10 Special Reports⁴⁴. Annual accounts Chapters were generally completed under tight and short time frame with a fixed publication date of September 30 each year. On average, the planned and actual project elapsed times for Chapters was the same, at around 8 months. Broader topics were either examined in phases over a number of years or were audited as Special Report topics. Special Reports on the other hand were signed, submitted and subsequently published as and when ready. Those audits followed their own time lines and were completed generally over a much longer period (see Figure 7).

⁴³ Either a two-year Master of Economic Science in Policy Analysis or a one-year Post Graduate Diploma in Policy Analysis. The courses are accredited by the National University of Ireland.

⁴⁴ Special Reports 100 to 109.

Figure 7. Special Reports planned and actual project elapsed times (number of months) 2018 to 2020



Source: Office of the Comptroller and Auditor General.

Note: a These are provisional report numbers. A report number is assigned when the report is signed.

144. In order to test how performance audits were carried out in practice, we selected for review a sample of two Chapters and two Special Reports that were completed in 2018 and 2019. We also took into account results of the two Reports that were practice reviewed in 2019 as noted in paragraph 133 above. For the files that we reviewed, we met the project teams to understand the process followed and asked them to show us the files and documentation in order to demonstrate compliance with requirements in ISSAI 3000 standard and the OAG Reporting Manual. For this purpose, we test checked their audit processes against 14 of 41 ISSAI 3000 requirements.

- 145.** In the planning phase of the examination, we noted that the teams described why the audit topic was one of significance in the Report Scoping Document. In the Project Initiation Document, the teams documented the potential impact and anticipated benefits of undertaking the examination. The teams also outlined their general approach and methodology for the audit examination in those planning documents.
- 146.** The completed and approved planning documents set out team members involved in the audit examination but few details were provided on the assessment of skills and competence of the team. From our discussion with the Senior Auditors and Deputy Directors for the files we reviewed, we noted that project team members had addressed the need for requisite competence of the team as a whole. The 2019 practice review reported a similar finding. The assessment of the team's skills and competence for the audit examination needs to be better documented to fully comply with ISSAI 3000 requirements and the Reporting Manual.
- 147.** For the phase of conducting the audit examination, we saw that audit objectives in our sample files were set and documented in the Project Initiation Document. For our sample, we consulted the teams and selected two observations that resulted from a significant judgment call or were considered high risk of resulting in an inappropriate conclusion if proven incorrect. We asked for and were provided with appropriate documented substantiation for those observations.
- 148.** We did not find evidence or documentation for consideration of fraud risk. But, until recently, there was no reference in the Reporting Manual requiring such consideration. Also, in one of the Special Reports, the focus of the audit was the risk of impropriety and conflict of interest. This demonstrated that risks of fraud and wrong-doing were one of OCAg key considerations in selecting and planning performance audits. Similarly, there was limited evidence of the discussion about audit criteria with audit entities and this requirement was not explicit in the Reporting Manual. However, from our discussion with the teams, it would appear that, in substance, audit criteria discussion was part of an on-going dialogue with audit entities. Moving forward, we encourage Reporting staff to communicate audit criteria with audit entities more formally near the end of the planning phase and document that in their files to fully respect the ISSAI 3000 requirement.
- 149.** In the reporting phase, we found that the project teams carried out a robust clearance process. They also prepared comprehensive working papers, detailing comments from the audited entities and their disposition of them, and had shared them with the audit entities. Senior Auditors confirmed the on-going communication with Deputy Directors and Directors as described in the Reporting Manual. This was supported by annotation on documents made by their supervisors. In addition, they had ready access to the C&AG. The staff informed us that they consulted him as and when needed.
- 150.** The Chapters and Special Reports that we reviewed included a description of the area(s) examined. Some also included audit questions to be addressed. Where relevant, criteria and often their sources were described in the Reports. The Reports also contained conclusions and recommendations. However, we noted that the audit objectives as stated were not sufficiently clear. As a result, it was difficult to conclude directly against them. The OCAg needs to endeavour to state more clearly in its performance audit reports the audit objectives and conclude against them accordingly to fully comply with the ISSAI 3000 standard.

- 151.** The INTOSAI Performance Measurement Framework set expectation that performance audit reports be submitted and published on a timely basis. The C&AG is required by law to submit his Special Reports to the responsible Ministers who will then have to publish them within 90 days. We found that OCAg fully met those criteria in the Framework. For the files we reviewed, the OCAg submitted the Special Reports within days from signing them. In tabulating publication dates for all 2018 and 2019 Special Reports, we found that the elapsed time between Report approval and publication dates varied from 4 to 90 days, with an average of 46 days. The C&AG is responsible for publishing the audited Appropriation Accounts on or before September 30 each year. Chapters are included in his Report on the Accounts of the Public Services and are published at the same time. The publication dates for Chapters in the past two year were 28 September 2018 and 30 September 2019.

Conclusion

- 152.** We concluded that the OCAg substantially meets ISSAI standards in respect of audit quality and reporting in performance audit.
- 153.** The performance audit practice at OCAg was functioning broadly as expected. Although implicit and often demonstrated in practice, the OCAg would benefit from formalizing all requirements of the international standards in its Reporting Manual and ensure that its Reporting staff follow them.

Recommendation 8

- 154.** *We recommend that the OCAg formalize all ISSAI requirements as policy requirements in its Reporting Manual in order to demonstrate full compliance with them. The OCAg should provide its performance audit staff with awareness and training sessions to help them stay up-to-date and better comply with standards, and include verification of compliance in its quality assurance and quality control processes.*

OCAg response: accepted

- 155.** While the Office is satisfied – on the basis of a June 2018 review carried out by an external consultant – that the OCAg Reporting Manual is broadly consistent with the requirements of the ISSAIs, an exercise is underway to update the manual to more explicitly reflect the ISSAIs and to include references to specific requirements where appropriate. Quality control and quality assurance procedures will also be updated to verify compliance with the revised manual. The expected completion date is end December 2020.
- 156.** All staff involved in reporting work attend a monthly workshop to discuss emerging issues. It is planned to devise a structured approach to delivery of training on ISSAI requirements via the monthly staff workshops.

Other areas of consideration

157. During the review, we have identified a number of areas for OCAG to consider in developing its next strategic plan in the later part of 2020.

Current state of the OCAG

158. The OCAG is a well-functioning organization. The people are dedicated, skilled and are cognizant of their roles and responsibilities. From a smaller office to the current state and with anticipated growth, OCAG has now reached a point that warrants more structured support. In addition, attrition rate has run at about 9% to 13% percent in recent times and ran even higher for Reporting staff. It would be beneficial to consider having a more formalized structure in areas such as:

- work force planning;
- talent management, including succession planning;
- operating manual and methodology development and maintenance;
- audit tools development including making use of big data; and,
- monitoring and responding to the Government's use of other technological advances such as blockchain (including crypto currencies), robotics and artificial intelligence.

Institutional capacity

159. OCAG capacity is stretched. This is evident for the performance audit practice and particularly for Reporting work that produces Special Reports. The capacity of this important institution needs to be strengthened to put the OCAG in a position to better serve the Oireachtas and the public and help improve public administration and accountability for the use of public funds. In addition to continuing its funding request for the OCAG as a whole, the OCAG could consider whether taking other internal measures could also provide more capacity for Reporting work, especially for Special Reports. For example, this could include:

- setting attainable yet stretched efficiency targets for both financial and performance audit practices, challenging staff to meet them;
- commissioning process reviews for both practices, seeking to streamline processes and gain efficiency;
- analyzing and determining a desired balance in resource allocation between financial reporting and performance audit work, further refining within Reporting a dedicated level of resources for Special Reports, setting incremental targets in the new strategic plan;
- exploring ways to alleviate production pressure on the OCAG to publish all Chapters with the audited Appropriation Accounts;
- setting target report submission dates periodically for Special Reports to instill more discipline on that part of the performance audit practice; and,
- building a stronger report writing capability and an edit function to support the C&AG in his review of draft reports, alleviating time pressure in the system and providing the C&AG with more time to focus on strategic and contentious issues.

Impact

160. The audit topic identification process in the OCAg is methodical and follows the guidance in the Reporting Strategy and the OCAg sector strategy guide. Nevertheless, there is room for a more comprehensive identification of audit topics to position the OCAg to add more value and have a greater impact. Although senior audit staff stay mostly current on developing issues in their portfolios, the OCAg may miss the opportunity to examine broader, more relevant and forward-looking issues that address Government agenda and priorities with major implications on the use of public funds or the socio-economic well being of citizens. Moreover, the Reporting Strategy identified five key themes for Reporting work but it was not evident that they had been fully explored. In seeking to have a greater impact, consideration could be given to the following:

- establishing an advisory panel, formal or ad hoc, for the C&AG with external membership that could collectively provide him with a view of current issues that are of significance to the Oireachtas and the public;
- having senior management reach out to stakeholder groups to understand issues of relevance and concern to them in order to complement results of stakeholder surveys;
- keeping the key themes current, tasking Reporting staff to identify specific audit topics under those themes; and,
- re-examining the current approach, possibly experimenting with topic identification at a cluster level for departments that may share common or inter-related programs.

6 Human Resources and Training

6.1 Human Resource Management

161. The INTOSAI Lima declaration (ISSAI 1) recognises that a SAI’s effectiveness is dependent on its capacity to recruit and retain highly skilled staff and deploy them effectively. A SAI should establish human resource (HR) policies and procedures that provide it with reasonable assurance that it has sufficient personnel with the required competence, capabilities and commitment to ethical principles. These policies and procedures should cover, among other things, recruitment, professional development, performance evaluation and promotion. SAIs are, therefore, required to

- (i) assign responsibility for HR management to an individual or department;
- (ii) develop a HR strategy;
- (iii) have transparent recruitment processes, driven by needs assessments;
- (iv) evaluate individual performance and use this as a basis for promotion, as well as create and maintain a safe work environment in which staff are free to voice concerns.

Findings

162. The OCAI is an important institution of the Irish State, delivering essential or important audit products through the concerted actions of 174 audit and support staff.⁴⁵ The OCAI has important obligations and responsibilities as the employer of these staff members, and relies on them to produce real added value for the public. For that reason, the work and impact of the Human Resources, and Training and Development functions in the OCAI, albeit that they are relatively small (4 people), are crucial to delivery.

163. Our review found an actively managed HR and Training and Development function, anxious to make progress in regard to supporting the work of the OCAI and the welfare of its people. Most of the expected functionalities are in place and there is an active approach to further developing the function within the OCAI. The OCAI, for example, has had a relatively recent planning exercise culminating in the production of a People Strategy in the Spring of 2019. The People Strategy was informed by various consultations, including the “Work Positive Report” from 2019 and the older but more comprehensive “Civil Service Employee Engagement Survey” from 2017. It is aligned, at least implicitly, to the OCAI Statement of Strategy, but these linkages are not made explicit in the People Strategy.

Context

164. Despite this local initiative, it is important to note that the people management structures and systems of the OCAI are rooted first and foremost in the Civil Service system. The OCAI staff are civil servants “of the State” and the general rules applying to civil servants apply also to the staff of the OCAI. This is a real constraint, but also provides considerable advantages. For example, recruitment takes place under Civil Service rules and legislation, but also with the support of a centralised recruitment resource, the Public Appointments Service.

⁴⁵ Average staff number during 2019.

165. Moreover, the small HR staff of the OCAG are relieved of many onerous rule-making and policy-setting tasks of an employing organisation, including the need for general pay bargaining, or negotiations on the many of the general conditions of work applicable to its staff. Similarly, discipline, grievance, PMDS (performance management system), annual leave arrangements, travel and subsistence rules, and pension arrangements are all “taken care of” by the Civil Service system, while the OCAG can also tap into welfare officers and occupational health services as appropriate.
166. The HR shared services (Peoplepoint and Payroll Shared Services) provided by the National Shared Services Office (NSSO) are crucial and relatively new support for the work of the OCAG. While there have apparently been teething problems with this system, it has relieved the OCAG of very considerable administrative burdens, as most of the routine administrative services of a HR department are now provided directly to the staff members by the NSSO. In our discussions, management had not indicated any desire or pressing need to be more autonomous in relation to these types of issues.
167. In relation to the grade structure of its staffing (except the most senior staff), but not pay rates, and in relation to training and development, as well as workforce planning, the OCAG has considerable freedom of movement, albeit within high level constraints.

Internal HR systems

168. The HR, and Training and Development functions are well organised with clear responsibilities and there are staff at appropriate levels with HR training, albeit that those staff are professional accountants. There are consultation mechanisms in place, including a “Partnership Committee” and a Wellbeing Forum, to allow greater staff input into factors affecting their own welfare.
169. Systems are adequate to their purpose, albeit not sophisticated, and the ability of the OCAG HR staff to report on various HR metrics is facilitated by the Peoplepoint systems, which can provide a wide range of reports on basic HR metrics. More sophisticated reporting, for example on skills within the OCAG, is still limited by underdeveloped systems: although the OCAG has a Competency Framework in place, systems do not allow for automated reporting on skill levels and deficits in the OCAG without manual interventions.
170. HR communications, and direct access by staff to OCAG HR information, is hampered by the lack of an information system. As we completed our review in February 2020, we were told that the OCAG has plans for an intranet, to be launched in Spring 2020. We understand that this has gone live in late March 2020. For the moment there is no HR portal in the OCAG although in fact there is a portal for Peoplepoint and Payroll Shared Services, which deal with most routine queries that arise.

Recruitment and promotion

- 171.** As far as recruitment is concerned, overall budgets are capped at a central level, and there is central oversight of recruitment processes to ensure that employment terms and conditions are in line with Civil Service rules. Recruitment policies and practices, whether carried out for the OCAg by the Public Appointments Services, or carried out within the OCAg, are open and transparent and candidates have access to feedback and complaint mechanisms. Documentation for recruitment processes is vetted in advance by the Department of Public Expenditure and Reform, for consistency with Civil Service norms etc. This was not experienced by relevant managers as a constraint, but rather as a useful additional level of quality control. Recruitment for trainee auditors is on a regular cycle, with numbers dependent on needs of the OCAg according to annual workplace plans. Currently, all audit staff are qualified accountants or trainee accountants.
- 172.** There is the rarely used possibility to recruit specialists for particular performance audits on a temporary basis, and the People Strategy commits the OCAg to examining whether it should recruit staff with specialist skills other than accounting and auditing. However, no steps have yet been taken to change the skills requirement when recruiting staff.

Performance management and motivation/incentives

- 173.** Promotion systems are regarded as fair (see also Chapter 4 on Internal Governance and Support Services) and staff members expect, according to feedback, that good performance will be rewarded by promotion over time, with the possible exception of certain administrative staff. However, there is generally no direct linkage between performance and the promotion system, since interview boards do not have access to performance reports – decisions must be based on application forms and performance at interviews. Nonetheless, they can ask questions about performance at interviews. Other pay-related motivation systems, such as pay increases or bonuses, are either not in place or are not highly discriminating in terms of performance. Nonetheless, the Civil Service Engagement Survey and our own interviews do not suggest any widespread motivation problem in the OCAg.

6.2 Professional Development and Training

- 174.** In order to ensure that staff remain adequately skilled, while developing professionally and being up-to-date on standards and audit methods, a SAI needs to approach professional development in a strategic manner. SAIs are, therefore, required to
- (i) establish and implement professional development and training plans
 - (ii) ensure training and development in all their audit disciplines.

Findings

- 175.** Considerable thoughtful effort is given by the OCAG to the development of its people. The OCAG has developed a competency framework to better understand and express its needs as an organisation, and a learning and development framework. Much of the Training and Development effort is directed to ensuring that staff obtain and maintain their skills as professional accountants and auditors, with some additional efforts to broaden skills in relation to performance audit, in particular by encouraging certain staff to pursue particular Masters level qualifications, and by taking other opportunities that may arise. These represent a quite significant investment of staff time and money by the OCAG. A mentoring programme has been rolled out, addressing new recruits and newly promoted staff as a priority. Senior management soft skills development was the subject of an initiative some years ago, but not since.

Conclusions

- 176.** We concluded that the OCAG fully meets ISSAI standards in respect of its human resources management, and professional development and training.
- 177.** Nonetheless, the review team believe that the OCAG has the capability and the OCAG itself has the ambition to make further significant developments in these areas, building on its existing strengths.
- 178.** These strengths include a small team with quite big ambitions for their role, utilising the extensive discretions available to the OCAG to enhance its people management, while profiting from a wide ranging set of rules and support services within the Civil Service system. The OCAG exhibits a real commitment to staff development and to fairness and wellbeing within the workplace. The relevant staff are anxious to build on the existing competency framework and to respond to demands from staff and senior managers to enhance or adjust the development and training opportunities available within the OCAG.
- 179.** Nonetheless, the 2017 staff survey had indicated some areas of required improvement. The OCAG has responded to some — for example taking more interest in staff welfare (less than half of the staff surveyed in 2017 believed the OCAG “cares about my well-being”), but is still working on other areas, such as performance management.

- 180.** The review team felt that OCAG should continue to operate its HR and development systems, building on the support of the Civil Service framework. Although there are reporting systems in place to monitor progress on people management issues, the OCAG should consider how to improve its knowledge base, developing metrics and reporting on HR and competencies. The People Strategy could be deepened to provide more detailed timelines, better quantification of objectives and a more explicit alignment with the OCAG Statement of Strategy. Training and development needs assessment could benefit from a more extensive gap assessment, going beyond the current more demand-led approach.
- 181.** Motivation and skills will continue to be essential priorities of the OCAG. In particular, attention is required to addressing underperformance and motivating improved performance. As far as skills are concerned, the OCAG has made real efforts to prepare its staff for financial audit, and to similarly prepare a particular cohort for the requirements of performance audit. But it needs to consider (in line with the People Strategy) how to develop a database of skills and competencies within the OCAG and whether its performance audit practice needs a further leavening of specialist staff.

Recommendation 9

- 182.** *We recommend that the OCAG press on and better involve staff in developing the OCAG as an attractive place to work, building on its open and fair management approach.*

OCAG response: accepted

- 183.** Staff engagement will be an important part of developing OCAG's strategy for 2021 – 2025. In addition, we will set out actions in the strategy to further enhance staff engagement over the period covered by the strategy.

Recommendation 10

- 184.** *We recommend that the OCAG develop a revised People Strategy as an organically linked sub-element of the next Statement of Strategy, from 2021, with more explicit timelines and more fully quantified objectives.*

OCAG response: accepted

- 185.** The People Strategy will incorporate the staff development and staff engagement aspects referred to in response to relevant peer review recommendations as well as other key areas. The current strategy has three strands: investing in people; building a positive, diverse and innovative workplace; and enhancing our HR delivery. We will continue to develop each of these over the next five-year period, underpinned by quantification of targets and an implementation matrix. This will flow from the overall strategy and will be in place by 31 December 2020.

Recommendation 11

- 186.** *We recommend that the OCAG further clarify in its People Strategy its approach to secure the required skills for all of its functions, including performance audit and specialist support skills in human resource and information technology management.*

OACG response: accepted

- 187.** For corporate services (HR, ICT, finance), OACG will review its current delivery model to ensure that specialist skills are available as required, with an appropriate level of resilience. This review will be completed by 31 December 2020.
- 188.** Regarding our financial audit and performance audit work, we will identify the specialist skills we wish to enhance, or develop as the case may be, over the period and within the strategy we will set out steps for increasing capacity for each of these identified specialist areas.

Recommendation 12

- 189.** *We recommend that the OACG give more explicit consideration to how and when specialists will be used for support functions, and to the motivation and engagement of such staff, as well as of general service administrative staff.*

OACG response: accepted

- 190.** For corporate services (HR, ICT, finance), OACG will review its current delivery model to ensure that specialist skills are available as required, with an appropriate level of resilience. This review will also consider how to ensure mobility for general service administrative staff, given the limited opportunities for career progression within OACG. This will be completed by 31 December 2020.

7 Communication and Stakeholder Management

- 191.** The ISSAIs and related INTOSAI guidance recognize the importance of communication and managing relationships with key stakeholders. In particular, the guidance and the INTOSAI Performance Measurement Framework provide international good practices for SAIs to emulate. SAIs should communicate with stakeholders to ensure understanding of the SAI’s audit work and results. SAIs should identify their stakeholders, and develop a communication strategy. Effective communications will allow these stakeholders to see SAI reports as relevant to their work, and also allow the SAI to be more responsive to emerging risks and changing contexts.

Findings

- 192.** The OCAG has in place an Engagement Strategy. The Strategy identified principal stakeholders and set out the engagement activities with them, including what to engage them with, how and when. Using external consultants, the OCAG has also gathered stakeholder feedback on a number of occasions, such as a survey in 2016 and qualitative research in 2019. The OCAG used results in the 2016 stakeholder survey to help develop its Strategic Plan 2016-2020.
- 193.** During this review, we interviewed a range of external stakeholders including Deputies and staff of Dáil Éireann, amongst them the Ceann Comhairle,⁴⁶ the former chair of the Public Accounts Committee (PAC) and committee clerks, accounting officers of Government departments and chief executives of Government bodies, as well as a representative of a large public accounting firm. We also used some of the information in the 2019 stakeholder research report, especially feedback from former members of the PAC. In 2019, the research firm obtained feedback from eight then members of the PAC. We also met staff of the OCAG both in groups and individually.

Communication with the Legislature and Executive

- 194.** We found that the OCAG was held in high regard by both the legislature and senior officials in audited entities. They respected the independence of the OCAG and found its audit staff to be very professional. They told us that the Reports produced by the OCAG were clear and well-written.
- 195.** The C&AG served the PAC and attended all of its public hearings. In 2019, we were advised that he attended and acted as expert witness in 32 hearings.⁴⁷ The audited Appropriation Accounts and his Report on the Accounts of the Public Services which included all performance audit Chapters was published annually, by the statutory deadline of September 30. He submitted his Special Reports as and when ready. They as with Chapters in the Accounts Report formed subjects of PAC hearings once published by the responsible Ministers. The OCAG told us that it had offered in the past to provide orientation sessions to members which were taken up only by a few. It had also provided briefing notes on technical matters on request by the Committee. The OCAG has also supported the PAC by seconding one of its staff to the Committee to assist its members as a researcher. According to the 2019 research report, members of the PAC that were interviewed strongly believed that the OCAG supported their role and remit in focussing on the spending of public funds.

⁴⁶ The Ceann Comhairle is elected by Dáil Éireann to preside over the business of the House..

⁴⁷ The C&AG attended in person as a witness for these hearings; a Director of Audit attended instead as a witness for one additional hearing.

- 196.** Through our interviews, we noted that the OCAG had not formally discussed its performance audit programme with the PAC. We were told that the OCAG’s Special Reports could focus on wider cross-cutting issues. There was concern that the Committee had little information about which subjects the Special Reports would cover or when they would be published. There was a desire to receive a greater number of Special Reports that are published on a more regular and predictable basis, which would facilitate the Committee in planning its work. In our view, it is advisable for the OCAG to enhance its engagement with the PAC. More dialogue with the PAC would improve their mutual understanding and could help the OCAG identify relevant topics for future performance audit work.
- 197.** We noted that OCAG performance audit reports were not heard or studied by other committees of the Oireachtas, nor were there established relationships with other legislative committees or members outside of the PAC. International good practices include having effective professional relationships with relevant legislative Oireachtas committees other than the PAC. As the OCAG includes more performance audits of broader and cross-cutting subjects, its reports could become more relevant for other legislative committees. It is advisable for the OCAG to consider reaching out to some selected Oireachtas committees to raise awareness of OCAG role, mandate and its performance audit reports and to help those committee members better understand audit findings and conclusions in order to have a greater impact.
- 198.** From our interviews, relationship and communication with audited entities functioned well generally but primarily at an operational level on a day-to-day basis with lower level staff. Contact and exchange with accounting officers and chief executives occurred mostly at Public Accounts hearings. International good practices encourage communication with senior officials to help audited entities better understand audit observations and implement the recommendations arising from them. Moreover, we noted during our interviews that on a few occasions the OCAG relationship with senior officials appeared strained. This point had also been raised in the 2019 research report. In our view, more dialogue between OCAG and senior officials could enhance the identification of subject matters for audit and improve the adoption rate of audit recommendations. The OCAG may wish to adopt this international practice of making more contact to develop and nurture a professional relationship with senior officials, starting with those for a few selected entities.

Communication with the Media, Citizens and Civil Society Organizations

- 199.** The Engagement Strategy provided a good platform for effective communication with stakeholders. However, it was not evident how this has been implemented. In October 2019, OCAG set up a new Governance Unit to provide secretarial support for the OCAG Audit Committee and its Audit and Management Boards. Among various objectives, its work plan included developing a communication strategy in late 2020, following the completion of a new OCAG strategic plan. According to the Unit Director, plans also include deploying social media on its website to extend its outreach to the public and civil society organizations.

- 200.** In discussion with staff, we noted that OCAG maintained a media contact list. Those on the list were kept apprised of each upcoming Report, including Special Reports. The OCAG prepared a press release at the time of publication but did not hold any press conferences. Given its size, there was no specific individual designated as a media contact or spokesperson. Media enquiries, if any, were referred generally to the audit teams responsible for those Reports. There were no systems and procedures for handling media requests or to track media coverage. The OCAG found the level of media coverage reasonable and their reports balanced. There were few requests for interviews or questions seeking clarification of findings in the Reports. As a general practice, the OCAG has opted to respond media enquiries as and when they are received. The media is an important channel to reach the Oireachtas and the general public. They can also help OCAG enhance its visibility and credibility. In developing its upcoming communication strategy, we encourage the OCAG to be more proactive in managing media relations to help public awareness of the OCAG role and its findings on the use of public funds.
- 201.** Another stakeholder group is civil society organizations. The OCAG staff advised us that there had been limited contact with this group. Special interest groups, think tanks and non-government organizations could be a source of information for issues worthy of audit examination. They could also serve to disseminate audit findings to other stakeholders and the public. It is advisable to identify specific groups and consider how best to engage them in the new communication strategy.
- 202.** From our interviews, we noted that the OCAG did not have systems and practices to reach out to the public. The primary means to reach the public is through the publication of its Reports and by making them available on its website. The INTOSAI Guideline and the Performance Measurement Framework promote as an international good practice that legislative audit offices engage the citizenry. This could help citizens understand how public funds were spent and contribute toward their engagement with policy development as well as holding the Government to account. The Governance Unit has identified deploying social media to engage the public as a priority. The Unit planned to implement this initiative in tandem with or following the development and implementation of an intranet for the OCAG. We are supportive of this plan and encourage the OCAG to expedite its execution.

Conclusion

- 203.** We concluded that the OCAG substantially meets expected practices in engaging the legislature. However, the OCAG falls short in meeting general and other good practices as specified by INTOSAI when engaging other stakeholders.⁴⁸
- 204.** Overall, we assessed communication and stakeholder management at the OCAG at the “development level” as defined in the INTOSAI Performance Measurement Framework. This means that those activities existed and were functioning and that the OCAG was in the process of developing and implementing new strategies for improvements. Implementing a newly developed communication strategy would help the OCAG to be more effective. Furthermore, the outreach would provide an opportunity to collect stakeholder feedback on a more regular and systematic basis. This could provide information for performance reporting and help the OCAG better understand if and how it is helping to make a difference.

⁴⁸ For this domain, many of the criteria in the SAI PMF for assessing performance in respect of communications and stakeholder management derive from good practice identified by INTOSAI, rather than from requirements of the ISSAIs.

Recommendation 13

205. *We recommend that in developing and implementing its new communication strategy, the OCAG be more proactive in identifying and engaging key stakeholders to be more relevant and effective. The OCAG should also develop key metrics in its communication strategy to measure the extent to which the OCAG is helping to make a difference and use them for its performance reporting.*

OCAG response: accepted

206. We see this as a key area for improvement under the strategy 2021-2025, and it will be prioritised accordingly. This will include deepening our communications with audited bodies by developing new good practice products which will share relevant insights from audits in a more effective manner. We will explore additional ways of gathering stakeholder feedback, alongside our use of stakeholder surveys, and will consider how to incorporate the results of this feedback into our performance reporting. The objectives set out in the strategy will be underpinned by quantifiable targets and an implementation matrix.

Other Area of Consideration

207. In relation to communication and stakeholder management, we have identified one area of consideration for the OCAG strategic planning exercise in 2020.

Serving the Dáil and the Public Accounts Committee

208. The OCAG serves the Public Accounts Committee well. The C&AG is a standing witness and supports Committee members in hearings to understand the issues in the subject matter and his audit findings and recommendations. With a new Government, new session of Dáil Eireann and new membership for the Public Accounts Committee, timing is opportune to help improve their effectiveness in studying the results of OCAG audit examinations. There will also be many members who are new to the legislature. This is an opportunity to raise awareness and help them understand the mandate, roles and responsibilities of the C&AG. The timing of the OCAG strategic planning coincides with that for a new Dáil. In its strategic planning exercise, OCAG could consider how best to seize this opportunity and serve the Dáil and the PAC by helping them to be more effective. For example, this could include:

- for members of the new PAC, a strategy to meet them to raise awareness on the role of the OCAG at hearings and how they could focus their deliberation on the subject matter of audits in order to be more effective in improving public administration and accountability;
- providing opportunities to allow the PAC to better understand its performance audit work and providing opportunities for Committee members to suggest possible topics for future audits;
- for members of the Dáil, especially those who are new to the legislature, a strategy aiming to help them understand how Government works and the mandate, role and responsibilities of the OCAG. This part of the strategy could entail providing an information brochure to be included in new member briefing packages.

- for members of other Oireachtas committees, a strategy to identify those that have in their terms of reference, subject matters for which many audits have been done in the past or are a part of current plans. The OICAG could write to those committees and provide a summary of its past work and upcoming planned audits. This could provide an information source for those committees as they study Government programs and the delivery of those programs to beneficiaries and the public.



Annex A: Sources of evidence

We carried out the assessment by reviewing documentation, interviewing staff in the OCAg in each of the relevant functions, and interviewing external stakeholders.

The review team interviewed a wide range of external stakeholders including

- representatives of members and staff of the Oireachtas
- Secretaries General of, and officials from, a number of Government departments
- Chief Executive Officers, and officials from several other audited bodies
- the external members of the OCAg Audit Committee
- the internal auditor of the OCAg (a private sector firm)
- a partner from a large private sector accountancy firm.

In addition to discussions with Seamus McCarthy, Comptroller and Auditor General, the team interviewed the following members of staff of the OCAg:

- the Secretary and Director of Audit (financial audit and central services directorate)
- the other Directors of Audit
- Deputy Directors of Audit
- A number of Senior Auditors
- A representative group of staff comprising an executive officer, two senior auditors, two auditors and two trainee auditors.

Among others, key documentary sources of evidence included:

- The Constitution of Ireland
- *The C&AG (Amendment) Act 1993, the C&AG Act 1923, the C&AG and Committees of the Houses of the Oireachtas Act, 1998*
- The OCAg Statement of Strategy 2016-2020
- The OCAg Performance Report 2018
- External stakeholder research and survey for the OCAg, 2016 and 2019
- OCAg Internal Audit Charter 2020, and OCAg Internal Audit Strategy, 2017
- OCAg Audit Board and Management Board – agendas and minutes, 2019
- OCAg Risk Management policies and procedures and OCAg Risk Registers Nov 2019
- OCAg business planning documents 2019/2020
- OCAg Audit Committee minutes 2019 (four meetings)
- OCAg financial audit manual 2019
- Financial audit quality assurance reports

- Sample of financial audit files
- Code of Practice for the Governance of State Bodies
- OCAG Reporting Manual 2019
- External review of the OCAG reporting manual, and associated procedures
- OCAG Reporting Strategy 2018-2020, and sectoral reporting strategies
- External review of compliance with the OCAG Reporting Manual
- Sample of performance audit files
- OCAG People Strategy 2019-2022
- OCAG Work Positive Summary Report 2019
- OCAG Civil Service Engagement Survey 2017
- OCAG HR policies
- OCAG Learning and Development Framework
- Training and development plans and programmes – various
- OCAG Financial procedures manual
- OCAG ICT strategy
- OCAG financial and audit performance reports
- OCAG Engagement strategy.



