



An Roinn Gnóthaí Eachtracha
Department of Foreign Affairs

Audit Committee

Annual Report 2021

April 2022

Table of Contents

1. Chairperson's Statement	3
2. Membership of the Audit Committee	5
3. Role of the Audit Committee	6
4. Observations and Recommendations of the Audit Committee	8
Financial Management	8
Risk Management	8
Audit Report Reviews and Recommendations Tracking	9
Counter-Fraud Policy	10
Evaluation Review	10
Evaluation and Audit Work Plan and Annual Report	10
Advisory	11
Irish Government Economic and Evaluation Service	11
Other Audit Committee Activity	11
5. Looking Ahead to 2022	14
Appendix 1 - Audit Committee Charter	15

1. Chairperson's Statement

Secretary General,

It is my pleasure to present the 18th Annual Report of the Audit Committee of the Department of Foreign Affairs, which records the Committee's activities during 2021.

The Audit Committee met in regular session on six occasions during the year. Due to Covid-19 restrictions, three meetings were held by video conference. In mid-year, I succeeded Jim O'Brien as Chair of the Audit Committee. The outgoing and incoming Secretaries General met the Committee in June and December respectively. The Chair met the Secretary General separately on two occasions, and a four-way meeting was held with the incoming and outgoing Chairs and Secretaries General in September. The Chair attended a Management Board meeting via video conference in February, updated the Board on the work of the Committee and discussed some of the strategic challenges ahead. Meetings were held with the Chief Financial Officer and the Chief Risk Officer, and these provided the Committee with assurances regarding the work carried out to help strengthen controls in the Department.

Despite the pandemic, the Committee implemented its work plan for 2021 as set out in this report. Based on the information, reports and briefings received, the Committee is satisfied that the Department's systems and controls operate effectively. There are a number of areas that are being managed well but, by their nature, require ongoing attention, including risk management, tracking of audit and evaluation recommendations, oversight of large and complex projects, ICT and business continuity planning, and the ongoing work on the prevention of fraud.

The Committee met with representatives of the Office of the Comptroller and Auditor General and noted the unqualified opinions provided in their reports on the audits of the 2020 Appropriation Accounts of both Vote 27 (International Co-operation) and Vote 28 (Foreign Affairs).

In addition to its regular meetings, in early 2021 the Audit Committee engaged in a special half day virtual self-assessment exercise to review the performance of the Committee and its Charter to ensure best practice in the delivery of our mission. An unusual feature of the Department of Foreign Affairs Audit Committee is that its role encompasses both audit and evaluation. The Charter was refreshed to reflect this more accurately and to expand the articulation of functions.

In terms of Committee membership, in addition to the change of Chair, the Committee welcomed Dr Susan Murphy and Mr Derek Moran following their appointments by the Secretary General in June and September 2021 respectively.

Looking ahead to 2022, the Committee will continue to focus on key aspects of the systems and controls in the Department as well as assuring itself that the work programmes of the Evaluation and Audit Unit and the Audit Committee map appropriately to key expenditures and exposures. Cybersecurity; the legacy of the Covid-19 adaptations for systems and controls as well as the impact of return to office and hybrid working protocols; and the rollout of the updated evaluation policy will warrant particular attention.

Finally, on behalf of the Audit Committee, I would like to thank Jim O'Brien for his service on the Committee as a member from 2014 and as an exemplary Chair from 2017. We are also grateful to the officials of the Department of Foreign Affairs for the comprehensive briefings provided to us at our meetings. I would also like to thank staff in the Evaluation and Audit Unit for their invaluable Secretariat service to the Audit Committee.

Mary Sutton
Chairperson, Audit Committee
Department of Foreign Affairs
28 April 2022

2. Membership of the Audit Committee

Members of the Audit Committee are drawn from outside the Department of Foreign Affairs. They are appointed by the Secretary General of the Department. During 2021, Jim O'Brien retired and Susan Murphy and Derek Moran were appointed. Membership of the Committee comprises:

Mr. Jim O'Brien	Chairperson <i>(Retired)</i>	Jim was Chairperson of the Audit Committee from July 2017 and is a retired civil servant, having last worked at Second Secretary General level in the Department of Finance (Appointed in July 2014, retired in June 2021).
Ms. Mary Sutton	Chairperson <i>(Present)</i>	Mary took over the Chairperson role in July 2021 and is former country director for the Republic of Ireland at The Atlantic Philanthropies, and prior to that worked in Irish Aid and Trócaire. (Appointed in March 2017).
Ms. Noeline Blackwell	Member	Noeline is a solicitor and the CEO of the Dublin Rape Crisis Centre (Appointed in July 2017).
Mr. Anthony Hegarty	Member	Anthony is a retired chartered accountant and former Chief Financial Management Officer and Head of the Financial Management Sector Board of the World Bank (Appointed in September 2018).
Mr. Bill Cunningham	Member	Bill is a retired chartered accountant and former senior partner at PricewaterhouseCoopers. Bill also chairs the Audit Committee of the Pensions Authority and holds a number of non-executive directorships in the public, not-for-profit and private sectors (Appointed in May 2020).
Dr. Susan Murphy	Member	Susan is an assistant professor in international development practice, Trinity College Dublin and currently researches and teaches on gender, climate justice, and development research and practice. She is Chair of the Board of Oxfam Ireland (Appointed June 2021).
Mr. Derek Moran	Member	Derek is a former Secretary General of the Department of Finance and is currently a member of the Scottish Government's Exchequer Board (Appointed September 2021).

3. Role of the Audit Committee

The Audit Committee is formally appointed by, and advises, the Secretary General of the Department, who is the Accounting Officer for Votes 27 (International Cooperation) and 28 (Foreign Affairs). As appropriate, it will advise the Minister for Foreign Affairs, and the Minister of State for Overseas Development and the Diaspora.

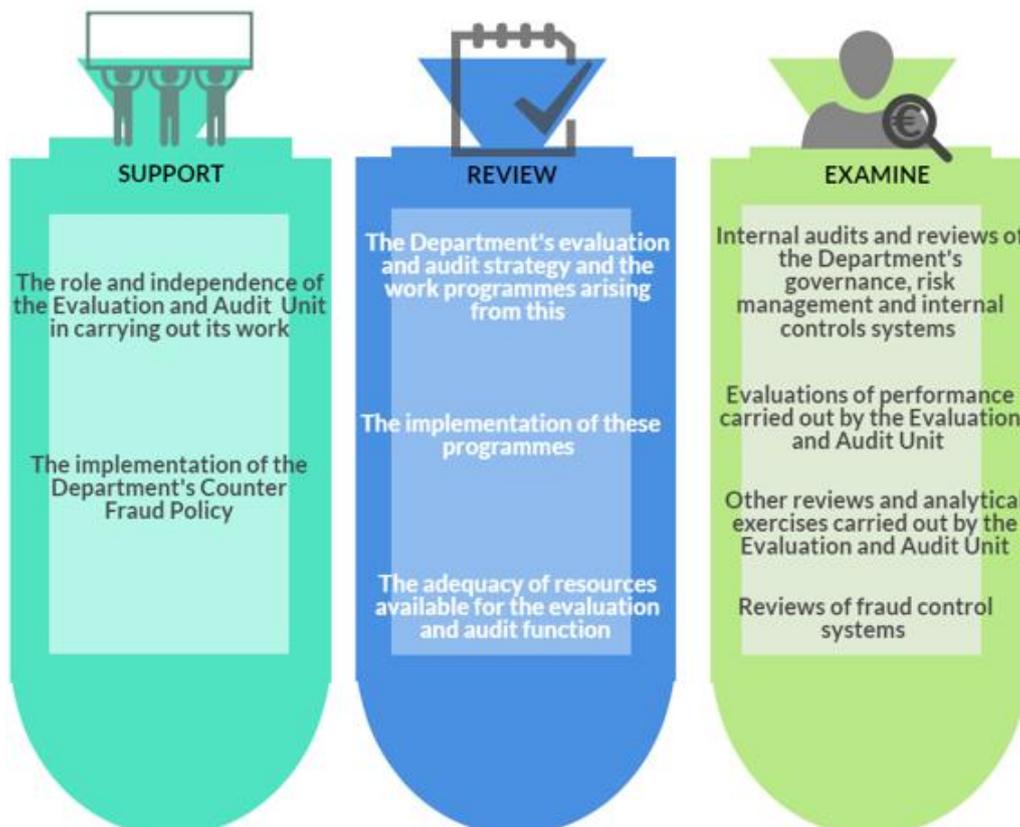
The Audit Committee is part of the governance and assurance framework, appointed to provide independent advice to the Accounting Officer regarding the suitability and robustness of the organisation’s frameworks, systems and procedures for:

- (1) governance, risk management, internal controls and
- (2) evaluation of the Department’s policies and strategies

and is responsible to him for its performance in this regard.

The Audit Committee has an advisory role with no executive functions, responsibilities or powers and has no role in approving evaluation and audit reports. It does not have any responsibility or involvement in the review and approval (on behalf of management) of annual financial statements for the Department’s Votes.

The Committee provides advice and an independent appraisal of the audit and evaluation arrangements, with a view to strengthening governance, risk management and internal controls, as well as helping to enhance the effective operation of the audit and evaluation function within the Department. In particular, and in keeping with its Charter, the Committee undertakes to:



In line with the Department's Internal Audit Charter, the Head of the Evaluation and Audit Unit prepares an annual report on the activities of the Unit for the Secretary General, a copy of which is provided to the Audit Committee.

The Audit Committee meets with representatives of the Comptroller and Auditor General at least once a year. While the Committee has a good working relationship with the Office of the Comptroller and Auditor General, these meetings essentially involve the sharing of information and views. The Audit Committee has no direct involvement in the annual audit of the financial statements for the Department's Votes conducted by the Office of the Comptroller and Auditor General, but does review comments on internal controls and track implementation of any recommendations made.

The Audit Committee also refers to guidance provided by the Department of Public Expenditure and Reform to ensure compliance with the role of Audit Committees in central government.

The Charter of the Audit Committee (see Appendix 1), which was reviewed and revised in 2021, sets out its role and terms of reference.

4. Observations and Recommendations of the Audit Committee

Financial Management

The financial parameters of the two Votes which comprise the Department's expenditure programmes are as follows:

2021	Revised Estimate (Gross) (€m)	Outturn (Gross) (€m)
Vote 27 International Co-operation	571	568
Vote 28 Foreign Affairs	281	266

The Audit Committee met with officials of the Office of the Comptroller and Auditor General (OCAG) in March 2021 to discuss the audits of the two appropriation accounts.

The Committee welcomed the unqualified opinions provided by the Comptroller and Auditor General in the reports on the audits of the 2020 Appropriation Accounts for both Votes 27 and 28.

It was noted that there were no issues of major concern in the audits and that the Comptroller and Auditor General was satisfied in all the main risk areas. The OCAG officials thanked the Department for the level of cooperation and assistance received during the audit process, noting that this had also enabled timely completion of the audits, despite pandemic-related remote working.

The OCAG officials discussed the area of procurement and drew attention to some material non-compliance with procurement rules in the audit certificate, which the Chief Financial Officer confirmed was since substantially addressed and the Committee has noted.

The Committee had two meetings with the Chief Financial Officer in 2021. During those meetings, the Committee received updates on developments regarding the review of the organisational structure of the Department, the progress on the Financial Management Shared Services project, the planned introduction of a Controls Assurance Statement and the successful implementation of the debt management policy. The Committee commended the Chief Financial Officer and his team on the progress being made particularly in this exceptionally challenging time.

Risk Management

Risk management continues to be an area of significant focus for the Committee. During 2021, the Committee continued to engage with the Chief Risk Officer and Department management on the risk management systems and processes in place across the Department. Risk registers for key divisions of the Department were reviewed over the course of the six meetings during the year, focusing in particular on emerging and heightened risks being managed by the Department due to the ongoing pandemic and other external factors. The Committee also met with the Chief Risk Officer and her team in December on the risk management systems and processes in place across the Department.

The Committee welcomed the continued work of the Chief Risk Officer and the Risk Management Committee Secretariat in strengthening risk management across the Department and the Management

Board's continued focus on embedding a culture of risk management. The Committee looks forward to receiving updates on the evolution of the risk management system across the Department, including continued engagement with the Inter-Departmental e-Risk Working Group on the e-Risk system.

Audit Report Reviews and Recommendations Tracking

The Audit Committee continued to monitor and track the implementation of audit recommendations by management. Sustained focus on progress in implementing recommendations is important and is one of the means of assurance for the Accounting Officer that the control environment in the Department is maintained and improved where necessary. The Committee notes that outstanding recommendations are the subject of ongoing management attention and it will continue to monitor and track implementation or failing that acceptance by management of the attendant risks.

Internal audit reports reviewed during 2021 were as follows:

 Internal Audit of Embassy Sofia	 Internal Audit of grant management systems in place for Productive Safety Nets Programme, Embassy Addis Ababa
 Internal Audit of Embassy Bucharest	 Internal Audit of procurement in Embassy Pretoria
 Internal Audit of Embassies Freetown and Monrovia	 Synthesis of findings from audit reports of Emigrant Support Programme funding partners for 2018, 2019 and 2020

During the year the Evaluation and Audit Unit continued to follow up on recommendations of previous audit reports, and presented progress updates to the Committee on the following audits:

Review of progress on implementation of recommendations

 2020 Internal Audit of Embassy Cairo	 2019 Audit of Governance of Health and Safety
 2019 Internal Audit of Embassy Beijing	 2019 Property Management Unit Readiness Assessment
 2019 Internal Audit of Embassy Bangkok	 2019 Joint Audit of Governance Arrangements for the Provision of Visa Services through the Mission Network (with Department of Justice)
 2020 Internal Audit of Embassy Ankara	 2015 and 2019 ICT Security / Governance / Business Continuity Audit

The Committee welcomed confirmation of progress on implementation of the audit recommendations, including completion of all recommendations for three of the audits.

Counter-Fraud Policy

The review of the Department's Fraud Register was an agenda item at all of the Audit Committee meetings during 2021. The Committee was updated on changes to items on the Register, when new items were added and when existing items were removed and cases closed. The Committee noted and welcomed the ongoing work by the Evaluation and Audit Unit to support the Department in relation to fraud prevention and investigations, and the work to analyse trends and root causes to provide a wider strategic focus on identifying and addressing root causes of potential fraud, and strengthen management of programme risk.

Evaluation Review

The Audit Committee reviewed and discussed the following evaluation work during the year:



Spending Review 2021: Review of the Management of the Department's Overseas Leased Property Portfolio 2016-2020



Evaluation of the Malawi Country Strategy 2016-2020



Review of Ireland's Mission Strategy for Vietnam and the Mekong Sub-Region 2017-2020



Formative Evaluation of the Programme Grant II and Humanitarian Programme Plan

The Committee welcomed these evaluation reports, which inform members about key elements of the Department's work. The Committee noted the lessons identified in the evaluations and the value afforded to the Department by the findings. It also welcomed the updates received during the year on the implementation of recommendations of previous evaluations and looks forward to continued progress in tracking implementation of evaluation recommendations.

Evaluation and Audit Work Plan and Annual Report

Due to the continued Covid-19 pandemic and ongoing remote working, the Evaluation and Audit Unit continued to adapt its methodologies to enable evaluation and audit assignments to be conducted remotely. The Committee supported this development and was kept informed appropriately of progress during the year.

The Committee received a report from the Head of Evaluation and Audit on implementation of the Unit's work plan for 2021. It is satisfied that the work was completed appropriately in line with the plan and appropriate amendments.

The Committee depends on an Evaluation and Audit Unit that is appropriately resourced and which pursues a well-articulated Work Plan and Strategy. While there were some staff changes during the

year, the Committee is satisfied that, overall, the Unit was appropriately resourced, despite pandemic-related constraints and pressures.

Advisory

The Committee notes that the Evaluation and Audit Unit provides time in its work plans for the provision of advice when required by business units within the Department. In particular advice is given when decisions may arise involving increased risk, in addition to fraud issues and investigations. Committee members appreciate that the skills and experience which the Unit has, and continues to develop, are important as a support mechanism for the Department when advice is required. The Committee is also aware that it can be difficult to estimate exactly the time required in any given year to allow for this work and encourages sufficient contingency planning in this regard in annual work plans.

Irish Government Economic and Evaluation Service

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

Other Audit Committee Activity

Self-Reflection Workshop

Best practice guidance provides that Audit Committees should periodically take time to review themselves, how they are operating, and whether any changes or adjustments are needed to ways of working or in the Charter. The Audit Committee carried out such a reflection exercise in January 2021, with the support of an external facilitator, and informed by a questionnaire completed by each Committee member during the latter part of 2020.

The Committee compared favourably with other audit committees in terms of best practice, but it was suggested and agreed by members that there were enhancements that could be beneficial, including updating of the Committee's Charter. This was discussed with the Secretary General and a revised Charter was approved in May 2021.

Meeting with the Director General of Corporate Services Division

The Committee met with the Director General of Corporate Services Division in February to discuss the work of the Division, which covers ICT, Property Management, and Security and Corporate Compliance. The Division has a central role in supporting the operational efficiency of the Department and its mission network across the world. The Committee welcomed the update from the Director General, recognising that the Division manages areas of significant and dynamic risk for the Department, including a number of substantial property projects both in Ireland and abroad. This briefing, including progress updates on implementation of recommendations arising from reports of the Evaluation and Audit Unit on areas of the Division's work, reassures the Committee that the Division

and Department are identifying and dealing with risk appropriately. The Committee also welcomed discussion on business continuity and organisational resilience, and the learning from the pandemic, and looks forward to future briefing as work in this area continues.

Meeting with the Director General of Human Resources Division

During the third quarter the Committee met with the Director General of Human Resources Division, who briefed it on how the Department is managing the demands on staff resources, exacerbated by the ongoing pandemic. He informed us that the workforce planning framework supports the Division and Management Board in managing and responding to human resource needs across the Department, including in the Passport Service. The Committee was informed of measures taken to address and manage key risks. The Committee recognised and commended the resilience and commitment of the staff of the Department during this exceptionally challenging period.

Meeting with the Director General of Development Cooperation and Africa Division

The Director General of Development Cooperation and Africa Division met with the Committee during the year. He provided the Committee with a clear and helpful briefing on developments in the Division, including the changing allocation of the aid budget across Government Departments, which requires strengthening coordination between Departments in the interests of policy coherence. He also discussed the risks faced by the Division, including those due to the ongoing pandemic which affect both the staff and capacity of the Division, as well as the work of partner organisations, and some of the steps taken to mitigate the identified and anticipated risks.

Meeting with the Data Protection Officer

The Committee met with the Department's Data Protection Officer to discuss the systems and resources in place for data protection in the Department. It welcomed the steps being taken by the Department in this area, including the mandatory training for all staff on data protection awareness.

Meeting with the Head of Evaluation Unit, OECD Development Co-operation Directorate

The Committee met with the head of evaluation to discuss recent trends, developments and challenges in evaluation from an OECD DAC perspective. The briefing offered a useful framework for situating individual evaluation exercises and assessing impact.

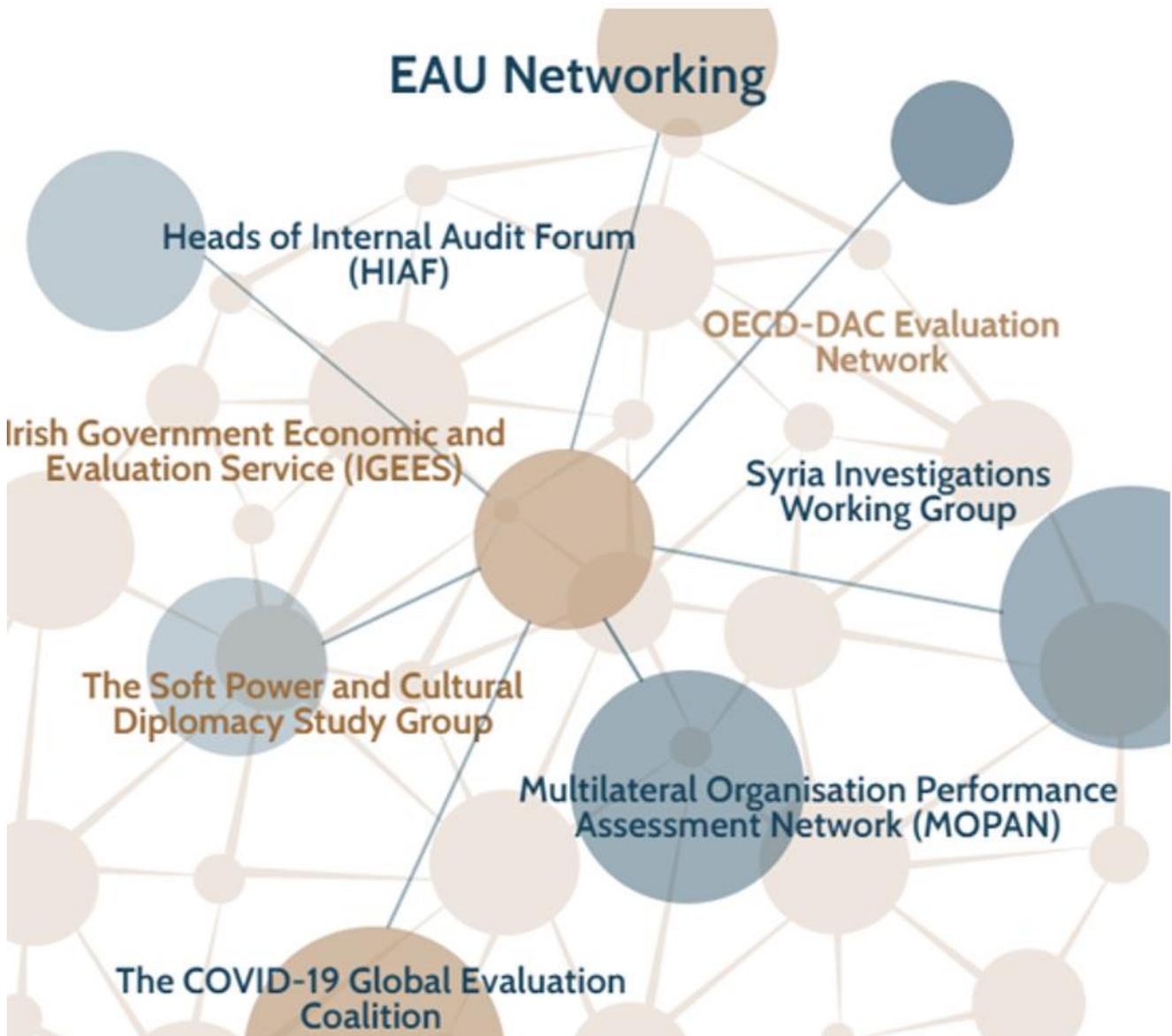
External Quality Assurance Assessment of Internal Audit

During the year the Committee was provided with updates on the implementation of the action plan prepared on foot of the 2018 External Quality Assurance Assessment of the audit function. The Committee was satisfied with the continuing progress being made, noting also that some of the recommendations are of an ongoing nature.

Networks

The Evaluation and Audit Unit participates in a number of national and international networks for the purposes of professional collaboration, keeping abreast of best practice, and experience sharing, as

illustrated in the diagram below. As in the previous year, most participation at these meetings was conducted virtually.



5. Looking Ahead to 2022

In January 2022, the Audit Committee's work plan for 2022 was discussed and agreed with the Secretary General to ensure that it covers key areas of strategic concern to the Audit Committee and to the Secretary General. The Committee's work plan largely tracks that of the Evaluation and Audit Unit. However, the Committee will pilot a thematic approach to frame its work plan during the year. Areas of particular focus, in addition to standing items including fraud, will likely include risk management and cyber security as well as the rollout of the updated evaluation policy. It will continue to monitor implementation of audit and evaluation recommendations and emerging issues and risks of strategic importance to the Department.

Lastly, the Committee is planning, COVID-19 pandemic conditions permitting, to recommence visits to missions abroad during the latter half of the year.

Note of Thanks

Finally, the Committee wishes to thank the the Evaluation and Audit Unit for the support and assistance provided throughout 2021 and in particular for its role as Secretariat to the Committee. To deliver on its mission, the Audit Committee depends on an Evaluation and Audit Unit that is appropriately resourced to execute an extensive programme of work. We are pleased to note that the Unit was so resourced in 2021.

Appendix 1 - Audit Committee Charter

Purpose and Authority

The Audit Committee of the Department of Foreign Affairs (the Department) is formally appointed by, and advises, the Secretary General of the Department, who is the Accounting Officer for Votes 27 (International Cooperation) and 28 (Foreign Affairs). As appropriate, it will advise the Minister for Foreign Affairs, and the Minister of State for Overseas Development and the Diaspora.

The Audit Committee is part of the governance and assurance framework, appointed to provide independent advice to the Accounting Officer regarding the suitability and robustness of the organisation's frameworks, systems and procedures for:

- (1) governance, risk management, internal controls and
- (2) evaluation of the Department's policies and strategies

and is responsible to him / her for its performance in this regard.

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

Membership

The Committee will have a Chairperson and at least four ordinary members, all of whom will be drawn from outside the Department. The quorum for meetings will be three members, including the Chairperson. The Secretary General shall endeavour to ensure that membership of the Committee reflects the Department's commitment to gender balance, equality, diversity and inclusion, in accordance with relevant Government policies and guidelines.

The Secretary General will appoint the Chairperson and members of the Committee. Members may be appointed for three years, with the option to extend by up to three years, subject to the approval of the Secretary General.

Skills / Competencies

Members of the Committee should collectively possess sufficient knowledge relevant to the Committee including audit, finance, law, governance, risk and internal controls. At least two members of the Committee should be qualified accountants. The Committee membership should also ideally include at least one person with experience at a senior level of the civil or public service and some members with professional experience of development cooperation

and evaluation of civil and public sector and official development assistance programmes. Additional experience may be co-opted on a consultancy basis, as required.

Functions

The Committee will provide advice and an independent appraisal of the audit and evaluation arrangements, with a view to strengthening governance, risk management and internal controls, as well as helping to enhance the effective operation of the audit and evaluation function within the Department. In particular, the Committee will undertake to:

- review the Department's evaluation and audit strategy and the work programmes arising from this
- review the implementation of these programmes
- review the adequacy of resources available for the evaluation and audit function
- support the role and independence of the Evaluation and Audit Unit in carrying out its work
- examine internal audits and reviews of the Department's governance, risk management and internal controls systems and provide advice, as necessary, to the Secretary General with the completion of the Annual Statement on Internal Financial Control to the Comptroller and Auditor General
- examine evaluations of performance carried out by the Evaluation and Audit Unit
- examine other reviews and analytical exercises carried out by the Evaluation and Audit Unit
- monitor the follow up and implementation of recommendations made in reports of the Evaluation and Audit Unit.
- support the implementation of the Department's Counter Fraud Policy¹.

In carrying out these functions the Committee will be cognisant of best practices and relevant guidelines².

Role requirements will be clearly communicated to new members of the Committee at the outset of their appointment, including time commitments and an indication of frequency of meetings.

Meetings

To facilitate regular engagement with the organisation, the Audit Committee will normally meet

¹ Department of Foreign Affairs Counter Fraud Policy, 19 December 2017

² These include for example: Department of Public Expenditure and Reform (DPER) Audit Committee Guidance, relevant audit and accounting standards, DPER IGEES and OECD DAC guidance and other best practice on spending reviews and policy evaluation.

six times per annum, with the authority to convene additional meetings as circumstances require.

As necessary, the Audit Committee may invite members of management, the Evaluation and Audit Unit, or others to attend meetings and provide information.

The Secretary General will meet with the full Committee at least once per annum. In addition, the Chairperson will have the right of access to the Secretary General, and will meet with him / her at least twice per annum.

On at least an annual basis, the Committee will meet with the Comptroller and Auditor General, or his/her nominee, with regard to external audit, to ensure cooperation, and avoid duplication and potential gaps in audit coverage.

Conflict of interest

All members will be obliged to disclose any conflicts of interest. Where a conflict of interest arises in the course of the work of the Audit Committee, the member will bring this to the attention of the Chairperson and, where necessary, leave the room for the duration of the discussion and not take part in any decisions relating to the discussion. A note to this effect will be included in the minutes of the meeting.

Secretariat

The Audit Committee will be assisted and supported by an appropriately resourced Secretariat.

Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.

Minutes will be prepared and circulated to the Secretary General and to the Management Board (including its sub-committees the Executive Management Group, and the Senior Management Group of Development Cooperation and Africa Division).

Appropriate records of the work of the Audit Committee will be maintained by the Secretariat.

Annual Report

The Audit Committee will provide an annual report to the Secretary General and, subject to his / her approval, the report will be published on the Department's website and circulated to key stakeholders as appropriate.

This report will outline the work of the Audit Committee during the year, and include observations and recommendations of the Audit Committee, together with a brief prospective for the coming year.

Amendments to Charter

This Charter may be amended or updated following consultation and agreement between the Secretary General and the Chairperson and, in any case, will be reviewed at least every five years.

Review of Committee Performance

The performance and operation of the Audit Committee should be reviewed at least every three years.

Protected Disclosures

The Audit Committee will refer any protected disclosures made to them to the Head of Evaluation and Audit who will comply with organisational policy regarding receipt and investigation of protected disclosures, in line with existing guidelines.

Chairperson, Audit Committee
Department of Foreign Affairs
May 2021

Secretary General
Department of Foreign Affairs
May 2021