



**An Roinn Airgeadais
Department of Finance**

THE ROLE AND RESPONSIBILITIES OF ACCOUNTING OFFICERS

A Memorandum for Accounting Officers

**Government Accounting Section
Department of Finance
December 2003**

THE ROLE AND RESPONSIBILITIES OF ACCOUNTING OFFICERS

Introduction

Dáil Éireann votes funds every year for Government Departments and Offices to spend on the provision of public services. After the end of the year, Departments and Offices in receipt of the Votes prepare an account of their expenditure and receipts, called the Appropriation Account. This Account must be signed by the Accounting Officer, usually the Secretary General or Head of the Department or Office in question, who is responsible for having the Account prepared and presented for audit to the Comptroller and Auditor General. The Accounting Officer may then be called to appear before the Committee of Public Accounts of the Dáil to give evidence about the Account, and in relation to any other account that the Department or Office is required to prepare.

A similar system operates in relation to non-voted expenditure, that is, expenditure (e.g. on servicing the national debt) which is paid from the Central Fund under law without annual reference to the Dáil. This expenditure is accounted for in the annual Finance Accounts, which are prepared by the Department of Finance, audited by the Comptroller and Auditor General and presented to both Houses of the Oireachtas. The Accounting Officer of the Department of Finance may be called to give evidence to the Committee of Public Accounts in relation to the Finance Accounts.

The Accounting Officer thus has a key role in the system of accountability for public moneys. The Department of Finance, in consultation with Departments and Offices generally, has prepared this Memorandum on the role and responsibilities of Accounting Officers in order to help Accounting Officers understand their duties and to provide a source of reference for them.

The Preparation of this Memorandum was recommended in the Report of the Working Group on the Accountability of Secretaries General and Accounting Officers (the Mullarkey Report), which was endorsed by the Government and published in January 2003. As recommended by the Mullarkey Report, the Memorandum draws, where relevant, on the contents and clarifications contained in that Report. It also draws on the Department of Finance publication *Public Financial Procedures*. The Memorandum can be only a guide, of course: it does not purport to be a comprehensive description of the matters that it covers.

The Memorandum is in three parts. Part 1 outlines the system of accountability for public moneys and describes the key elements in it. Part 2 sets out the duties and responsibilities of Accounting Officers in that system. Part 3 describes the systems and functions that should be in place to support Accounting Officers in carrying out their duties.

Appendices show a diagram of how public moneys are received, disbursed and accounted for; outline the Constitutional provisions relevant to the system of accountability for public moneys; list the statutes relevant to it; give the terms of reference of the Dáil Public Accounts Committee; contain the outline of the Accounting Officer's role set out in *Public Financial Procedures*; contain a one-page summary of Accounting Officers' responsibilities, taken from the Mullarkey Report; and summarise the recommendations of that Report.

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Part 1: The System of Accountability for Public Moneys

1.1 Introduction to Part 1 Part 1 briefly outlines the system for voting, spending and accounting for public moneys and for auditing the accounts of Government Departments and Offices, examining these accounts and reporting to Dáil Éireann about them. It then traces the history of the system of accountability, points to important Constitutional principles and describes the role of each of the key elements in the system (other than the Accounting Officer, whose role is described in Part 2).

The System and its Key Elements

1.2 Two Categories of Government Expenditure Government expenditure falls into two categories, voted expenditure and non-voted expenditure. **Voted expenditure** refers to the ordinary services of Government Departments both capital and non-capital, the money for which is voted by the Dáil on an annual basis. These services are technically known as the Supply services and the money granted by the Dáil for each service is technically known as the Supply grant or simply Supply. Expenditure is provided for under Votes, one or more covering the functions of each Department or Office.

Non-voted expenditure represents expenditure which the Oireachtas has declared by law is to be paid from the Central Fund without annual reference to the Dáil and itself consists of two sorts:

Central Fund Charges are a permanent charge on the State revenues and represent those services which are charged on and payable out of the Central Fund by continuing authority of statutes and are not therefore subject to annual or periodical review. The biggest item is the service of the national debt (i.e. interest and sinking fund payments on the debt, expenses of issues of debt, NTMA administrative expenses etc). Other items include Ireland's contribution to the EU budget, the annual payments to the National Pensions Reserve Fund, interim financing of certain EU payments and the salaries, pensions and allowances of the President, the judiciary and the C&AG, and the expenses of Returning Officers. In these cases the relevant legislation does not impose a limit on the aggregate amount which may be issued out of the Central Fund in respect of the service.

Other Central Fund Issues are generally repayable advances to State bodies in respect of State development projects making up part of what is known as the Public Capital Programme, and are made from the Central Fund under specific statutes. The legislation normally imposes an upper limit on the advances that can be made. This is usually equivalent to the issues which would be made over a three-to-five year period, and gives the Oireachtas the opportunity of reviewing the project or the body concerned at reasonably frequent intervals.

1.3 The System of Providing and Accounting for Public Moneys The system for providing and accounting for public moneys is briefly as follows. On the proposal of the Government, Dáil Éireann votes funds - the Estimates - every year for Government Departments and Offices and at the end of the year gives statutory effect to the Estimates by means of the Appropriation Act. Departments and Offices spend these funds on the provision of public services, whether directly or by funding or part-funding other bodies. In doing so, they must take care to act with regularity and

propriety and with due regard to economy and efficiency. After the end of the year they must prepare an account of their expenditure and receipts (any moneys received as Appropriations-in-Aid during the year), known as the Appropriation Account. The Accounting Officer of each Department or Office, who is appointed by the Minister of Finance and is usually the Secretary General or Head of the Department or Office, is responsible for having the Appropriation Account for each Vote for which he or she is responsible prepared and presented for audit to the Comptroller and Auditor General (the C&AG) by 1 April of the year following that to which it relates.

The C&AG then audits each Appropriation Account, testing whether the receipts and expenditure recorded are supported by documentation, whether the expenditure was applied for the purposes intended by the Oireachtas and whether the transactions recorded conform with the authority for them. The C&AG then lays the Account before the Dáil, together with his certificate that it properly records the receipts and expenditure of the Department or Office concerned (if he considers that the Account does in fact do so: he may qualify his certificate) and with such report as he considers appropriate on foot of his audit of the Account. The C&AG is precluded by law from expressing an opinion about policy in his report.

The Committee of Public Accounts of the Dáil (the Public Accounts Committee, or PAC) then examines the Appropriation Account and the C&AG's report on it. In doing so, the PAC has power to require the Accounting Officer to attend its hearings and give evidence about the Account. In giving such evidence, the Accounting Officer must not express an opinion about policy, and the PAC must refrain from enquiring into policy. Following its examination, the PAC presents a report to the Dáil. The Dáil may either take note of the PAC's report or may make it the subject of a debate.

A similar system operates in relation to non-voted expenditure. Such expenditure is accounted for in the annual Finance Accounts, which are prepared by the Department of Finance, audited by the C&AG and presented to both Houses of the Oireachtas. The Accounting Officer of the Department of Finance may be called to give evidence before the PAC in relation to the Finance Accounts.

It is a matter for the Government to respond to any recommendations made by the PAC. On behalf of the Government, the Department of Finance prepares a formal reply to a report of the PAC in consultation with the Department or Office concerned. This reply is known as *the Minute of the Minister of Finance*.

Thus the process comes full circle: the Dáil votes the moneys used by Departments and Offices or, in the case of non-voted expenditure, the Oireachtas provides for it by law, and the Dáil or Oireachtas receives, via the Accounting Officer, the C&AG and the Dáil Committee established for that purpose, an account of how they were spent.

1.4 Diagram of the System A diagram at Appendix 1 outlines how moneys are received into the Central Fund and Departmental Vote accounts, disbursed from them and accounted for, and the accounts audited and presented to the Dáil or Oireachtas.

1.5 Historical Background The Irish system of accountability for public moneys has its origins in the reforms of the UK financial administration undertaken in the 1860s. This saw the establishment of the Committee of Public Accounts in 1861 to scrutinise public expenditure. The Exchequer and Audit Departments Act 1866 (the 1866 Act) for the first time required all Departments to produce annual accounts, known as Appropriation Accounts. The 1866 Act also established the position of Comptroller

and Auditor General (C&AG) and introduced a framework of accountability in which senior officials were designated Accounting Officers by the UK Treasury and were charged with the responsibility of preparing the Appropriation Accounts.

The 1866 Act remains the statutory basis for the preparation of the Appropriation Accounts and for the appointment of Accounting Officers (although the term “Accounting Officer” is not used in it). However, the Irish system is now of course grounded in the Constitution of Ireland and in Irish legislation.

1.6 The Key Elements in the System of Accountability The key elements in the system of accountability for public moneys are the Constitution; the relevant legislation (the main points of which will be outlined as the other elements are being described); the Accounting Officer (whose role will be dealt with in Part 2); the C&AG; the PAC; the Dáil; and the Department of Finance. (It should be noted that in a few public bodies, for example the Courts Service, the Chief Executive has been appointed by the Minister for Finance as the Accounting Officer for the organisation. The Chief Executive in such instances generally has an additional line of accountability, viz to the Board of Directors of the body). Appendices 2 and 3 respectively describe the relevant Constitutional provisions and list the Statutes relevant to the system of accountability.

The Constitution

1.7 Key Articles in the Constitution The key articles in the Constitution dealing with the provision of public funds are as follows:

Article 11 requires that subject to such exception as may be provided by law, all revenues of the State shall form one fund [the Central Fund] and shall be appropriated [i.e. assigned for specific purposes] in the manner and subject to the charges and liabilities determined and imposed by law.

The right of initiative in relation to public finance is vested in the Government by Article 17, which stipulates that the Dáil may not pass any vote or resolution, and no law may be enacted for the appropriation of public moneys, unless the purpose of the appropriation has been recommended to the Dáil by a message from the Government signed by the Taoiseach.

Article 21 provides that all "Money Bills" must be initiated in Dáil Éireann; briefly, these are defined in Article 22 as Bills dealing only with taxation, charges on public moneys, the appropriation of public moneys etc. It follows from these Articles that public moneys may be appropriated only with the authority of Dáil Éireann.

Article 28 requires the Government to prepare Estimates of the receipts and expenditure of the State for each financial year and present them to Dáil Éireann for consideration.

Finally, as will be seen below, the position of C&AG is provided for in Article 33 of the Constitution.

The Comptroller & Auditor General

1.8 The Comptroller and Auditor General Audits and examinations carried out by the Comptroller & Auditor General (C&AG) assist the Dáil in its examination of the

administration of public moneys. The position of C&AG is provided for in Article 33 of the Constitution, which states inter alia that “*there shall be a Comptroller and Auditor General to control on behalf of the State all disbursements and to audit all accounts of moneys administered by or under the authority of the Oireachtas*” and that the C&AG “*shall report to Dáil Éireann at stated periods as determined by law.*”

1.9 The Comptroller & Auditor General (Amendment) Act 1993: the Functions of the C&AG The most significant legislation in relation to the C&AG is the Comptroller and Auditor General (Amendment) Act 1993 (the 1993 Act). This Act consolidated and updated existing legislation in relation to the C&AG. Under it, the main function of the C&AG in relation to Government Departments and Offices is to audit the Appropriation Accounts. In auditing each Account, the C&AG is to carry out such audit tests as he considers appropriate to satisfy himself as to whether the receipts and expenditure recorded in the Account are supported by substantiating documentation; whether the expenditure has been applied for the purposes intended by the Oireachtas; and whether the transactions recorded in the Account conform with the authority under which they purport to have been carried out.

As already mentioned, the C&AG also audits the Finance Accounts, of non-voted expenditure, prepared by the Department of Finance.

1.10 Basis of the C&AG’s Opinion on the Appropriation Accounts The C&AG performs his audit in a way which takes account of the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the Appropriation Account and an assessment of whether the accounting provisions of *Public Financial Procedures* have been complied with. The audit is conducted in order to provide sufficient evidence to give reasonable assurance that the Appropriation Accounts are free from material misstatement, whether caused by fraud or other irregularity or error, and that in all material respects the expenditure and receipts have been applied for the purposes intended by Dáil Éireann and conform to the authorities which govern them. In forming this opinion the C&AG evaluates the overall adequacy of the presentation of the information in the Appropriation Accounts.

1.11 The C&AG’s Certificate with the Appropriation Accounts On completion of the audit of each Appropriation Account, the C&AG attaches a certificate to the Account stating whether, in his opinion, the Account properly presents the receipts and expenditure of the Department or Office concerned and refers to any material case in which the Department or Office failed to apply expenditure for the purposes intended by the Oireachtas, or carried out transactions that did not conform to the authority under which they purported to have been carried out.

1.12 The C&AG’s Report on the Appropriation Accounts Under the 1993 Act, the C&AG must each year prepare a report on the Appropriation Accounts, which with the Accounts and his certificates is laid before the Dáil and considered by the PAC on behalf of the Dáil. Under the Act, the report is to cover such matters arising from his audit of the Appropriation Accounts as the C&AG considers appropriate; it is also to cover such matters as he considers appropriate arising from his examination of the internal accounting controls operated by Departments and Offices in order to ensure the regularity of their financial transactions, the correctness of their payments and receipts, the reliability and completeness of their accounting records and the safeguarding of the assets owned or controlled by them.

1.13 C&AG Audits of Departmental Accounts other than the Appropriation Accounts and the Finance Accounts Apart from the Appropriation Accounts and the Finance Accounts, the C&AG audits a number of other accounts prepared by Departments and Offices. The others include Departmental stock and store accounts; the accounts of revenue collection; commercial accounts of Departments; accounts of funds under the control of Ministers or Departments; and the accounts of the transactions in the State of the FEOGA Fund.

1.14 Other C&AG Audits The C&AG also audits the accounts of Health Boards, Vocational Education Committees, non-commercial state bodies, third level educational institutions and other bodies specified in legislation. (In general, the C&AG does not audit commercial State bodies.) The C&AG may also audit the accounts of other bodies in receipt of State funds, by agreement with the body concerned and with the consent of the Minister for Finance.

1.15 C&AG and Value-for-Money Reports, Inspections and Special Reports The 1993 Act also gave the C&AG:

- (i) power to carry out value-for-money (VFM) examinations in regard to economy and efficiency in the use of resources and the systems used to evaluate effectiveness. This power applies in respect of all bodies audited by the C&AG (except bodies that by agreement, rather than under law, are audited by the C&AG). Under this statutory mandate the C&AG carries out wide-ranging examinations on specific programmes, and publishes the results of each by way of a separate report;
- (ii) powers of inspection in relation to port companies, harbour companies and harbour authorities and bodies in receipt of 50% or more of their gross income from public funds. The C&AG may, if he considers it appropriate to do so, prepare special reports in relation to inspections that he has carried out;
- (iii) power to prepare special reports in relation to any general matters arising from audits, inspections or examinations carried out by him.

1.16 C&AG not to Express an Opinion on Policy Under the 1993 Act, in any report of his under any Act, the C&AG “*shall not question, or express an opinion on, the merits of policies or of policy objectives*”

1.17 Absolute Privilege of C&AG Section 12 of the Comptroller and Auditor General and Committees of the Houses of the Oireachtas (Special Provisions) Act, 1998, provides that utterances made by the C&AG, or an officer of the C&AG, for the purpose of the performance of his or her functions, shall be absolutely privileged and such utterances and documents, or records, in any form prepared by the C&AG or an officer of the C&AG for the purpose of such performance shall be absolutely privileged wherever and however published.

1.18 C&AG Audit Standards C&AG audits are conducted in accordance with standards, principally Statements of Auditing Standards (SAS), published by the Auditing Practices Board. (The Auditing Practices Board is responsible for developing and issuing standards for auditors in the UK and Ireland). In applying the standards, guidance is taken from a Practice Note covering central government audit in Ireland which was issued by the APB following consultation with the relevant authorities in Ireland, including the C&AG and the Department of Finance.

1.19 How C&AG Auditors Work The C&AG examines the Appropriation Accounts from two aspects. First, there is a **financial audit** which, like a commercial audit, tests

the accuracy of the records and the reliability of the systems underlying them and checks that the accounts are in agreement with the records, and therefore fairly represent the outturn. Secondly, there is a **regularity audit** to ensure that expenditure accords with the intention of the Dáil, that expenditure has been authorised by the Department of Finance and that the provisions of the relevant statutes, regulations etc. have been complied with.

1.20 Audit Queries If during the examination of a Department's or Office's accounts etc. the C&AG considers that there is *prima facie* evidence of matters which in his view may give rise to mention in his annual report, the C&AG may communicate the facts in writing to the responsible Accounting Officer with a request for information or explanation. Depending on the Accounting Officer's reply, or in the absence of a reply, the C&AG may qualify the certificate on the Appropriation Account and report the matter to the Dáil. If the matter giving rise to the audit query is to be included in a C&AG Report, the Accounting Officer is asked in advance to confirm the accuracy of the facts in the Report. A similar procedure operates for audit queries issued to all other bodies audited by the C&AG and for any reports arising therefrom.

The Public Accounts Committee and the Dáil

1.21 The Public Accounts Committee (PAC) The Appropriation Accounts, and the Finance Accounts, when the C&AG has finished and reported on his audit of them, are examined by the Committee of Public Accounts of Dáil Éireann (the Public Accounts Committee, or PAC). The PAC is established under the Standing Orders of the Dáil to examine and report to Dáil Éireann on:

- (a) the Appropriation Accounts, and on such other accounts as they see fit (other than accounts in the Second Schedule of the Comptroller and Auditor General (Amendment) Act 1993) that are audited by the C&AG and presented to the Dáil, together with any reports on them by the C&AG [NOTE: the Second Schedule to the Act lists commercial state Bodies which, together with their subsidiaries, are outside the remit of the C&AG.]
- (b) the C&AG's reports on his examinations of economy, efficiency, effectiveness evaluation systems, procedures and practices; and
- (c) other reports carried out by the C&AG under the 1993 Act.

The PAC's terms of reference - Standing Order 156 - are set out in full at Appendix 4. Historically the key function of the PAC has been to examine the accounts for regularity and propriety of expenditure, which are key elements of the C&AG's certification audit. The role was formally expanded following the enactment of the 1993 Act, which extended the scope of the PAC's remit to encompass the C&AG's examinations of economy and efficiency as well as of the systems, practices and procedures to evaluate effectiveness.

1.22 How the PAC operates The PAC generally operates on a yearly cycle following on from its receipt each year at end-September/early October of the Appropriation Accounts and the C&AG's annual report to the Dáil on them. It calls Accounting Officers one by one through the year to appear before it and give evidence about their Appropriation Accounts - and the Finance Accounts, in the case of the Accounting Officer of the Department of Finance - and, as the PAC sees fit, about any other Accounts which their Department or Office is required to prepare. For each hearing

the C&AG prepares a short brief for the Committee on the main issues arising from the Account under examination. The C&AG attends each hearing of the Committee as a witness and can be called upon – and frequently is – to give evidence orally as the hearing proceeds.

1.23 Powers of the PAC Under Dáil Standing Orders, the Committee has the power to send for persons, papers and records as well as the power to take written and oral evidence.

1.24 PAC to Refrain from Enquiring into Policy The matters on which the Accounting Officer must give evidence before the PAC will be dealt with in Part 2 of this Memorandum, in the description of the Accounting Officer's role. However, it should be noted that the PAC's terms of reference specifically state that it "*shall refrain from enquiring into the merits of policy or policies of the Government or a member of the Government or the merits of the objectives of such policies*". (Similarly, the C&AG and Accounting Officers are prohibited from expressing opinions about policy: see earlier, and Part 2).

1.25 Absolute Privilege of the PAC Like all Oireachtas Committees, the PAC enjoys absolute privilege. In addition, section 11 of the Comptroller and Auditor General and Committees of the Houses of the Oireachtas (Special Provisions) Act 1998, provides that "*The utterances, made otherwise than at meetings of the Committee, of members of the Committee for the purpose of the performance of their functions as such members shall be absolutely privileged and those utterances and documents, or records, in any form prepared by those members for the purpose of such performance, shall be absolutely privileged wherever and however published*".

Section 11 further provides that "*The utterances, made otherwise than at meetings of the Committee, of advisers, officials and agents of the Committee for the purpose of the performance of their functions as such advisers, officials and agents shall be absolutely privileged and those utterances and documents, or records, in any form prepared by those persons for the purpose of such performance shall be absolutely privileged wherever and however published*". Section 11 applies both to the PAC itself and to any subcommittee of the PAC.

1.26 PAC may make suggestions to C&AG Under its terms of reference, the PAC may, without prejudice to the C&AG's independence in determining his Office's work or how it is done, make suggestions to the C&AG about his work.

1.27 PAC Report to Dáil As with other Committees, the main function of the PAC is to examine reports and witnesses and to report to the Dáil: it does not have executive powers. Follow-up action on publication of the Committee's report rests with the Dáil, which may take note of, or if it considers it necessary, debate the Report; and with the Government, to take appropriate action. While the Government is not obliged, in the last resort, to accept the PAC's recommendations, they do carry a great deal of weight.

The Department of Finance

1.28 Role of the Department of Finance The Department of Finance is responsible under the Ministers and Secretaries Act 1924 (as amended) for, *inter alia*, the “*administration and business generally of the public finances of [Ireland] and all powers, duties and functions connected with the same*”. The Department has wide-ranging responsibilities to control, supervise and advise Departments in financial matters, which it does by way of official minutes and circulars to Departments. Department of Finance sanction for expenditure is a statutory requirement under the 1924 Act.

1.29 Minister for Finance Appoints Accounting Officers It is the Minister for Finance who, under section 22 of the Exchequer and Audit Departments Act 1866, appoints as Accounting Officer for a Vote the person who is to be responsible for the preparation of the Appropriation Account(s) and for giving evidence before the PAC as required under the Comptroller and Auditor General (Amendment) Act 1993. The issuing of instructions and guidance to Accounting Officers is part of the executive function of the Department of Finance.

1.30 Department of Finance Attendance at PAC Officers from the Department of Finance attend meetings of the PAC when Accounting Officers from other Departments and Offices are giving evidence and may be questioned by the Committee.

1.31 Minute of Minister for Finance to the PAC In addition, it is the Department of Finance which, in consultation with the relevant Department(s), responds on behalf of the Government to recommendations and issues raised by the PAC in its reports on the Appropriation Accounts. It also responds to value-for-money reports by the C&AG. The Department’s response is by way of a formal minute known as the *Minute of the Minister for Finance* to the Committee. As well as being sent to the Committee, such Minutes are sent, as Department of Finance circulars, to all Accounting Officers.

1.32 Public Financial Procedures Finally, it is the Department of Finance which has the responsibility of compiling and updating as necessary the publication *Public Financial Procedures*. This publication sets out the principles of Government accounting as well as the more important ways in which they are applied in the day-to-day operations of Government Department and Offices: it also outlines the essential features of financial management. **Accounting Officers as well as the relevant officials in their Departments and Offices should be thoroughly familiar with *Public Financial Procedures*.**

Part 2: Duties and Responsibilities of Accounting Officers

2.1 Introduction to Part 2 Part 2 traces the origins of the Accounting Officer’s role and describes the statutory provisions, and the principles and conventions, relating to it. It then sets out the duties of the Accounting Officer in giving evidence before the PAC, and defines terms used in that connection; discusses matters, in addition to their Appropriation Accounts and other accounts for their own area, on which Accounting Officers may be required to give evidence; and considers their role vis-a vis State bodies and their CEOs. Finally, it points to particular features of the Accounting Officer’s role.

Origins, Statutory Provisions and Principles and Conventions

2.2 Origins of the Accounting Officer Role: Duty of Preparing Appropriation Accounts The role of the Accounting Officer has its origins in the Exchequer and Audit Departments Act, 1866 (the 1866 Act). Section 22 of that Act provides for the preparation of Appropriation Accounts by Departments. The term “Department”, when used in connection with the duty on Departments of preparing the Appropriation Accounts, was to be “*construed as including any public officer or officers to whom that duty shall be assigned by the [UK] Treasury*”. The term “Accounting Officer” does not appear in the 1866 legislation: the UK Treasury first proposed the term to the Westminster PAC in 1872. The first statement of the duties of Accounting Officers was in a UK Treasury Minute of 1872, which stressed the responsibility of an Accounting Officer for the safeguarding of public funds and for the regularity and propriety of expenditure of these funds.

2.3 The 1993 Act: “Accounting Officer” defined, and the Duties stated The Comptroller & Auditor General (Amendment) Act 1993 defined the term “Accounting Officer” in Irish law for the first time. The Accounting Officer is defined in the Act as the “*Officer referred to in Section 22 of the Exchequer and Audit Departments Act, 1866 to whom the duty of preparing the Appropriation Accounts of a Department is assigned...*”.

The statutory duties of Accounting Officers in giving evidence to the PAC are set out in Section 19 of the 1993 Act (see para 2.7 below). The Act broadened the duties from their earlier focus on regularity and propriety to include economy and efficiency in the use of resources and the systems, practices and procedures used to evaluate effectiveness. Even before the Act, the C&AG had drawn attention to economy and efficiency as part of the financial audit and would “look behind” certain transactions, and Accounting Officers had had to deal with these matters in giving evidence to the PAC. Since the introduction of the Act, the Office of the C&AG has been carrying out value-for-money (VFM) examinations which result in stand-alone reports dealing with economy and efficiency as well as with the systems, procedures and practices employed to evaluate the effectiveness of the Department’s or Office’s operations.

2.4 Principles and Conventions governing the Accounting Officer Role Apart from the statutory provisions, Accounting Officers operate within established principles and conventions that are derived mainly from the Constitution and from the institutional and financial relationships that have been developed between the Oireachtas and the Executive over the years. The reports and recommendations of the PAC are one of the main sources of these principles. The principles and conventions

are set out in the guide “*Public Financial Procedures*” published by the Department of Finance.

2.5 Responsibilities of Accounting Officers as set out in *Public Financial Procedures*

An outline of the responsibilities of Accounting Officers is set out in *Public Financial Procedures*, a copy of which is given to each Accounting Officer on appointment (the main text relating to Accounting officers is Section A5, a copy of which is at Appendix 5 of this Memorandum). In addition to the preparation of the Appropriation Accounts, the main responsibilities of Accounting Officers as laid down in *Public Financial Procedures* are as follows:

- The safeguarding of public funds and property under his or her control.
- The regularity and propriety of all the transactions in each Appropriation Account bearing his or her signature
- Ensuring that all relevant financial considerations are taken into account and, where necessary, brought to the attention of the Minister where they concern the preparation and implementation of policy proposals relating to expenditure or income for which he or she is Accounting Officer.
- Economy and efficiency in the administration of the Department. This includes ensuring that there are adequate financial management systems in place to support the proper administration of the Department in an economic and efficient way.
- The adequacy of arrangements within the Department/Office to ensure the correctness of all payments under his/her control and the prompt and efficient recovery and bringing to account of all receipts connected with the Vote, or with any fund for which the Department is responsible.
- Ensuring that Department of Finance sanction for expenditure has been obtained and for the maintenance of a central record of both delegated and specific sanctions.
- Responsibilities for internal audit, including regularly reviewing the internal audit function to ensure there is the desired quality of assurance on the adequacy, reliability and efficiency of the Department’s internal control system.
- Responsibilities in respect of Grants-in-Aid to outside agencies, particularly in regard to the conditions of the grant, the submission of accounts and being satisfied that the accounting systems and organisational arrangements of the grantee are adequate to ensure the proper administration of the money.
- Ensuring that there is a clear framework for control (including financial reporting) and accountability for public funds in bodies operating under the aegis of the Department.

2.6 Requirement to provide Statement on Internal Financial Controls with Appropriation Accounts On foot of a recommendation in the Report of the Working Group on the Accountability of Secretaries General and Accounting Officers (the

Mullarkey Report), Accounting Officers are also required to include, with the Appropriation Accounts for their Department/Office in respect of 2003 and following years, a statement on their organisation's systems of internal financial controls.

Accounting Officers and the PAC

2.7 The 1993 Act: Duties of Accounting Officers before the PAC Under section 19 of the 1993 Act, Accounting Officers must, when required to do so, give evidence to the PAC about

(a) the regularity and propriety of the transactions recorded in any account subject to C&AG audit which the Accounting Officer or the Department or Office concerned is required by or under statute to prepare,

(b) the economy and efficiency of the Department or Office in the use of its resources,

(c) the systems, procedures and practices employed by the Department or Office to evaluate the effectiveness of its operations, and

(d) any matter affecting the Department or Office referred to in a special report of the C&AG under Section 11(2) of the Act [essentially, a special report in relation to any C&AG inspection, examination or audit] or in any other report of the C&AG (in so far as it relates to a matter specified in paragraph (a), (b) or (c) above) that is laid before Dáil Éireann. [see further, para 2.14 below].

2.8 Accounting Officer Appears before PAC in Own Right In appearing before the PAC the Accounting Officer appears in his or her own right, rather than as a representative of the Minister. The duties of the Accounting Officer before the PAC are thus outside the normal system of civil service delegation where, in general, civil servants act in the name of the Minister. Similarly, the duty of signing the Appropriation Accounts, and any other accounts which the Department or Office is required to prepare, and of appearing before the PAC to give evidence about them, is one for the Accounting Officer to perform in person and is not to be delegated.

2.9 Accounting Officer not to Express Opinion on Policy Section 19 of the 1993 Act provides that when giving evidence to the PAC, an Accounting Officer "*shall not question or express an opinion on the merits of any policy of the Government or of a Minister of the Government, or on the merits of the objectives of such a policy*". Similarly, as already noted, the C&AG must not in his reports, question or express an opinion on the merits of policies or of policy objectives, and under its terms of reference the PAC is to refrain from enquiring into the merits of policy or the merits of the objectives of policy.

2.10 Extent of Privilege of Accounting Officer before PAC Section 11 of the Committees of the Houses of the Oireachtas (Compellability, Privileges and Immunities of Witnesses) Act, 1997 provides that "*a person whose evidence has been, is being or is to be given before a committee [of the Oireachtas], or who produces or sends a document to a committee, pursuant to a direction or who is directed to give evidence or produce a document to a committee or to attend before a committee and there to give evidence or produce a document shall be entitled to the*

same privileges and immunities as if the person were a witness before the High Court”.

However where *“a person who is giving evidence to a committee in relation to a particular matter is directed to cease giving such evidence, the person shall be entitled only to qualified privilege in relation to defamation in respect of any such evidence as aforesaid given after the giving of the direction unless and until the committee withdraws the direction”.*

2.11 The Terms “Regularity” and “Propriety” Turning to the terms used in Section 19, “regularity” and “propriety” are standards against which expenditure and receipts are judged in order to establish whether they accord with the intentions of the Oireachtas. The concept of regularity reflects the concern that public money should be used only for those purposes approved by the Dáil. The checks for regularity are set out in Section 3 of the 1993 Act: the C&AG must satisfy himself as to whether the amounts expended have been applied by the Department or Office for the purposes for which the appropriation made by the Oireachtas, was intended, and as to whether the transactions recorded in the account conform with the authority under which they purport to have been carried out.

As to “propriety”, an Auditing Practices Board Practice Note on the Audit of Central Government Financial Statements in the Republic of Ireland, prepared with the support of the Office of the C&AG, defines propriety as *“concerned with the way in which public business is conducted, including any conventions agreed with Dáil Éireann (and in particular the PAC), and any guidance issued on governance and ethics. Whereas regularity is concerned with compliance with appropriate authorities, propriety goes wider than this and is concerned more with standards of conduct, behavior and corporate governance. It is concerned with fairness and integrity and would include such matters as the avoidance of personal profit from public business, even-handedness in the appointment of staff, open competition in the award of contracts and the avoidance of waste and extravagance”.*

2.12 “Value for Money” In addition to regularity and propriety, the Accounting Officer must answer to the PAC for value for money in the terms specified in the 1993 Act. Value for Money (VFM) encompasses *economy* – that is, providing suitable resources for a task at the lowest cost having regard to quality -and *efficiency* - which relates the cost of resources to the outputs achieved. VFM also encompasses the systems, procedures and practices used by Departments and Offices for the purpose of evaluating the effectiveness of their operations. VFM issues can be raised by the Committee when considering the C&AG’s report on the Appropriation Accounts or they can arise from consideration by the Committee of a VFM Report by the C&AG about the Department or Office concerned.

2.13 Examples of Types of Issues identified in C&AG Reports In appearing before the PAC the Accounting Officer has to give evidence on issues that the C&AG has identified in his reports on the Accounts. Historically, C&AG reports have covered a wide range of issues, for example:

- Instances where financial procedures have not been complied with
- Cases where amounts granted by the Dáil have been exceeded
- Internal control weaknesses and their implications
- Expenditure which has not been sanctioned by the Department of Finance
- Instances of fraud, mismanagement, waste or uneconomic expenditure.

Accounting Officers and Bodies under their Aegis

2.14 Liability of Accounting Officer to Answer before PAC in relation to other C&AG Reports As is clear from the foregoing, an Accounting Officer must answer to the PAC on his or her direct responsibility about:

- (i) the Appropriation Account for each Vote for which his or her Department or Office is responsible
- (ii) any other account – including the Finance Accounts, in the case of the Secretary General of the Department of Finance - that his or her Department or Office is required by or under statute to prepare

However, there are other items about which the Accounting Officer may on occasion be required to answer that arise outside that area. Briefly, the Accounting Officer may be required to answer to the PAC on any matter affecting his or her Department or Office referred to in a special report of the C&AG in relation to his inspection of the books of port companies, harbour companies and harbour authorities or bodies receiving 50% or more of their funds from the State, or in relation to a VFM examination, or in relation to any general matters arising in relation to non-Departmental C&AG audits, inspections or examinations.

The Accounting Officer may also be required to answer on any matter affecting his or her Department or Office referred to in any other C&AG report that is laid before Dáil Éireann insofar as it relates to the regularity and propriety of transactions recorded in the Appropriation Accounts or other Departmental Account, the economy and efficiency of the Department or Office in the use of its resources, or the systems used by the Department to evaluate the effectiveness of its operations.

While this may seem very wide, it is important to bear in mind that it makes the Accounting Officer answerable only on matters affecting his or her Department or Office. Also, it does not alter the fact that it is the boards and Chief Executives of other public sector bodies, not the Accounting Officers of Government Departments and Offices, who are responsible for running those organisations and preparing their accounts, and that under its terms of reference the PAC has power to examine the Chief Executives about their accounts - and in many cases, such accountability to the PAC is specifically provided for by the legislation establishing the body concerned.

2.15 General Principle in relation to bodies under the Aegis of the Department or Office Issues may arise from time to time as to the extent of the Accounting Officer's responsibility, particularly in respect of bodies under the aegis of the Department or Office that are in receipt of public funds. The Mullarkey Report recommends that, as a general principle, Accounting Officers should satisfy themselves, in relation to all bodies under their aegis in receipt of public funds, that there are systems in place in those bodies to provide relevant, accurate and timely information to the parent Department. (This should not of course be interpreted as Accounting Officers having to take onto themselves responsibilities that properly belong in the bodies concerned.)

2.16 Code of Practice for State Bodies The Department of Finance issued a revised Code of Practice for the Governance of State Bodies in October 2001, supplementing existing statutory provisions. The Code includes procedures for State Bodies both as regards internal practices (including codes of business conduct for Directors and employees) and as regards external relations with the Government, the Minister for Finance and their parent Departments. Inter alia, under the code, in addition to the annual report and accounts, the Chairperson is required to furnish a comprehensive report covering the group of companies which will (among other things)

- outline all commercially significant developments affecting the body in the preceding year as well as major issues likely to arise in the short to medium-term
- affirm that all appropriate procedures for financial reporting, internal audit, procurement and assets disposals are being carried out.
- include a statement on internal financial control in a prescribed format.
- explain failure to comply with any of the above and stating any corrective action taken or contemplated.

The Chairperson is also required to confirm that the Code of Practice has been adopted and is being complied with.

2.17 Role of Accounting Officers in relation to Code of Practice As recommended by the Mullarkey Report, Accounting Officers should satisfy themselves, through the reporting arrangements, that the requirements of the Code of Practice are being implemented in State bodies under their aegis and, if reports indicate that a problem has emerged, that appropriate corrective action is taken by the body as soon as possible.

2.18 Accountability of Chief Executive Officers While many Chief Executives of non-commercial State bodies attend before the PAC, a number do so by convention rather than as a specific statutory requirement (although the Committee does have power under its Standing Orders to send for persons, papers and records). It is Department of Finance policy in relation to any legislation establishing new bodies (other than commercial State companies) to place on the Chief Executive Officer, or equivalent, the responsibility under statute to give evidence before the PAC in similar terms to the Accounting Officer under the 1993 Act (recent examples include Ordnance Survey Ireland and the Competition Authority in, respectively, the Ordnance Survey Ireland Act 2001 and the Competition Act 2002).

2.19 Setting down the Role and Accountability of CEO's The Mullarkey Report recommended that, in the interest of more clearly defining the responsibility of the Accounting Officer and of the Chief Executive Officer of bodies under the aegis of Departments and Offices that are in receipt of Exchequer funds, their respective roles and the framework and processes of accountability should be set down in writing. The Department of Finance is preparing guidance to facilitate this.

Particular features of the Accounting Officer Role

2.20 Personal Responsibility of Accounting Officer The key feature of the Accounting Officer role is his or her personal responsibility for the regularity and propriety of the transactions in the accounts for which he or she is answerable, the control of assets held by the Department or Office and economy and efficiency in the use of the Department's resources and for the systems, practices and procedures used to evaluate the effectiveness of its operations. This accountability is exercised by means of rigorous examination of the manner in which Accounting Officers have discharged their responsibilities by means of independent audit and examinations by the C&AG and of scrutiny by the PAC. In practice, issues on which the PAC have an interest may extend well beyond the Accounts and the C&AG's reports thereon, with the result that Accounting Officers must be briefed on every aspect of their Department's operations when appearing before the Committee.

2.21 Need to ensure that Adequate Management Systems are in Place

Accounting Officers cannot be familiar with every financial transaction on the accounts affecting their Votes and for that reason they should be satisfied that the financial management systems in place in the Department or Office are adequate to enable them discharge their accountability. Internal audit has an important support role in providing assurance on the system of internal financial control in the Department, by providing an independent opinion to the Accounting Officer in relation to the adequacy or otherwise of such systems. Audit Committees also have an important role in this area. These issues are dealt with more fully in Part 3.

2.22 Difference of Opinion between Accounting Officer and Minister The special nature of the Accounting Officer's responsibilities requires that there be specific procedures to be followed where there is a difference of opinion between the Accounting Officer and the Minister, and the Accounting Officer considers that the Minister's opinion is not a reasonable one, on an issue where the Accounting Officer has a responsibility. In these circumstances *Public Financial Procedures* provides that the Accounting Officer should inform his or her Minister in writing of his or her view and the reasons for it and suggest a consultation with the Department of Finance. If, notwithstanding this, the Minister gives contrary directions in writing, the Accounting Officer should comply with them after informing the Department of Finance, and should send the papers to the C&AG when the directions have been carried out.

2.23 Question of Personal Liability of Accounting Officer There was a traditional view that Accounting Officers could be sanctioned by being held personally liable to refund expenditure that the PAC deemed to be improper. This principle of personal liability is included in the current version of *Public Financial Procedures* where it is stated (Section A5.4) that an Accounting Officer may be held personally liable to make good any sum which the PAC recommends should be disallowed on foot of a failure to secure a Finance sanction. In the case of an Excess Vote (i.e. a vote taken by the Dáil to cover expenditure incurred in a previous year over and above that authorised by the Dáil for that year), it is also stated that refusal to authorise its introduction would make the Accounting Officer personally liable for the expenditure (Section C2.5). However, as the Mullarkey Report points out (Chapter 7.34), in fact the principle of personal liability would appear to have no legal basis in relation to Accounting Officers in Ireland.

2.24 One-page Summary of Responsibilities of Accounting Officers Finally, it should be noted that the Mullarkey Report contains a useful one-page summary of the responsibilities of Accounting Officers: this is at Appendix 6 to this Memorandum.

Part 3: Internal Systems and Support Functions that should be in Place to assist Accounting Officers in carrying out their Duties

3.1 Introduction to Part 3 Accounting Officers cannot be acquainted with every detail of the accounts for which they are responsible, so they must have systems in place to assist them. Part 3 describes these systems: internal control, internal audit and Audit Committees and, in time, risk management. In doing so it draws heavily on the Mullarkey Report, which deals extensively with these areas and makes a number of recommendations in relation to them. For convenience, a summary of the Mullarkey Report's recommendations, along with the timeframe recommended for their implementation, is attached at Appendix 7.

3.2 Internal Control A key element in any corporate governance framework is an effective system of internal control. Internal control has been defined by the Auditing Practices Board as

The whole system of controls, financial and otherwise, established by management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure, as far as possible, the completeness and accuracy of the records ... it is the responsibility of management to decide the extent of the internal control system which is appropriate to the enterprise”.

(quoted in “*Internal Audit in Local Authorities*”, published by the Department of the Environment & Local Government in 2000).

3.3 Internal Financial Control The requirements of Parliamentary accountability have meant that there has traditionally been an emphasis on internal control, particularly internal financial control, in Government Departments and Offices. Internal financial control includes, as the Mullarkey Report points out:

- A system of delegation and accountability
- Proper authority for the making of payments (e.g. Department of Finance sanction)
- Segregation of duties, particularly where the processing of transactions is involved
- Careful selection of officers with responsibility for money, including ensuring that they have the skills commensurate with their responsibilities and that they are appropriately monitored.
- Documentary and physical controls to safeguard assets.
- Information and reporting arrangements to management.
- Documented financial policies and procedures, including ensuring that they are available throughout the Department.
- Systems to ensure budgetary control.
- Systems to review and evaluate controls (e.g. internal audit).

3.4 Evaluation of Internal Controls recommended by Mullarkey Report Since sound internal financial controls are a key element in the safeguarding of public funds, the Mullarkey Report recommends that they be evaluated within nine months of the publication of the Report, and brought up to standard where necessary. Accounting Officers should obviously take a strong interest in ensuring that this has been done, and also in ensuring that internal financial controls are reviewed on an ongoing basis.

3.5 Internal Control & the C&AG The C&AG, in carrying out his audit of the accounts of Government Departments, has particular regard to the system of internal control in place in the organization, and highlights in his reports instances of the financial consequences of weaknesses in the system of internal control. Accounting Officers should therefore satisfy themselves that adequate systems of financial control are in place in their Departments and Offices. In respect of the Accounting year 2003 onwards, the C&AG will also review the Statement on Internal Financial Controls to be appended by each Accounting Officer to his or her Appropriation Account and, if there are instances where it is inaccurate, will report accordingly.

Internal Audit

3.6 Internal Audit The Internal Audit function is also a very important support to the Accounting Officer. Internal Audit is defined as follows by the Institute of Internal Auditors UK and Ireland:

“Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes”

(The Institute of Internal Auditors UK and Ireland *Standards for the Professional Practice of Internal Auditing*).

3.7 Scope of Internal Audit The scope of internal audit activity covers the whole network of the organisation’s systems. Its primary objectives are to review and appraise

- The systems and procedures (financial and managerial) that are intended to control the Department’s operations.
- The adequacy, reliability and integrity of the information being provided for decision-making and accountability.
- The degree of compliance with legislation, with requirements laid down centrally (e.g. by the Department of Finance) and with management plans, procedures and policies.
- The procedures for the acquisition and disposal of assets and the safeguarding of assets and interests from losses, including those arising from fraud, malpractice and irregularity.
- Arrangements for economic and efficient use of resources.

The Internal Audit function may also be required from time to time to carry out special investigations and provide a consultative role to management.

Finally, in some cases - for example in the Department of Agriculture & Food - Internal Audit also has specific EU funds responsibilities.

In general, Departments and larger Offices have internal Audit Units. However, for practical reasons smaller Offices may be using the Internal Audit Unit of their parent Departments or may have their Internal Audit function carried out on a shared basis with other smaller Offices or provided independently. Obviously the description etc. of Internal Audit in this Memorandum applies *mutatis mutandis* to these other forms of internal audit provision also.

3.8 Internal Audit as an Aid to Accountability Sound control of public moneys depends on a robust system of internal control. By providing independent opinion on systems, procedures and controls, internal audit is an important element in providing assurance to the Accounting Officer on the system of internal control. This in turn assists Accounting Officers in discharging their responsibilities for the integrity of the accounts that they must furnish to the C&AG to be audited and reported on to the Dáil, and also in discharging their responsibilities to the PAC.

3.9 Responsibilities of Accounting Officer in relation to Internal Audit In recognition of its importance, Accounting Officers have specific responsibilities for the internal audit function. They are expected, in accordance with *Public Financial Procedures* and *Internal Audit Standards* (issued by the Department of Finance), to

- approve the written Charter or Mission Statement of the Internal Audit Unit.
- ensure the independence of the unit by, inter alia, ensuring that the Head of the Internal Audit Unit works under the general direction of the Accounting Officer, to whom he or she has direct access.
- agree with the Audit Committee, where one exists, the planned work schedule for the Unit. Planning should be documented and should include
 - agreement with the Accounting Officer of audit scope and objectives
 - setting priorities as regards areas to be audited
 - determining the requirements in terms of people, time and other resources.
- review the internal audit function to ensure that they are getting the desired quality of assurance.
- ensure appropriate follow-up action is taken on internal audit reports.
- ensure that a programme of staff training and development is in place for staff involved in internal audit.
- establish appropriately-resourced Audit Committees.

3.10 Traditional Role of Internal Audit Traditionally the focus of internal audit has been to provide a service to the Accounting Officer and to management generally in relation to the reliability and integrity of the systems underlying financial transactions and financial statements of the organisation. Internal Audit Units adopt a systems-based approach to their work but transaction testing may also be employed.

3.11 VFM Role of Internal Audit since 1993 Act As has already been seen, under the expanded remit introduced in the 1993 Act, the Accounting Officer has a statutory responsibility to give evidence to the PAC on economy and efficiency in the use of resources and on the systems, procedures and practices employed to evaluate effectiveness. Internal audit has a role in providing the Accounting Officer with assurance that the systems and procedures are in place to discharge his or her VFM responsibilities. It is important that this added function be emphasized, so that Accounting Officers can come to defensible conclusions as to the efficiency and effectiveness of their Department's operations – though it is not, of course, the task of the Internal Audit Unit to carry out programme evaluations or other reviews proper to line management.

3.12 Internal Audit and Risk Management Internal audit has an important role in providing assurance or otherwise on systems of internal control in the wider sense as it is now understood. In that context it is well positioned to independently assess the adequacy or otherwise of the systems in place to assess and manage risk. While internal audit can contribute to assessing whether systems and procedures are in place

and are adequate for the task in hand, risk assessment and management are of course the responsibility of management. Risk management itself is dealt with later - see paragraph 3.19 below.

3.13 Internal Audit and Computer Systems With the growing complexity of the technology used to deliver Government services, it is important that Departments and Offices have an internal audit capacity to undertake critical examination of the computer systems used to deliver Government services.

3.14 Mullarkey Report recommendations on Internal Audit The Mullarkey Report recommends that Departments/Offices to have either:

- (a) a fully functioning, adequately resourced internal audit unit (capable of undertaking broad audit coverage of the organisation) whose staff are appropriately trained, preferably to an appropriate professional standard, or
- (b) where the size or the risk to the Department/Office does not warrant a separate unit, that they have access to such a unit through a joint venture or client arrangement with another Department, or some other appropriate arrangement.

In addition, the Mullarkey report recommends that Accounting Officers should ensure that the Internal Audit Unit, including the head of Internal Audit (who should not have other responsibilities), has sufficient status and access within the organisation to promote the Unit's independence and to ensure follow-up on its recommendations.

Audit Committees

3.15 Audit Committees Audit Committees are also an important support to Accounting Officers in the performance of their duties. Audit Committees can, as the Mullarkey report points out, perform the following useful functions:

- They can act as another source of independent advice to Accounting Officers.
- They can review the plans and reports of the internal audit unit and can quality assure the service provided by the unit.
- They can assess whether appropriate action is taken to deal with key issues identified by the internal audit unit and by external audit.
- They can examine and monitor the implementation of the Department's risk management strategy.
- Provided they have representatives external to the Department, they can facilitate improvements in internal audit and internal control through the exchange of information between (i) Departments/Offices and (ii) between the private and public sectors.

3.16 Mullarkey Report Recommendations on Audit Committees The Mullarkey Report recommends that each Department and Office have by end 2003 a formally-constituted Audit Committee (or in the case of small Offices that would not justify a separate Committee, they should have access to one, e.g. a Committee that covers a number of smaller Offices). Each Audit Committee should:

- Operate under a written charter.
- Have significant external representation (at least 2 members), including, in the normal course, representatives from the private sector with appropriate

expertise. The chairperson of the Committee should come from outside the Department or Office.

- Prepare an annual report to the Accounting Officer reviewing its operations.
- Invite the Comptroller and Auditor General, or his nominee, to meet the Committee at least once a year.

Risk Management

3.17 Risk Management As the Mullarkey Report points out, systematic risk assessment and management is becoming an increasingly important part of internal control, as identification and management of risk is seen as necessary to maximize the likelihood of achieving desired outcomes. As part of this process, formalised risk management is becoming an increasingly important element of the internal control framework in central government internationally. The risks to be addressed as part of a risk assessment and management programme are wide-ranging and include strategic, operational, financial and reputational risk. A risk strategy does not mean that sensible risks should not be taken, but that they should be properly assessed and managed.

3.18 Common Types of Risk The Mullarkey Report lists some common types of risk:

- Strategic risks (risks that may be external to the organisation, such as the economic climate, including factors such as interest rates, exchange rates and inflation).
- Operational risks (relating to the procedures, technologies, etc. employed to achieve particular objectives).
- Financial risks (relating to the procedures, systems, accounting records etc. in place to ensure that the organisation is not exposed to avoidable financial risks, including risks to assets).
- Reputational risks (involving risks to the public reputation of the organisation and their effects).

3.19 Importance of Risk Management Clearly risk assessment and management are key elements in a robust system of internal control. Because of the relevance of a sound system of internal control to all the activities of the Department, measures taken to assess and manage risks should work to support the Accounting Officer in carrying out his or her responsibilities.

3.20 Mullarkey Report Recommendations on Risk Management Risk assessment and management, in the wider sense referred to above, is also carried out informally in Departments but formal risk management strategies are not, in general, in place. The Mullarkey Report considered that they should be integrated formally into the management processes of Departments and Offices. It recommended that the following approach be adopted in introducing a formalised risk management system:

- Central guidance on the development of a risk strategy, appropriate to Government Departments, should be prepared by the Department of Finance.

This should address the principal elements of the risk identification and management process.

- Within Departments the risk management system should concentrate on the principal risks to the organisation as well as the principal risks arising from its relationship with other organizations. The risk assessment and management process should be integrated into existing management systems and should be kept as simple and straightforward as possible.
- In introducing a risk management programme, full use should be made of existing systems, processes and procedures. For example, Audit Committees could advise on Departmental risk management strategies. Risk assessment should also be formalised into the processes for the preparation of the Strategy Statement, business plans, PMDS and annual reports.
- Risk management should feature on the agenda of divisional meetings and of meetings of the Management Advisory Committee.

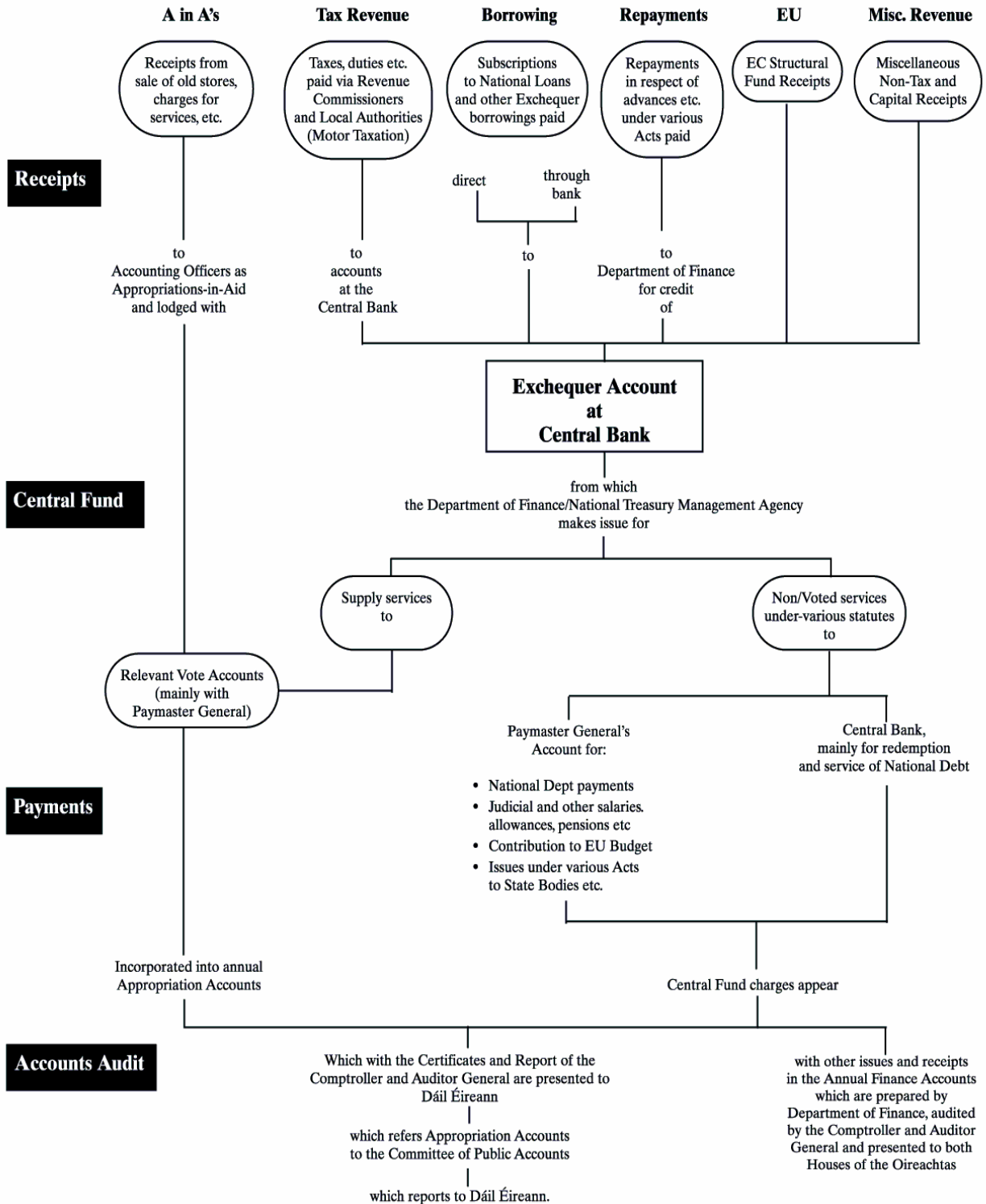
The Mullarkey Report recommends that Departments and Offices should introduce formal risk strategies into their management process within two years, i.e. by end-2004

3.21 Conclusion The Accounting Officer has an extremely important and responsible role in relation to public moneys. As he or she cannot be acquainted with the detail of every transaction in the Department or Office, it is essential that proper mechanisms be in place to provide appropriate assurance about the regularity, propriety and efficiency of the Department's or Office's operations. These mechanisms are robust internal control systems, sound internal audit and Audit Committee arrangements and effective risk management. Accounting Officers should take a personal interest in the establishment and functioning of these mechanisms.

APPENDICES

APPENDIX 1

Diagram of how Public Moneys are Received, Disbursed and Accounted for.



APPENDIX 2**Outline of Constitutional Provisions relevant to the System of Accountability for Public Moneys**

- *Article 11* requires that all revenues of the State shall, subject to such exception as may be provided by law, form one fund [the Central Fund] and shall be appropriated for the purposes and in the manner and subject to the charges and liabilities determined and imposed by law.
- *Article 17* vests the right of initiative in relation to the public finances in the Government. It stipulates that the Dáil may not pass any Vote or Resolution, and no law may be enacted for the appropriation of public moneys unless the purpose of the appropriation has been recommended to the Dáil by a message from the Government signed by the Taoiseach.
- *Article 28.4.3* requires the Government to prepare Estimates of Receipts and Expenditure for each financial year and present them to Dáil Éireann for consideration.

Other Constitutional provisions relevant to the public finances include:

- *Articles 21-22* dealing with Money Bills.
- *Article 28.7.1* requiring that the member of the Government in charge of the Department of Finance be a member of Dáil Éireann.
- *Article 29.5.2* providing that Dáil approval is required for international agreements involving a charge on public funds.
- *Article 33* containing provisions relating to the Comptroller and Auditor General.

APPENDIX 3**List of Statutes relevant to the System of Accountability for Public Moneys**

- Exchequer and Audit Departments Act 1866
- Ministers and Secretaries Act 1924 (as amended)
- Comptroller and Auditor General (Amendment) Act 1993
- Committees of the Houses (Compellability, Privileges and Immunities of Witnesses) Act 1997
- Comptroller and Auditor General and Committees of the Houses (Special Provisions) Act 1998 (this provided only for the PAC's DIRT investigation in 1998, but conferred absolute privilege on an ongoing basis on the C&AG (and the PAC))
- Public Service Management Act 1997

APPENDIX 4**Standing Order 156 – Terms of Reference of the Committee of Public Accounts**

156. (1) There shall stand established, following the reassembly of the Dáil subsequent to a General Election, a Standing Committee, to be known as the Committee of Public Accounts, to examine and report to the Dáil upon —

(a) the accounts showing the appropriation of the sums granted by the Dáil to meet the public expenditure and such other accounts as they see fit (not being accounts of persons included in the Second Schedule of the Comptroller and Auditor General (Amendment) Act, 1993) which are audited by the Comptroller and Auditor General and presented to the Dáil, together with any reports by the Comptroller and Auditor General thereon: Provided that in relation to accounts other than Appropriation Accounts, only accounts for a financial year beginning not earlier than 1 January, 1994, shall be examined by the Committee;

(b) the Comptroller and Auditor General's reports on his or her examinations of economy, efficiency, effectiveness evaluation systems, procedures and practices; and

(c) other reports carried out by the Comptroller and Auditor General under the Act.

(2) The Committee may suggest alterations and improvements in the form of the Estimates submitted to the Dáil.

(3) The Committee may proceed with its examination of an account or a report of the Comptroller and Auditor General at any time after that account or report is presented to Dáil Éireann.

(4) The Committee shall have the following powers:

(a) power to send for persons, papers and records as defined in Standing Order 83;

(b) power to take oral and written evidence as defined in Standing Order 81(1);

(c) power to appoint sub-Committees as defined in Standing Order 81(3);

(d) power to engage consultants as defined in Standing Order 81(8);

and

(e) power to travel as defined in Standing Order 81(9).

(5) Every report which the Committee proposes to make shall, on adoption by the Committee, be laid before the Dáil forthwith whereupon the Committee shall be

empowered to print and publish such report together with such related documents as it thinks fit.

(6) The Committee shall present an annual progress report to Dáil Éireann on its activities and plans.

(7) The Committee shall refrain from—

(a) enquiring into in public session, or publishing, confidential information regarding the activities and plans of a Government Department or office, or of a body which is subject to audit, examination or inspection by the Comptroller and Auditor General,

if so requested either by a member of the Government, or the body concerned; and

(b) enquiring into the merits of a policy or policies of the Government or a member of the Government or the merits of the objectives of such policies.

(8) The Committee may, without prejudice to the independence of the Comptroller and Auditor General in determining the work to be carried out by his or her Office or the manner in which it is carried out, in private communication, make such suggestions to the Comptroller and Auditor General regarding that work as it sees fit.

(9) The Committee shall consist of twelve members, none of whom shall be a member of the Government or a Minister of State, and four of whom shall constitute a quorum. The Committee and any sub-Committee which it may appoint shall be constituted so as to be impartially representative of the Dáil.

Text of Standing Orders mentioned in Standing Order 156

Scope and Context of Activities of Select Committees

80. (1) The Dáil may appoint a Select Committee to consider and, if so permitted, to take evidence upon any Bill, Estimate or matter, and to report its opinion for the information and assistance of the Dáil. Such motion shall specifically state the orders of reference of the Committee, define the powers devolved upon it, fix the number of members to serve on it, state the quorum, and may appoint a date upon which the Committee shall report back to the Dáil.

(2) It shall be an instruction to each Select Committee that—

(a) it may only consider such matters, engage in such activities, exercise such powers and discharge such functions as are specifically authorised under its orders of reference and under Standing Orders;

and

(b) such matters, activities, powers and functions shall be relevant to, and shall arise only in the context of, the preparation of a report to the Dáil.

(3) It shall be an instruction to all Select Committees to which Bills are referred that they shall ensure that not more than two Select Committees shall meet to consider a Bill on any given day, unless the Dáil, after due notice given by the Chairman of the Select Committee, waives this instruction on motion made by the Taoiseach pursuant to Standing Order 26*. The Chairmen of Select Committees shall have responsibility for compliance with this instruction. [*NOTE: This S.O. relates to the Order Paper,

Powers of the Taoiseach and Matters permitted to be raised on Order of Business and accordingly is not reproduced here.]

Powers of Select Committees.

81. Without prejudice to the generality of Standing Order 80, the Dáil may confer any or all of the following powers on a Select Committee:

(1) power to take oral and written evidence and to print and publish from time to time minutes of such evidence taken in public before the Select Committee together with such related documents as the Select Committee thinks fit;

(2) power to invite and accept written submissions from interested persons or bodies;

(3) power to appoint sub-Committees and to refer to such sub-Committees any matter comprehended by its orders of reference and to delegate any of its powers to such sub-Committees, including power to report directly to the Dáil;

(4) power to draft recommendations for legislative change and for new legislation and to consider and report to the Dáil on such proposals for EU legislation as may be referred to it from time to time by any Committee established by the Dáil (whether acting jointly with the Seanad or otherwise) to consider such proposals and upon which has been conferred the power to refer such proposals to another Select Committee;

(5) power to require that a member of the Government or Minister of State shall attend before the Select Committee to discuss policy for which he or she is officially responsible: Provided that a member of the Government or Minister of State may decline to attend for stated reasons given in writing to the Select Committee, which may report thereon to the Dáil: and provided further that a member of the Government or Minister of State may request to attend a meeting of the Select Committee to enable him or her to discuss such policy;

(6) power to require that a member of the Government or Minister of State shall attend before the Select Committee to discuss proposed primary or secondary legislation (prior to such legislation being published) for which he or she is officially responsible: Provided that a member of the Government or Minister of State may decline to attend for stated reasons given in writing to the Select Committee, which may report thereon to the Dáil: and provided further that a member of the Government or Minister of State may request to attend a meeting of the Select Committee to enable him or her to discuss such proposed legislation;

(7) subject to any constraints otherwise prescribed by law, power to require that principal office holders in bodies in the State which are partly or wholly funded by the State or which are established or appointed by members of the Government or by the Oireachtas shall attend meetings of the Select Committee, as appropriate, to discuss issues for which they are officially responsible: Provided that such an office holder may decline to attend for stated reasons given in writing to the Select Committee, which may report thereon to the Dáil;

(8) power to engage, subject to the consent of the Minister for Finance, the services of persons with specialist or technical knowledge, to assist it or any of its sub-Committees in considering particular matters; and

(9) power to undertake travel, subject to—

(a) such rules as may be determined by the sub-Committee on Dáil Reform from time to time under Standing Order 97(3)(b)*;

(b) such recommendations as may be made by the Working Group of Committee Chairmen under Standing Order 98(2)(a)*; and

(c) the consent of the Minister for Finance, and normal accounting procedures.

[*NOTE: these Standing Orders concern, respectively, the Committee of Procedures and Privileges and the Working Group of Committee Chairmen and accordingly the text of them is not reproduced here.]

Power of a Select Committee to report opinion and make special report

83. A Select Committee, empowered to send for persons, papers, and records, may report its opinions and observations, together with the minutes of evidence taken before it, to the Dáil, and also make a special report of any matters which it may think fit to bring to the notice of the Dáil.

APPENDIX 5**An Outline of the Duties of an Accounting Officer: Section A5 of *Public Financial Procedures*, published by the Department of Finance.*****ACCOUNTING OFFICER***

1. Expenditure on the Supply Services has to be accounted for ultimately to Dáil Éireann. The Accounting Officer for a Vote is the person appointed by the Minister for Finance, under section 22 of the Exchequer and Audit Departments Act, 1866, to be responsible to the Dáil (through the Dáil Committee of Public Accounts) for the proper expenditure of money from that Vote. The **statutory duties** of Accounting Officers **in giving evidence to the Public Accounts Committee** are set out in Section 19 of the Comptroller and Auditor General (Amendment) Act, 1993.
2. Each Accounting Officer is personally responsible for the safeguarding of public funds and property under his or her control, for the regularity and propriety of all the transactions in each Appropriation Account bearing his or her signature and also for the efficiency and economy of administration in his or her Department. The Civil Service head of the Department/Office administering the Vote is normally appointed Accounting Officer on the premise that he or she alone is in a position to discharge responsibility for the money entrusted to a Department/Office, for the use made of its resources and for the control of assets in its keeping such as land, buildings, stores, equipment or other property. An Accounting Officer cannot delegate this responsibility to subordinate officers.
3. While Accounting Officers are not required to be, and generally are not, professional accountants and while they could not be expected to be familiar with the details of every financial transaction affecting their Votes, Accounting Officers should be satisfied that adequate arrangements exist within their Departments to ensure the correctness of all **payments** under their control and the prompt and efficient recovery and bringing to account of all due **receipts** connected with the Vote, or with any fund for which their Departments are responsible. For example, they should ensure that officers whose duties involve the handling or custody of money are carefully selected and that imprests (section C5) issued are kept at the lowest amount compatible with the requirements of the service. In addition, the Accounting Officer must ensure that there are **adequate financial management systems** in place to support the proper administration of the Department's functions in an economic and efficient way.
4. An Accounting Officer is responsible for ensuring that Finance sanction for expenditure has been obtained and for the maintenance of a central record of both delegated and specific sanctions (see Finance sanctions in A4). An Accounting Officer may be held personally liable to make good any sum which the PAC recommends should be disallowed.*

*NOTE: But see Chapter 7.34 of the Mullarkey Report, which states that "... the principle of personal liability would appear to have no legal basis in relation to Accounting Officers in Ireland".

5. An Accounting Officer should ensure that all relevant financial considerations are taken fully into account, and where necessary brought to the attention of Ministers, in relation to the preparation and implementation of policy proposals relating to expenditure or income for which he or she is Accounting Officer.

6. In accordance with Section 22 of the Exchequer and Audit Departments Act, 1866, as amended, an Accounting Officer must have the Appropriation Account (B1.2.9) prepared and presented to the C&AG by 1 April of the year following that to which the account relates. In accordance with Section 19 of the Comptroller and Auditor General (Amendment) Act, 1993, the Accounting Officer must, when called upon, appear before the Committee of Public Accounts to answer any questions arising from his or her responsibilities under that section. In giving evidence to the PAC, the Accounting Officer may not express an opinion on the merits of any policy or on the merits of the objectives of such a policy. If an Accounting Officer is unable, because of absence or incapacity, to sign an Appropriation Account before it is submitted to the C&AG, the Department of Finance should be asked to authorise the appointment of an interim Accounting Officer. An Accounting Officer should consult the Department of Finance on any point of doubt concerning his or her duties and responsibilities.

7. An Accounting Officer who is appointed during the course of a financial year and subsequently signs the Appropriation Account for the whole year thereby undertakes responsibility for the whole of the Account, subject to any reservations made on the face of the Account. The former Accounting Officer may be summoned to appear before the Committee of Public Accounts.

8. Where responsibility for a service has been transferred between Departments and an Appropriation Account in relation to the service for a year before the transfer took place falls to be examined by the Committee of Public Accounts, it is usual for the Accounting Officer who currently has the responsibility for the service to appear before the Committee, although the person who signed the accounts remains answerable and may be called before the Committee.

Difference of opinion between Accounting Officer and Minister

9. If, in relation to an area for which an Accounting Officer has a responsibility (e.g. the propriety of a payment or the treatment of a receipt), a difference of opinion arises between an Accounting Officer and the Minister responsible for the service, the Accounting Officer should inform the Minister in writing of his or her view and of the reason for it and suggest a consultation with the Department of Finance. If, notwithstanding this, the Minister gives contrary directions in writing, the Accounting Officer should comply with them after informing the Department of Finance. The papers should be sent to the C&AG when the directions have been carried out.

APPENDIX 6

One-page Summary of the Responsibilities of Accounting Officers, taken from the Mullarkey Report

- ◆ The safeguarding of public funds and property under his or her control.
- ◆ Ensuring that all relevant financial considerations are taken into account and, where necessary brought to the attention of Ministers where they concern the preparation and implementation of policy proposals relating to expenditure or income for which s/he is Accounting Officer.
- ◆ Economy and efficiency of the Department in the use of its resources; this includes ensuring that there are adequate financial management systems in place to support the proper administration of the Department in an economic and efficient way.
- ◆ The systems, procedures and practices employed by the Department for the purpose of evaluating the effectiveness of its operations.
- ◆ The adequacy of arrangements within the Department/Office to ensure the correctness of all payments under his/her control and the prompt and efficient recovery and bringing to account of all receipts connected with the Vote, or with any fund for which his/her Department is responsible.
- ◆ Responsibilities for internal audit including reviewing the internal audit function to ensure that they are getting the desired quality of assurance on the adequacy, reliability and efficiency of the Department's internal control system.
- ◆ Ensuring that Finance sanction for expenditure has been obtained and for the maintenance of a central record of both delegated and specific sanctions.
- ◆ Responsibilities in respect of Grants-in-aid to outside agencies particularly in regard to the conditions of the grant; the submission of accounts as well as being satisfied that accounting systems and organisational arrangements of the grantee are adequate to ensure the proper administration of the money.
- ◆ Ensuring that there is a framework for control and accountability for public moneys in bodies operating under the aegis of the Department.
- ◆ Certain responsibilities for public bank accounts.
- ◆ In relation to the Appropriation Account the Accounting Officer is responsible for

- (a) having the Account prepared and presented to the C&AG by 1 April of the year following that to which the account relates.
- (b) signing the account.

Statutory requirement to give evidence to the PAC

Specific statutory responsibilities under the *Comptroller and Auditor General (Amendment) Act, 1993* to give evidence to the PAC on the issues set out in Paragraph 19 of the *Comptroller and Auditor General (Amendment) Act, 1993* relating to regularity and propriety of transactions recorded in any account subject to audit by the C&AG as well as the economy, efficiency of the Department in the use of its resources and the systems, procedures and practices for evaluating effectiveness (VFM).

In appearing before the PAC the Accounting Officer may not express an opinion on the merits of a policy.

Procedure exists for sending papers to the C&AG and Department of Finance in circumstance where there is a difference of opinion between the Accounting Officer and the Minister in an area for which the Accounting Officer has responsibility.

APPENDIX 7

Report of Working Group on the Accountability of Secretaries General and Accounting Officers (published in January 2003)
Summary of Report's Recommended Time Frame [from January 2003] for Implementation of the Recommendations

1. Within 6 Months***Each Department/Office should:***

- 1. Assess their current status against the Report's recommendations and produce a plan for implementing the recommendations. [para 8.1]**

2. Within 9 Months***Department of Finance should:***

1. Develop its central role in promoting the development of the internal audit function in Government Departments. [para. 6.48]
2. Prepare a separate Accounting Officer Memorandum for issue to Accounting Officers on appointment setting out their duties and responsibilities. [para 6.57]

Each Accounting Officer or Department/Office should:

1. Evaluate their systems of internal financial control. [para. 6.20]
2. Establish an Internal Audit Unit (or access to one) if one does not exist at present. [para 8.2.6(ii)]
3. Complete a review of the adequacy of their existing Internal Audit arrangements. [para 8.2.6(ii)]

3. Within 12 Months***Department of Finance should:***

1. Issue guidance to Departments/Offices on the respective roles of, and accountability framework for, Accounting Officers and Chief Executive Officers of State Bodies under the aegis of their Departments. [para. 3.51]
2. Agree with C&AG, the framework for the Accounting Officer's Statement on Internal Financial Control (including internal audit) in time for inclusion in the 2003 Appropriation Accounts. [para. 6.22, 6.46 and 8.2.3]

3. Prepare central guidance on the development of a risk strategy appropriate to Government Departments/Offices. [para. 6.32]
4. Draw up an explanatory document detailing the most serious common failures identified in the reports of the C&AG and the PAC in recent years. [para 6.57]

Each Accounting Officer or Department/Office should:

1. Set down in writing the respective roles of, and accountability framework for, the Accounting Officer and Chief Executive Officers of State Bodies under the Department's aegis, following the D/Finance guidance referred to at 3(i) above. [para 3.51]
2. Have established (or attained access to) a formally constituted, functioning Audit Committee on the lines recommended in the Report. [para 6.53]
3. Submit a descriptive Statement on Internal Financial Control (including internal audit) with the 2003 Appropriation Accounts onwards. Statement to record annual progress thereafter. C&AG to review Statement for consistency with his audit findings. [para 6.22, 6.23, 6.46 and 8.2.3]

4. Within 2 Years

Each Department/Office should:

1. Introduce formal Risk Management Strategies into their management processes. [para. 6.32]
2. Have in place (or have access to) appropriate, adequately resourced and trained internal audit functions. [para 6.53]

5. Ongoing

1. Secretaries General should give priority to the implementation of the MIF in their Departments. [para. 5.24]
2. Accounting officers should satisfy themselves that the requirements of the code of practice for the governance of State bodies are being implemented in State bodies under their aegis and if reports indicates problem, that appropriate action is taken by the relevant body as soon as possible. [para. 3.48]