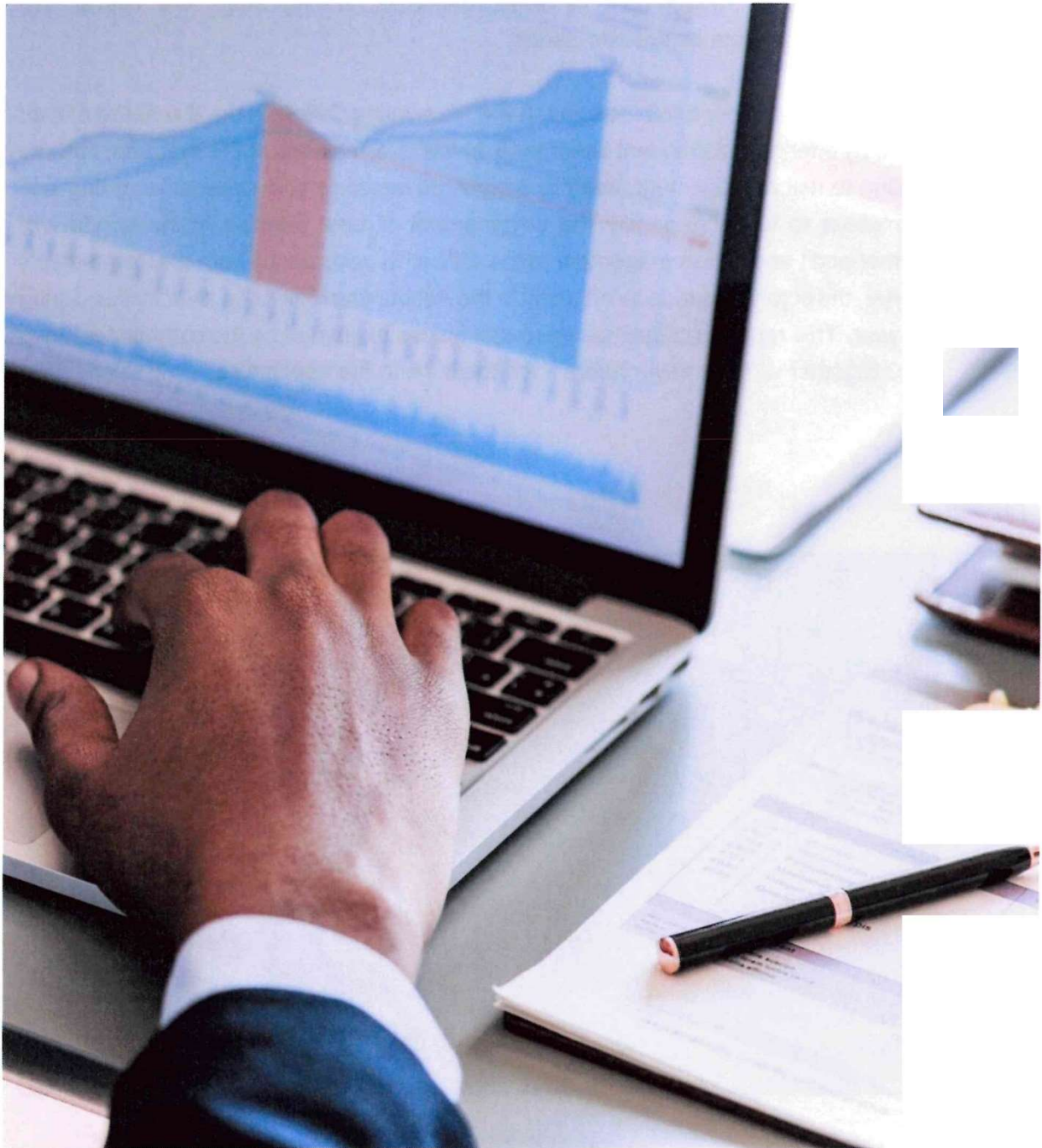


Annual Report of the Audit Committee 2023



Introduction

The Secretary and Director of Audit is the administrative head of the Office of the Comptroller and Auditor General and the Accounting Officer, accountable under law to Dail Eireann for the governance and performance of the Office. The Office supports the Comptroller and Auditor General in the exercise of their constitutional and statutory functions. The main outputs from the Office's work are assurances to Dail Eireann on the accuracy of around 285 annual accounts of public bodies and funds, and reports on the financial management of State resources. During 2023, the Office also completed 26 reports on specific issues.

An audit committee operates to support the Accounting Officer in the discharge of their duties by offering independent assurance on the effectiveness of the systems, matters relating to risk management, internal control, governance and external reporting and also seeks to foster generally the development of best practice in the conduct of internal audit and risk management in the Office. In accordance with the committee's charter, the committee reports annually to the Accounting Officer on its activities during the year. This report also outlines the major issues examined by the committee during 2023 together with the key matters it will focus on in the near future.

Role of the committee

The committee operates under a written charter, which is set out at appendix A.

The charter was reviewed during 2023 in accordance with the requirement that it be reviewed by the committee from time to time to ensure it is appropriate to the needs of the Office and accords with best practice.

The committee supports the accountability regime in the Office by offering independent advice and, in particular, through its

- general oversight of the internal audit function and advice to the Accounting Officer in relation to the operation and development of that function
- review of the Office's risk management procedures and advice thereon
- review of and advice on the annual financial and performance reports of the Office.

Audit committee 2023

During 2023, the committee comprised five members who are external to the Office:

- **Mr John McCarthy** (Chairperson) - former Secretary General of the then Department of the Environment, Community and Local Government.
- **Ms Anne Vaughan** - former Deputy Secretary of the then Department of Employment Affairs and Social Protection.
- **Ms Geraldine Smith** - former National Director of Internal Audit for HSE and Tusla.
- **Ms Diane McGiffen** - Chief Executive of the Law Society of Scotland.
- **Mr Michael Whitehouse** (up to 28 March 2023) - former Chief Operating Officer, UK National Audit Office. With effect from 1 June 2023, Michael was replaced by **Mr Daniel Lambauer** - Executive Director, Strategy and Resources, UK National Audit Office.

During 2023, the role of Accounting Officer was held by Ms Colette Drinan. The committee was assisted throughout the year by the directors of audit - Ms Colette Drinan, Mr Andy Harkness and Ms Deirdre Quaid.

Mr Shane Carton acted as secretary to the committee up to June 2023. With effect from 1 July 2023, Mr Mitchell McIntyre replaced Shane as secretary to the committee.

There were four committee meetings during 2023. One of the members and one of the directors attended three of the four meetings. There was 100% attendance by the other members, the chair, the directors and the committee secretary.

Oversight of internal audit function

Internal audits are commissioned by, and are reported to, the Accounting Officer, with the process being monitored by the audit committee. A separate written charter agreed by the audit committee and the Accounting Officer governs the work of persons engaged to conduct internal audit assignments.

The charter, which was reviewed during 2023 and is set out at appendix 8, describes

- the role and responsibilities of the internal audit function
- the authority for and scope of work performed
- measures to ensure the independence of internal audit
- the approach to work, and
- reporting and follow-up procedures.

Internal audit services are provided under contract by an external audit firm. Following a public procurement competition, Deloitte were appointed as internal auditor for a period of three years commencing in 2021. Upon appointment, Deloitte conducted an analysis of risks facing the Office and developed a multi-annual rolling plan of areas to be examined. The risks and plan are reviewed annually by the committee, in discussion with the Accounting Officer, and areas are prioritised for examination in line with emerging risks and developments.

A programme of internal audits to be completed by Deloitte during 2023 was agreed by the committee in November 2021. The three internal audit reports completed in 2023 were:

- Corporate governance review
- Follow-up review
- Strategic monitoring and reporting review.

The contract with Deloitte concluded at year end 2023. Following a public procurement competition, Mazars have been appointed internal auditor for a period of three years commencing 2024. Mazars attended the last Committee meeting in 2023 for a handover discussion with the Committee and Deloitte.

Assessing the implementation of agreed corrective actions

The audit committee requested a report from the executive following up on outstanding internal audit recommendations at each meeting in 2023. The number of open recommendations from 2022 and earlier audits reduced from ten at the beginning of 2023 to six at the end of the year. Three of the remaining open recommendations from audits completed prior to 2022 relate to the area of records management and one to protected disclosures. Internal audits completed in 2023 made seven new recommendations and five remain open at the end of 2023.

ISO conformity reviews

Following a public procurement process, Deloitte were engaged in August 2021 on a three-year contract to carry out a programme of conformity reviews relating to the Office's certification under the ISO 27001:2013 standard. A report on one such conformity review was presented to the audit committee during 2023.

Risk management review and monitoring

A risk management system operates in the Office which has embedded risk management actions within the business planning process, divisional risk assessments and annual staff workshops. The advisory role of the audit committee extends to all matters relating to risk management and in carrying out that role, the committee regularly

- examines updates to the risk register and the risk treatment plan
- reviews the operation of the risk management system within the Office, and
- considers the adequacy of the risk management policy.

The Office Risk Management Committee (RMC) comprises the three Directors who oversee the risk management process and meets quarterly to discuss and update the Office risk registers. Following each quarterly meeting, the top ten corporate risks are published internally on the Office intranet for all staff along with a reminder of the risk reporting email address available for all staff to report any risk. Beginning in December 2023, the Office publishes the top ten corporate risks on its external internet page. At each audit committee meeting, the Accounting Officer presents the risk register to the committee and provides a general update on any risk-related matters in the Office.

Throughout 2023, no residual risks were rated by the RMC as being at a high level. The risks ranked highest by the RMC during the year related to staff recruitment and maximising staff capacity, responding appropriately to protected disclosures, and the implications of relevant provisions in pending legislation.

Review of annual financial and performance report

The Accounting Officer submits a Statement on Internal Financial Control as part of the Office's annual appropriation account. This statement sets out the system of financial control in operation together with enhancements being made and the mechanisms for monitoring the effectiveness of those controls.

In accordance with its charter, the audit committee commented on the 2022 appropriation account produced by the Office and reviewed the Statement on Internal Financial Control. The committee has no formal role in approving the Office's Statement on Internal Financial Control but does express a view based on its knowledge of the systems and controls referred to in it. The audit committee were satisfied with the representations made in the 2022 Statement on Internal Financial Control signed by the Accounting Officer.

A pre-publication draft of the 2022 Office performance report was included in the June 2023 meeting pack for comment.

External audit

The 2022 appropriation account produced by the Office was externally audited under contract by Crowe Ireland, appointed by the Comptroller and Auditor General under law. An unqualified opinion was given.

The committee met the external auditor, who reported on the key points arising from the audit of the 2022 appropriation account and for a discussion on the external audit process without management present at the June meeting.

Review of business development updates

At each meeting, the Accounting Officer provided the audit committee with an update on significant business developments. The matters covered in those updates during 2023 included

- organizational engagement
- budget variances and financial projections
- staffing levels and recruitment outcomes
- outcome of hybrid working pilot and continuation of the policy
- review of the primary legislation governing the Office
- business performance and outlook
- security incidents and risks, including cybersecurity updates
- audited body survey results
- recertification of the Office as a Great Place to Work
- midterm review of the Office's strategy
- succession planning for the audit committee, and
- other corporate developments including Financial Management Shared Services implementation, commemoration activities to mark the Office centenary, ISO 27001 certification and the corporate sustainability reporting directive.

Conclusions and acknowledgements

Based on its work during the year, as outlined above, the committee is satisfied that it has discharged its duties as guided by its charter.

The committee is satisfied, based on the work of internal and external audit and assurances provided to the committee, that it provides the appropriate level of assurance to the Accounting Officer in the discharge of her accountability obligations.

The committee is also satisfied that the Office continues to make good progress in evaluating and refining its systems for financial control, risk management, financial reporting, audit quality assurance, and ICT arrangements taking account of appropriate benchmarks of best practice.

The progress made during the year on the implementation of internal audit recommendations was noted by the committee with a reduction from ten prior years' open recommendations at the beginning of 2023, to six by year-end. The committee noted the progress made by the executive during the year in the area of records management and looks forward to the closure of the long-standing recommendations in that area.

The committee would also like to record its appreciation for the very strong support shown by the senior management team and to acknowledge the very open and constructive approach by management in addressing issues that were raised during the year.

The committee looks forward to continuing to support, within its remit, the significant process of improvement and development taking place in the Office.

John McCarthy:
Chairperson



Date: 27 February 2024

Anne Vaughan:

Date: 27 February 2024

Geraldine Smith:



Date: 27 February 2024

Diane McGiffen:



Date: 27 February 2024

Daniel Lambauer:

Date: 27 February 2024

Audit committee charter

Introduction

This document sets out the charter of the Audit committee as established by the Office of the Comptroller and Auditor General and as agreed between the Office and the Audit committee.

Role of the committee

The role of the Audit committee will, as part of the ongoing systematic review of the control environment and governance procedures within the Office of the Comptroller and Auditor General, be to

- oversee the internal audit function and advise the Accounting Officer in relation to the operation and development of that function
- review and advise on the Office's risk management procedures
- comment on the annual financial and performance reports of the Office
- provide an independent and objective view for the Accounting Officer by examining and advising on the process by which s/he obtains assurance on the financial control system.

The committee has no role in relation to the executive management of the Office which remains the responsibility of the Accounting Officer and other directors of audit.

Membership

The committee will be appointed by the Accounting Officer of the Office and will consist of such persons not exceeding five in number as may be decided by him/her in consultation with the Comptroller and Auditor General.

The chairperson of the committee will be similarly appointed by the Accounting Officer. Appointments to the committee will, unless otherwise decided by the Accounting Officer be for a period of three years. Members may be reappointed after three years subject to a maximum term of six years.

The committee may, with the agreement of the Accounting Officer and for such term as may be agreed with the Accounting Officer, co-opt one extra member with specialist expertise, where it believes that such expertise is needed to enable the committee to perform its duties.

Subject to approval of the required budget by the Accounting Officer, the committee may seek external professional advice on specific matters from time to time.

Duties

The duties of the committee shall be:-

- to approve and keep under review the charter for internal audit services so as to ensure that it clearly defines the purpose, authority, roles and responsibilities and reporting relationships of any person involved in an internal audit assignment
- to comment on the annual financial and performance reports of the Office
- to review and advise on the draft internal audit programme, prior to its agreement by the Accounting Officer
- to monitor implementation of the programme so as to ensure that the audit objectives are achieved
- to request the inclusion of topics in the programme of Internal Audit reports as considered appropriate
- to assess the outcome of the internal and external audit processes having regard to findings, recommendations

- and management responses
- to assess the implementation of agreed corrective actions by management having regard to follow up audits generally to foster the development of best practice in the conduct of internal audit, risk management and external reporting
- to advise the Accounting Officer on all matters relating to risk management, internal control, governance and external reporting

- to provide advice to the Accounting Officer relating to the corporate governance requirements for the Office
- to advise the Accounting Officer on the appointment of internal auditors
- to review the Office's anti-fraud policy, fraud response plan, fraud register and arrangements for special investigations
- to review the committee's own effectiveness, and report the results of the review to the Accounting Officer.

Annual Review of Internal Audit Work

Due to the nature and size of the Office, internal audit is provided on a contract basis. The committee will review at least once a year a report of audit activities prepared by the Accounting Officer.

Annual Report of the Comptroller and Auditor General

The committee will consider any report including findings and comments in relation to the Appropriation Account of the Office published in the annual report of the Comptroller and Auditor General on the Appropriation Accounts or any management letter or report by the auditor appointed by him under Section 13 of the Comptroller and Auditor General (Amendment) Act 1993.

Meetings

Committee meetings will be held not less than four times each calendar year. A quorum of three will be required for each meeting and in the absence of the chairperson for a particular meeting, the Committee will agree which member will chair that meeting.

The committee may request any person who has been contracted to carry out an internal audit assignment to attend the committee meeting. The committee will also have the authority to request Directors or Deputy Directors to attend such committee meetings, as it considers necessary.

At least once a year, the committee will invite the auditor appointed by the Comptroller and Auditor General under Section 13 of the Comptroller and Auditor General (Amendment) Act 1993 to meet them to discuss matters of mutual interest including his audit approach.

Working Procedures

The committee will adopt its own working procedures.

Access

The chairperson of the committee or any other person acting with the authority of the chairperson will have right of access to the Accounting Officer of the Office or other Directors of the Office.

The Internal and External Auditors will have free and confidential access to the Chair of the audit committee.

Reporting

The committee will formally report to the Accounting Officer within three months following the end of each calendar year on its activities during the year and will proffer such advice and recommendations as it may deem appropriate.

Review/Amendment of charter

This charter will be reviewed periodically, as required, but at a minimum once every two years.

John McCarthy

Colette Drinan

Mr John McCarthy
Chairperson
Audit committee

Ms Colette Drinan
Accounting Officer

Date: 15 June 2023

Date: 21 June 2023

Internal audit charter

Introduction

The Office of the Comptroller and Auditor General is charged with the responsibility of supporting the Comptroller and Auditor General in the exercise of his constitutional and legislatively conferred functions.

This charter sets out the purpose, authority and responsibilities of a person engaged to conduct a specific internal audit review of transactions processed or performance achieved by the Office.

All internal audit assignments will be conducted under contract, on foot of a programme of audit work drawn up by the Accounting Officer after consultation with the Audit committee.

Objective of Internal Audit Assignment

Each assignment shall provide an independent, objective assurance and recommendation designed to add value and improve the operations of the Office. The general aim shall be to help the Office accomplish the objectives specified in its Strategy Statement and Business Plans by conducting a systematic and disciplined review of the effectiveness of risk management, control, governance processes and performance within the scope specified in the terms of reference for each engagement.

Role and Responsibilities

The independent appraisal of the management of the functions specified for review in each assignment, is primarily designed to give assurance to the Accounting Officer as to the adequacy and effectiveness of the Office's internal control and management system and enable him/her to discharge his duties on behalf of the Office under Section 19 of the Comptroller and Auditor General (Amendment) Act 1993.

The primary responsibility for internal control rests with line managers who, without regard to audit activity, must ensure that appropriate and adequate control arrangements exist in their areas of responsibility. The role of internal audit assignments is to appraise the adequacy and effectiveness of those arrangements and to make recommendations for improvements as appropriate. Responsibility for implementation of audit recommendations also rests fully with the line management concerned.

In the carrying out of assignments, a person engaged to perform internal audit functions will act professionally and ethically and will adhere to *Internal Audit Standards for Government Departments and Offices* published in December 2018 by the Department of Public Expenditure, NOP Delivery and Reform. These standards

determine that the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* apply across all vote holders.

Any such person shall also have access to and cooperate with the auditor appointed by the Comptroller and Auditor General under Section 13 of the Comptroller and Auditor General (Amendment) Act 1993.

Authority and Scope

Internal audit assignments in central Government Departments and Offices derive their authority from the Accounting Officer and are conducted under the general supervision and guidance of the Audit committee. A person duly engaged to carry out such functions is authorised to have full access to Office records (manual and electronic), physical properties and personnel relevant to the carrying out of the review. Such a person will be responsible for safeguarding records and other materials entrusted to their care. Such a person will have recourse to the Accounting Officer during an assignment.

Independence

In order to preserve its objectivity and independence, each assignment will not include any operating responsibilities for, and will remain independent of, the activities being examined. However, it may, if deemed appropriate by the Accounting Officer, extend to the review of systems under development and advice on appropriate controls without prejudicing its right to subsequently audit such systems.

Approach - audit assignments

Internal Audit will, in general, taking account of the control environment adopt a systems-based approach to its audits supplemented, where appropriate, by the use of traditional transaction testing and verification methods on a sample basis.

Managers of areas to be audited will be notified, where possible, in advance. During the course of an audit, management and staff will be required to co-operate fully with the auditor's requirements.

Access

The Internal Auditor will have free and confidential access to the chair of the Audit committee.

Reporting and follow-up

Each Internal Audit report will focus on procedures and controls and results. On completion of an audit, findings will be relayed to the management and staff of the audited area for their views. These views will be considered and recorded in the final report. Copies of the final report will go to the Accounting Officer, audit committee and to the relevant line managers.

"Follow-up" procedures, may be carried out by way of separate engagement commissioned by the Accounting Officer, the purpose of which are to ascertain that appropriate action is taken by management on foot of reported findings and recommendations and will be carried out within a timescale to be determined by the Audit committee.

Amendment of charter

This charter will be kept under review by the Audit committee and may be amended or updated in joint consultation between the Accounting Officer and the Audit committee. The document will be reviewed at a minimum once every two years.

John McCarthy

Colette Drinan

Mr John McCarthy
Chairperson
Audit committee

Ms Colette Drinan
Accounting Officer

Date: 15 June 2023

Date: 21 June 2023