



**Audit Committee
of the
Department of Foreign Affairs**

Annual Report 2009

Contents

Chairman’s Statement	3
Membership of the Audit Committee	5
Operation of the Audit Committee	6
Audit Committee Findings and Recommendations for 2009	8
1. Management Information Systems and Internal Controls	8
2. Internal Audit	9
3. Evaluation	11
4. Risk Identification	12
5. Organisational and Resource Matters	14
Appendix 1 – Audit Committee Charter	16
Appendix 2 - Audit Environment of the Department	17
Appendix 3 - Dates of Audit Committee Meetings in 2009	20
Appendix 4 – Key Documents Considered by the Audit Committee	21
Appendix 5 - Presentations Received by the Audit Committee	22
Appendix 6– Summary of Vote Expenditure 2009 (Unaudited)	23
Appendix 7 – Audits and Evaluations Undertaken in 2009	26

Chairman's Statement

The Audit Committee of the Department of Foreign Affairs is pleased to present its sixth annual report to the Secretary General of the Department of Foreign Affairs.

2009 was a year of considerable challenge to the Department. As part of the Government's efforts to respond to the economic crisis and reduce public expenditure, further cuts were imposed on the Department's Votes in 2009. The effect of these adjustments is reflected in the table below.

	Revised Estimate 2008 €m	Original Estimate 2009 €m	Revised Estimate 2009 €m	Provisional Outturn 2009 €m
Vote 28	231	216	207	192
Vote 29	769	754	570	566

I have highlighted below the matters that I consider to be of particular importance from the section *Audit Committee Findings and Recommendations for 2009*.

Risk management should be an integral part of management and it is important that the Department's initiative to review and strengthen the implementation of its Risk Management Policy and Programme, including the updating of Risk Registers and the integration of Risk Management into the business planning process, should be completed as soon as possible.

The Management Review of Irish Aid states that the programme "carries an unsustainable degree of risk" primarily due to numbers and key skills deficits. The Audit Committee understands that the deployment of additional staff resources and streamlining of some programmes has reduced the programme's risk profile. Nevertheless staffing constraints have been identified as one of the major risks facing the Department. The Department should continue to ensure that resources are deployed to the maximum extent possible and endeavour to achieve further streamlining of programmes in order to minimise and manage the risks.

The Audit Committee notes that there are a very limited number of professionally qualified accountants employed in finance roles by the Department, and none at key decision-making levels. The Audit Committee is concerned with this situation given the pressures on budgets and the need for heightened financial control and efficient use of resources. Furthermore, the Department intends to merge its Finance Units to create a single Unit which will control an annual budget of almost €800m.

The Audit Committee supports the early creation of a single finance unit for the whole Department and stresses the importance of ensuring that the optimum level of internal control procedures and risk management are maintained throughout the change process and thereafter. Furthermore, given the size of the budget under its control, the Department should appoint a Head of Finance (at Counsellor/Principal Officer grade) who holds a professional accounting qualification and significant relevant experience.

In addition, the Head of Finance should be supported by qualified accountants with Financial/Management Accounting roles for each Vote.

The changing aid environment has resulted in a situation whereby donors channel increasing amounts of funding through Government systems and also where donors work together in partnership rather than in isolation. This approach has much to commend it in terms of the potential to achieve efficiencies and greater aid impact but it does increase risk - particularly when working through partner Government systems. Managing this increased risk is a challenge for all donors. Irish Aid in partnership with other donors continues to make efforts to strengthen Partner Government systems through systematic reform programmes.

The Committee supports the establishment of a working group within Irish Aid that will review all areas of public finance management in Programme Countries with particular emphasis on accounting and audit issues. The Audit Committee has recommended to the working group that a review of all Partner Government Qualified Accounts and Systems to identify continuing material weaknesses should be included in the terms of reference. Where such weaknesses are identified, consideration should be given to alternative modalities for channelling aid until there is an acceptable improvement in the Partner Government Systems.

There are about 150 Partner NGOs supported under the Civil Society Fund, which reflects the strong commitment of Irish Aid to supporting civil society programmes in developing countries. The Audit Committee supports, and recommends expediting of, Irish Aid's intention to review and strengthen, as appropriate, the appraisal process, monitoring and auditing of the organisations supported under Civil Society Fund.

The members of the Audit Committee act on a voluntary basis and I should like to thank Fr. Gerry O'Connor, Mike Scott, Valerie Little, Dr. Richard Boyle, Philip Furlong and Maura Quinn for their commitment and professionalism. We wish to express our gratitude to Valerie Little who retired during the year, having served for five years on the Committee. Fr. Gerry O'Connor was the Committee's first chairman and served in this role for almost six years until he stepped down from the position on 30 June 2009. His dedication, experience of aid and his professional accounting background proved invaluable to the Committee's work and we are fortunate that he continues to be a Committee member.

On behalf of the Audit Committee I should like to thank the management and staff of the Department of Foreign Affairs for their assistance, reports and presentations, and for answering our many questions.

We wish to express our gratitude to the Department's Evaluation and Audit Unit for their operational support - William Carlos, Tom Hennessy, Fintan Farrelly, Seamus O'Grady, Anne Barry and Patricia Ryan.

John S. Pittock
Chairman
Audit Committee of the Department of Foreign Affairs

Date: 21 June 2010

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 2009, the members of the Committee were:

Mr. John S. Pittock, Chairman of the Committee (From July 2009) is a chartered accountant and was formerly Chairman of Deloitte (Appointed November 2003).

Fr. Gerard O'Connor, C.Ss.R, works in Cherry Orchard Parish, Dublin, and has a background in development and accountancy. Fr. O'Connor was the first Chairman of the Committee from November 2003 to June 2009.

Ms. Valerie Little is Human Resource Manager of ESB Networks, and formerly Head of Internal Audit, Electricity Supply Board (Appointed June 2004, retired June 2009).

Mr. Michael Scott is a former Head of Evaluation and Audit, Irish Aid (Appointed June 2006).

Dr. Richard Boyle is Head of Research, Institute of Public Administration (Appointed January 2008).

Mr. Philip Furlong is a former Secretary General of the Department of Arts, Sports and Tourism (Appointed January 2008).

Ms. Maura Quinn is Chief Executive of the Institute of Directors in Ireland and formerly Executive Director of Unicef Ireland (Appointed July 2009).

Operation of the Audit Committee

The work of the Audit Committee covers both the Department's Votes - Vote 28 (Foreign Affairs) and Vote 29 (Irish Aid) and the Audit Environment of the Department is summarised in Appendix 2. The role of the Audit Committee is set out in its charter (Appendix 1).

The Committee holds a series of regular meetings, at which it receives reports and presentations, makes recommendations to the Department, and tracks their implementation.

The Committee held nine meetings in 2009 and also met with the Secretary General. In the course of their meetings, the Committee also received briefings from the Director General and Deputy Director General of Irish Aid, and the Head of Corporate Services Division.

In September 2009, the Chairman and two members of the Audit Committee appeared before the Oireachtas Joint Committee on Foreign Affairs to discuss their annual report for 2008. During that month, the Chairman also addressed the meeting of Heads of Mission and Heads of Development (based in the Embassies in Irish Aid's programme countries), held in Limerick.

This report relates to the Audit Committee's work programme for 2009. The timing and scheduling of audits means that the reports reviewed by the Committee during 2009 often related to expenditure incurred in years prior to 2009. This is also the reality with respect to evaluation reports, since evaluations usually look at programme interventions over longer periods.

The Comptroller and Auditor General is responsible for the audit of the Department's Appropriation Accounts and issued an unqualified opinion for 2008. The audit of the 2009 Appropriation Account is in progress at the time of completion of this report.

During 2009 the Audit Committee reviewed and agreed the work programme to be undertaken during the year by the Evaluation and Audit Unit, and worked closely with the Unit. The Committee also reviewed the implementation of the evaluation and audit programme during the year.

Key topics covered by the Audit Committee during 2009 included:

- The Department's Risk Management System
- The Passport Service
- Progress on Aid Effectiveness
- Audit coverage in programme countries
- Public Financial Management systems in programme countries
- Management Review of Irish Aid
- Funding of Civil Society Organisations

Further detail on the work of the Audit Committee in 2009 is included in the appendices:

- Appendix 3: Dates of Meetings of the Audit Committee in 2009
- Appendix 4: Key documents Considered by the Audit Committee
- Appendix 5: Presentations Received by the Audit Committee.

The Audit Committee's priority issues for 2010 include:

- The Department's Risk Management System
- Review of the use of partner government financial systems
- Strengthening of Civil Society Funding appraisal and monitoring systems.

Audit Committee Findings and Recommendations for 2009

In accordance with its Charter, the work of the Audit Committee in relation to the two Votes of the Department is focussed on the following areas:

1. Management Information Systems and Internal Controls
2. Internal Audit
3. Evaluation
4. Risk Identification
5. Organisational and Resource Matters

The Committee's comments and principal recommendations on each of these areas are set out in the following sections of the report.

1. Management Information Systems and Internal Controls

The Comptroller and Auditor General gave an unqualified audit opinion on the appropriations accounts for Votes 28 and 29 for the financial year 2008.

The Audit Committee welcomes the Department's intention to amalgamate the existing separate finance units for Votes 28 and 29 and stresses the importance of ensuring that the optimum level of internal control procedures and risk management are maintained throughout the change process and when complete.

The Audit Committee is pleased to note the development of a system to track the implementation of key audit and value for money review recommendations, and intends to periodically review the operation of the tracking system.

While the Audit Committee meets regularly with the Secretary General and key senior management personnel, there is no formal arrangement to receive updates from the Department on the operation of the systems of internal control.

Recommendation

The Department should provide a formal annual update to the Audit Committee on the operation of the systems of internal control.

The Audit Committee has noted that there is no regular reconciliation of the volume of passports issued through the Automated Passport System with the revenues reflected in the Financial Management System and that there are also issues concerning the reconciliation of receipts at Missions. The Committee accepts, however, that there are many other strong internal controls in place to ensure that all revenues relating to the Passport Service are properly accounted for. The Audit Committee is pleased to note that the Department is addressing the reconciliation issue.

Recommendation

The Department should complete, as soon as practicable, its work on the establishment of a routine for reconciling the volume of passports issued by the

Passport Service with the revenue recorded in the financial system, which will complement the other controls in place.

2. Internal Audit

Department-wide

The Evaluation and Audit Unit carried out an audit of Departmental Travel and Subsistence covering expenditure under both Votes. The Audit Committee had previously sought assurance that travel and subsistence regulations were being complied with and that the level of expenditure incurred was reasonable.

Vote 28 – Foreign Affairs

The Evaluation and Audit Unit undertook a number of audit assignments on Vote 28. These assignments included audits of Emigrant Support Programme grants (Great Britain and United States) and Missions abroad.

The Audit Committee was pleased to note that, during 2009, there was a substantial increase in the level of audit coverage for the Vote. The Committee looks forward to a further increase in audit coverage during 2010. The Audit Committee notes the Evaluation and Audit Unit's intention to formalise the audit strategy for the Vote and develop a multi-year work plan. The Committee notes that the Unit's annual risk-based audit plan for the Vote is approved by the Secretary General.

Recommendation

The audit strategy and multi-year work plan for Vote 28 should be formalised and approved by the Secretary General.

Vote 29 - Irish Aid

A significant proportion of Irish Aid's programme country spending is channelled through partner government systems, which are prone to fundamental weaknesses in accounting, audit and general financial management.

The Audit Committee supports the various structured programmes for addressing Public Finance Management deficiencies that are taking place in most programme countries. These reform programmes address areas such as budgeting, accounting systems, public procurement, audit, and general oversight. Such programmes involve addressing technical issues such as accounting systems but also seek to develop an environment that places a higher priority on accountability. These reform programmes are supported by donors including Irish Aid. The Committee strongly supports Irish Aid's continuing engagement in this area and especially advocates support for National Audit Offices in programme countries. In this regard the Committee welcomes that Ireland is a member of the INTOSAI-Donor Partnership, which has recently been established to support the strengthening of National Audit Offices in developing countries.

The Audit Committee welcomes the systematic process that is now in place to assess and improve the overall Public Finance Management (PFM) framework in developing countries, which includes Public Expenditure and Financial Accountability (PEFA) assessments. The Committee welcomes Irish Aid's involvement in PEFA assessments, which provide an independent appraisal of the strength of systems in particular countries and identify areas where action is required. The Audit Committee acknowledges that Public Financial Management reform is a long-term process and encourages senior management to continue their commitment through deployment of adequate resources and ensuring that all programme management have an accountability focus in their roles.

Recommendations

Irish Aid should continue its engagement in Public Expenditure and Financial Accountability assessments which are the principal means of appraisal of Public Finance Management systems in partner countries.

Senior Management should maintain their commitment to strengthening Public Finance Management systems in partner countries by deploying adequate resources and ensuring that all programme management have an accountability focus in their roles.

Irish Aid, in collaboration with other donors, should continue to support the strengthening of the capacity of the Offices of National Auditor General in partner countries

The Audit Committee continues to be concerned with the relatively high level of qualified audit reports, emanating mainly from partner government organisations and will continue to monitor trends in this area. While appreciating that qualified audit reports can arise for a number of reasons, the Committee nevertheless considers that this is an area of risk. While some improvements in Government Financial Systems and National Audit Offices are noted the Committee does not see evidence of any sustained improvements in Audit reports. The Committee will continue to monitor the level and trends in qualified reports, the reasons for same and follow up actions taken.

The Committee welcomes the establishment of a working group within Irish Aid that will review all areas of public finance management in Programme Countries with particular emphasis on accounting and audit issues. The Audit Committee has recommended to the working group that a review of all Partner Government Qualified Accounts and Systems to identify continuing material weaknesses should be included in the Terms of Reference. Where such weaknesses are identified, consideration should be given to alternative modalities for channelling aid until there is an acceptable improvement in the Partner Government Systems.

Irish Aid should continue to monitor qualified audit reports, assess the reasons therefore, and take appropriate corrective action.

Irish Aid should continue to keep Partner Government Systems under review and, where significant or continuing weaknesses are identified, determine

whether or not aid should continue to be channelled through these systems or whether alternative modalities should be considered.

The Audit Committee welcomes the intention of the Evaluation and Audit Unit, building on the audit approach introduced for the Multi-Annual Scheme Programme (MAPS), to increase coverage of other civil society funding schemes.

Recommendation

The Audit Committee recommends that the Evaluation and Audit Unit increases its level of audit of civil society funding to ensure comprehensive coverage.

3. Evaluation

Evaluation is a core component in Irish Aid's management process, generating objective, evidence-based information used for decision making. Evaluations seek to explain to the key stakeholders the extent to which development interventions and their modalities have succeeded or failed and the reasons why. The Evaluation and Audit Unit commissions evaluations focusing on issues of particular strategic importance to Irish Aid. Supported by the Evaluation and Audit Unit, Irish Aid's Operational Sections and Embassies also undertake evaluations that are of direct relevance to their areas of responsibility and their information needs.

The Evaluation and Audit Unit implements an annual work programme that is reviewed by the Audit Committee. The Key evaluations completed in 2009 include:

- Evaluation of Irish Aid's interim strategy for Sierra Leone,
- Internal Review of Irish Aid's support to Liberia,
- Evaluation of Irish Aid Dóchas partnership.
- Evaluation of Uganda Country Programme
- Review of World Vision's work in Southern Sudan
- Value for Money and Policy Review of Irish Aid support to HIV/AIDS, 2000-2007

In addition to the above, the Evaluation and Audit Unit is engaged with a number of macro-level/ multi-country, joint evaluations which will take a number of years to complete. These include

- An evaluation of the implementation of the Paris Declaration
- An evaluation of the impact of Budget Support (Tanzania)
- An evaluation of Public Financial Management Reform programmes
- An evaluation of Public Sector Governance Reform programmes

The Evaluation and Audit Unit has been reviewing how it undertakes country programme evaluations with a view to making them more consistent with commitments made under the Paris Declaration on Aid Effectiveness. As a result, an evaluation of the Tanzania Country Programme will be undertaken jointly with the UK Department for International Development (DfID) in the first half of 2010. The Audit Committee welcomes this development and will examine the extent to which

the evaluation is used by the Department to inform future thinking on country programme planning.

Recommendation

The Audit Committee recommends that the Department strengthens its procedures to ensure that recommendations from all evaluations are taken into account, where appropriate, in planning processes and across all programmes.

4. Risk Identification

Risk management identification and formal management of risk should be an integral part of management. The Department adopted a Risk Management Policy and Programme in 2005 and, in 2006, decided to integrate risk management into the Department's business planning structures. Having previously expressed concern at the level of formal risk monitoring, the Committee is pleased to note that the Department's Risk Management Secretariat was reactivated in 2009 and that the risk register is reviewed in detail by the Management Advisory Committee.

In addition to managing risk at overall Departmental level, risk assessment is also a key feature of Irish Aid's major programme planning exercises. Nevertheless, in view of the inherent risks in development aid and as recommended in previous reports, the Audit Committee urges Irish Aid to articulate an overall policy statement on risk. The statement should communicate a message that risk is inherent in a development aid environment and that a risk-averse position is inconsistent with the delivery of an innovative and effective programme.

Recommendations

The initiative to review and strengthen the implementation of the Department's Risk Management Policy and Programme during 2009, including the updating of Risk Registers and the integration of Risk Management into the business planning process, should be completed as soon as possible.

Irish Aid publishes a policy statement that articulates Irish Aid's position on the management of the risks inherent in a diverse aid programme; The statement should also elaborate on the nature of the risks that Irish Aid faces and the risk management strategies that have been established to mitigate the likelihood of the occurrence and/or impact of significant risks.

The Audit Committee notes that action has been taken to reduce the complexity of the aid programme and focus on a smaller number of priority areas, including the hunger agenda. However, the Committee considers that the ongoing tightening of the State's public finances, and constraints on human resources require continued focus on reducing the programme's complexity to ensure that it remains targeted on those areas where Irish Aid has particular strengths. It is also essential that there is a continued focus on measuring impact and achieving value for money. Reduction in the programmes complexity is also consistent with Ireland's obligations to achieve greater sectoral specialisation and harmonisation of donor practices, as agreed in the Paris Declaration on Aid Effectiveness and in the Accra Agenda for Action (2008).

Recommendation

Irish Aid should continue to keep under review the complexity of the aid programme to ensure that it is focused on those areas where Irish Aid has particular strengths and optimises the use of resources. Such a review should encompass the obligations to achieve greater sectoral specialisation and harmonisation of donor practices as agreed in the Paris Declaration on Aid Effectiveness.

The Committee is conscious that Irish Aid provides support to the poorest countries in the world, some of which are ranked as having a high level of corruption with consequent adverse affects on the poor. It recognises that working in countries with weak governance generates risk for donors, including Ireland. The Committee acknowledges Irish Aid's continued commitment to addressing corruption through improving transparency and accountability, supporting public oversight institutions, parliamentary reform and the independent media, and building the capacity of civil society to influence and monitor public policy decisions. While the Committee is satisfied that Irish Aid's audit processes seek to provide assurance regarding public funding, it also encourages Irish Aid, in collaboration with other donors, to continue its determined efforts to promote strengthening of systems of internal control and rectification of audit deficiencies in partner organisations.

Recommendation

Irish Aid should continue to ensure that its management systems are sufficient to: (a) mitigate, to the greatest extent possible, the likelihood of occurrence of fraud, (b) investigate occurrences of fraud in partner organisations and take appropriate actions in a timely manner, and (c) maintain a record of all reports of alleged fraud and investigations conducted.

The Audit Committee reviewed Irish Aid's approach to funding NGO partners. There are two principal schemes, namely the Multi Annual Programme Scheme (MAPS), which funds five of the largest Irish NGOs, and the Civil Society Fund, which supports about 150 partners (Irish and international) implementing over 200 projects.

The Audit Committee acknowledges that Irish Aid has made significant efforts in recent years to streamline its funding of NGOs and, in particular, to support programmatic approaches to aid delivery by the larger MAPS partners. The Committee supports Irish Aid's intention to review and strengthen, where appropriate, the eligibility criteria/appraisal process, monitoring and auditing of the organisations supported under Civil Society Fund. The Committee also notes that there is a need for partners to strengthen their own monitoring capabilities.

Recommendation

Irish Aid should complete as soon as possible its plans to review and strengthen the eligibility criteria and appraisal process and increase the monitoring of Civil Society Organisations.

The Audit Committee has been informed that the allocation of funding to the MAPS partners has been significantly influenced by historical relationships and funding levels, and considers that the basis of allocation should be reviewed and moved to a performance-related basis to optimise value for money.

Recommendation

Irish Aid should establish criteria for the allocation of funds to MAPS partners based on performance.

5. Organisational and Resource Matters

The Audit Committee has noted that staffing, following the imposition of the public service recruitment moratorium and, to a lesser extent, as a result of the relocation of Irish Aid's headquarters to Limerick, is a significant and growing problem and has been identified as one of the major risks facing the Department. There are particular difficulties in replacing key diplomatic personnel in Limerick and filling some development specialist posts in the field. The Audit Committee has been informed that every effort is being made to ensure that appropriate numbers of staff are assigned to carry out the duties.

With regard to the Evaluation and Audit Unit, the Audit Committee welcomes the importance placed by the Department on deploying qualified staff. The Audit Committee considers that experience in evaluation and audit can only be obtained by spending significant periods of time in these areas. Consequently, the Department needs to balance the need for significant experience in the Evaluation and Audit Unit with the imperative to deploy development specialists to the field offices under the planned posting system.

Recommendation

The Department should ensure that its staffing policy regarding the Evaluation and Audit Unit should ensure there is continuity of high level of expertise and experience deployed.

The Audit Committee notes that there are a very limited number of professionally qualified accountants employed in finance roles by the Department, and none at key decision-making levels. The Audit Committee is concerned with this situation given the pressures on budgets and the need for heightened financial control and efficient use of resources. Furthermore, the Department intends to merge the Finance Units for both Votes to create a single Unit, which will control a total budget of almost €800 million per annum.

Recommendation

In view of the imminent creation of a single finance unit for the whole Department, and the size of the budget under its control, the Department should appoint a Head of Finance (at Counsellor/Principal Officer grade) who holds a professional accounting qualification and significant relevant experience. Furthermore, the Head of Finance should be supported by qualified accountants with Financial/Management Accounting roles for each Vote.

The Management Review of Irish Aid was approved on 22 July 2009 and stated that Irish Aid is a core element of Irish Foreign policy. The review was based on expected growth in budget and some of the recommendations need to be reconsidered

following the budget cut backs. The Audit Committee has concerns surrounding the proposal to split the Evaluation and Audit functions.

The Management Review highlights the risks arising from a significant human resource shortfall. In particular the Management Review emphasises the need to strengthen the finance function and deploy additional staff to the internal audit function, which supports the Audit Committee's view. Whilst the Review states that "Overall, we found no significant control weaknesses and the overall financial regime is generally robust" the Audit Committee's principal concern, arising from the Review, is in relation to the programme as a whole and may be summed up in the Review's statement that the programme "carries an unsustainable degree of risk" primarily due to numbers and key skills deficits. The Audit Committee has been informed that the deployment of additional staff resources, including development specialists, and streamlining of some programmes has reduced the programmes risk profile. Nevertheless the Department itself has identified staffing shortages as one of the major risks facing the Department and the Audit function.

Recommendation

The Department should continue to ensure that resources are deployed to the maximum extent possible and endeavour to achieve a further reduction in the complexity of the Irish Aid programme in order to minimise and manage the risks arising from staff shortages.

Appendix 1 – Audit Committee Charter

The Audit Committee of the Department of Foreign Affairs is formally appointed by, and will report to, the Secretary General of the Department of Foreign Affairs, who is the accounting officer for Votes 28 and 29 (Foreign Affairs General and Irish Aid, Department of Foreign Affairs, respectively). As appropriate, it will advise the Minister for Foreign Affairs and the Minister of State for Development Cooperation.

The Committee will have a Chairperson and at least three ordinary members who will be drawn from outside the Department. The members of the Committee will either have general accounting experience, professional audit experience or professional experience in the area of development cooperation and the evaluation of aid programmes. Additional experience may be co-opted on a consultancy basis. The members will normally serve for at least two years, so as to ensure effective oversight of the programme. The Committee will normally meet at least six times each year.

The Committee will provide an independent appraisal of the audit and evaluation arrangements for these two Votes, with a view to strengthening internal controls and risk management as well as enhancing the effective operation of the audit and evaluation function within the Foreign Affairs Vote and Irish Aid (the Development Cooperation Directorate within the Department of Foreign Affairs).

The Committee will provide an annual report to the Secretary General on its work in relation to these two Votes. This will be based, inter alia, on:

- a review of the evaluation and audit strategy for the Foreign Affairs and Irish Aid programmes and the annual work programme arising from this;
- a review of the implementation of these programmes by Foreign Affairs and the Evaluation and Audit Unit of Irish Aid;
- a review of the resources available for this purpose;
- a review of the internal control systems of Foreign Affairs and Irish Aid;
- a review of the risk management systems in Foreign Affairs and Irish Aid.

Since one of the functions of the Advisory Board for Irish Aid¹, the independent body appointed by the Government, is “to oversee specific and general evaluations of Irish Aid programmes and projects, with a general oversight of policy and expenditure”, the membership of the Audit Committee will always include a member of the Advisory Board.

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

¹ The Advisory Board for Irish Aid ceased on 31 October 2008.

Appendix 2 - Audit Environment of the Department

Structure of the Department

Under the political direction of the Minister for Foreign Affairs, the Department is managed by the Secretary General, who is the accounting officer for its two Votes – Vote 28 (Foreign Affairs) and Vote 29 (Irish Aid). The Secretary General is supported by a Management Advisory Committee (MAC) comprising the heads of the main divisions in the Department.

The work of the Department is divided between ten divisions at Headquarters (HQ) and 75 diplomatic and consular offices abroad (referred to as “Missions”), as well as the British-Irish Intergovernmental Secretariat in Belfast and the North-South Ministerial Council Joint Secretariat in Armagh. Among the diplomatic and consular offices abroad are ten field offices, based mainly in Africa, that are responsible for managing Irish Aid bilateral country programmes.

External Environment

The Department of Foreign Affairs operates in a complex and ever-changing environment shaped by European and wider international influences. The realisation of objectives depends, therefore, not just on the efforts of the Department but also on the behaviour of other States and entities.

Because of the complexity of the external environment, it is essential that the resources available to the Department are deployed to the optimum effect. It cannot and does not work in isolation. The Department acts in close cooperation with other Government Departments that have external responsibilities, in order to contribute effectively to the attainment of the goals set down in the Programme for Government and its Statement of Strategy (2008 – 2010).

The Millennium Development Goals, the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action provide the basis for an international consensus on what needs to be done to reduce poverty and promote development.

In common with other donors, Irish Aid operates in an environment of considerable risk. In particular, the standard of governance, accounting systems and national audit in partner countries and organisations may be less than would be expected in developed countries.

High Level Goals, 2008-2010

The Department's high level goals, as set out in the Strategy Statement for the period 2008-2010, are to:

Contribute to international peace and security, promote conflict resolution, respect for human rights and the rule of law, and support effective common strategies to address global challenges.	Promote the full implementation of the Good Friday Agreement by supporting the effective operation of its institutions, strengthening North/South cooperation and working for lasting reconciliation.
Deliver on the commitments in the White Paper on Irish Aid through reducing poverty, supporting sustainable development and promoting development cooperation as an integral part of Ireland's foreign policy.	Promote Ireland, its bilateral relations with other countries, advance our economic interests and enhance our cultural profile overseas.
Secure Ireland's interests in the EU and contribute fully to the Union's future development.	Provide a high quality passport and consular service to all Irish citizens and actively engage with our Diaspora.

Audit Arrangements of the Department

Audit is a key element of the accountability framework in which the Department operates – which comprises:

1. The **Comptroller and Auditor General (C&AG)** – who audits the annual Appropriation Accounts for each Vote, and periodically conducts other assignments, including value for money audits. The C&AG presents its reports to the Public Accounts Committee.
2. The **Dáil Committee of Public Accounts (PAC)** – which examines the reports of the C&AG, and at which the Department's Accounting Officer is required to attend.
3. The Joint Oireachtas **Committee on Foreign Affairs (FAC)** – this Committee approves the Estimates for both Votes, which are presented in the format of an

Annual Output Statement linking costs to high level goals and objectives with related key performance indicators.

4. The **Audit Committee** of the Department, which reviews the audit and evaluation work plans and the implementation thereof.
5. The **Evaluation and Audit Unit** of the Department, which manages:
 - The Evaluation function of the Department, with principal focus on Irish Aid. Evaluation is the systematic and objective assessment of the design, implementation and results of projects, programmes and policies. In particular it assesses the effectiveness of an intervention against its stated objective. Evaluation also plays a critical role in lesson learning and in supporting the overall accountability framework.
 - The Internal Audit function of the Department. This function reviews the operation of the systems of internal control and seeks to provide assurance as to the propriety of the use of public funds. The Internal Audit function for Irish Aid is also supported by internal auditors based in the Programme Country field offices;
 - Value for Money Reviews (see 7. below).

The Head of Evaluation and Audit reports to the Secretary General.

6. **Externally Commissioned Audits** undertaken by internationally recognised firms in Irish Aid Programme Countries. In addition to its own internal audit work, the Evaluation and Audit Unit extensively leverages its resources by commissioning audits in Programme Countries which are undertaken by internationally recognised firms. The Unit also relies on partner audits which are undertaken either by internationally recognised firms (where commissioned by partners) or by National Auditors General. Irish Aid works closely with other donors to assist partners in strengthening their financial management and accountability systems, following through on the recommendations of the audit process.
7. **Value for Money and Policy Review Initiative** – The Department conducts Value for Money Reviews under the Government’s Value for Money and Policy Review Initiative.

Appendix 3 - Dates of Audit Committee Meetings in 2009

04 February

19 March

03 April

26 May

30 June

08 September

13 October

09 November

17 December

Appendix 4 – Key Documents Considered by the Audit Committee

Report of the Value for Money Review of the Passport Service

Management Review of Irish Aid

Report on Public Financial Management, Pro-Poor Spending and Delivery of Pro-Poor Services in Lesotho, Mozambique, Uganda and Zambia (Gerald Cawley)

Evaluation Reports:

- Evaluation of Irish Aid's interim strategy for Sierra Leone,
- Internal Review of Irish Aid's support to Liberia,
- Evaluation of Irish Aid Dóchas partnership.
- Evaluation of Uganda Country Programme
- Review of World Vision's work in Southern Sudan

Audit Reports from the Auditors General of Mozambique, Lesotho and Uganda

Evaluation and Audit Work Plans for 2009

Appendix 5 - Presentations Received by the Audit Committee

The Audit Committee received the following presentations during the year:

Briefings on the Irish Aid programme by the Director General, Brendan Rogers and Deputy Director General, Michael Gaffey

Briefing on the Passport Service – Passport Office Management Team (May 2009)

Briefing on Vote 28 and the Department’s Risk Management System - Assistant Secretary Adrian O’Neill, Head of Corporate Services Division (September 2009)

Progress on Aid Effectiveness – Liz Higgins and Donal Cronin, Technical Section (October 2009)

Irish Aid funding to Civil Society Organisations – Fionnuala Gilsean, Civil Society Section, (November 2009)

Audit of Civil Society Funding – Evaluation and Audit Unit (November 2009)

Public Financial Management Report Presentation by Gerald Cawley (external consultant, November 2009)

Various presentations during the year by the Evaluation and Audit Unit.

Appendix 6– Summary of Vote Expenditure 2009 (Unaudited)²

Vote 28: Foreign Affairs

	Estimate Provision €'000	Outturn €'000
<u>ADMINISTRATION</u>		
A1. Salaries, Wages and Allowances	102,909	97,891
A2. Travel and Subsistence	7,000	5,056
A3. Incidental Expenses	5,159	4,709
A4. Postal and Telecommunications Supplies	9,432	8,390
A5. Office Machinery and other Office Supplies and Related Services	25,321	21,118
A6. Office Premises Expenses	27,964	31,323
A7. Consultancy Services	92	59
A8. Value for Money and Policy Reviews	20	-
TOTAL ADMINISTRATION EXPENSES	177,897	168,546
<u>PROGRAMME EXPENDITURE</u>		
B. Repatriation and Maintenance of distressed Irish Persons Abroad	79	48
C. Support for Irish Emigrant Services	15,183	15,132
D. Information Services	1,283	1,232
E. Contributions to bodies in Ireland for the furtherance of International relations – (Grants in Aid)	310	310
F1. North-South and Anglo-Irish Co-operation	3,000	3,000
F2. International Fund for Ireland	195	195
G. Cultural Relations with Other Countries – (Grants in Aid)	891	891
H. Irish-American Economic Advisory Board	28	14
I. Contributions to International Organisations	42,240	37,246

² The Comptroller and Auditor General audit is in progress at the time of completing this annual report.

J. Actions Consequent on Title v of the Treaty on European Union	582	551
K. Assistance to EU and other Eastern European States	1,010	789
L. Atlantic Corridor Project	250	250
M. Asia Strategy	200	183
N. Referendum on EU Reform Treaty (0 in 2008)	4,000	3,786
TOTAL PROGRAMME EXPENDITURE	69,251	63,627
GROSS EXPENDITURE	247,148	232,173
O. Deduct Appropriations-in-Aid	40,386	40,481
NET EXPENDITURE	206,762	191,692

Vote 29: International Cooperation

Service	Estimate Provision	Outturn
	€'000	€'000
ADMINISTRATION - Subheads A1/8		
A.1. Salaries, Wages and Allowances	18,960	19,337
A.2. Travel and Subsistence	3,535	2,269
A.3. Incidental Expenses	3,321	2,250
A.4. Postal and Telecommunications Services	2,480	2,202
A.5. Office Machinery and Other Office Supplies and Related Services	1,380	1,432
A.6. Office Premises Expenses	3,925	3,507
A.7. Consultancy Services	1,561	1,066
A.8. Value for Money and Policy Reviews	680	127
Sub-total	35,842	32,190
Other Services		
B. Payment to Grant-in-Aid Fund for Bilateral Aid and other Co-operation (Grant in Aid)	410,800	410,800
C. Emergency Humanitarian Assistance	56,000	56,000
D. Payments to International Funds for the Benefit of Developing Countries	28,000	28,000
E. Contributions to United Nations and other Development Agencies	40,500	40,500
Sub-total	535,300	535,300
Gross Total	571,142	567,490
F. Deduct: Appropriations in Aid	939	1,790
Net Total	570,203	565,700

Appendix 7 – Audits and Evaluations Undertaken in 2009³

Audit - Vote 28

The Evaluation and Audit Unit carried out the following audit assignments in 2009:

Representational Furniture and Allowance Scheme
Embassy London
Emigrants Support Programme Grants - Great Britain
Emigrants Support Programme – Boston and New York
Consulate General New York
Departmental Travel and Subsistence (both Votes)

Audit - Vote 29

(1) Programme Countries

The table below sets out the level of audit coverage that has been achieved to date in programme countries. Audit coverage is achieved by:

- (a) Audit work carried out directly by Irish Aid's Evaluation and Audit Unit, and by internal auditors based at Missions in programme countries;
- (b) Audits carried out by internationally recognised audit firms commissioned by Irish Aid;
- (c) Audit reports obtained from partner organisations (e.g. those carried out by National Audit Offices and by non-Governmental Organisations).
- (d) Joint donor funded audits of specific programmes or projects

These audits cover programmes and projects funded by the Irish Government, and relate to expenditure in the 2007 and 2008 financial years⁴.

<i>Country</i>	2008	2007
<i>Ethiopia</i>	65	86
<i>Lesotho</i>	91	79
<i>Mozambique</i>	56	94
<i>South Africa</i>	91	97

³ This appendix should be read in conjunction with the *Internal Audit* section of the Audit Committee's Comments and Recommendations in this report

⁴ The 2007 figures have been updated from those reported in the 2008 Annual Report of the Audit Committee to take account of audit reports subsequently received

<i>Tanzania*</i>	15	94
<i>Timor Leste</i>	91	90
<i>Uganda</i>	92	77
<i>Zambia</i>	87	90

* At the time of print some reports had not yet been received due to the timing of the Tanzanian Government's financial year end.

(2) **Other**

- Audit of Self Help International (Irish Aid Multi-Annual Programme Scheme)

Evaluation

Evaluations completed in 2009 (all Vote 29):

- Evaluation of Irish Aid's interim strategy for Sierra Leone
- Internal Review of Irish Aid's support to Liberia
- Evaluation of Irish Aid Dóchas partnership
- Evaluation of Uganda Country Programme
- World Vision's *Disaster Preparedness and Local Capacities for Peace Programme*, Southern Sudan
- Value for Money and Policy Review of Irish Aid support to HIV/AIDS, 2000-2007