

# AUDIT COMMITTEE GUIDANCE



**September 2014**

# Audit Committee Guidance

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## Foreword

Audit committees are an integral part of the control environment across central government. The function of audit committees is to provide independent advice to Accounting Officers regarding the adequacy and effectiveness of the internal control systems and procedures of their organisations.

In the context of the continuing development of public sector accountability and reform, audit committees have a critical role to play. The purpose of this Guidance is to provide clarity on that role. The Guidance was produced following consultation with Accounting Officers, Audit Committee members and Heads of Internal Audit Units to promote best practice among the Audit Committees of Government Departments and Offices, and other 'Vote Holders'. The Guidance is intended to be generic, and should be used as tool to help inform the work of the Audit Committee. It will be reviewed within two years of publication.

The Guidance is focused on central government, which, in the context of this document relates to 'Vote Holders' - primarily, but not exclusively, Government Departments and Offices. As such the Accounting Officer is a focal point, as opposed to other management structures.

The Guidance may, however, be of assistance to other public bodies. In the wider public sector, all State bodies are required to establish audit committees and a framework is set out in the Department of Public Expenditure and Reform's [Code of Practice for the Governance of State Bodies](#).

**Government Accounting**  
**Department of Public Expenditure and Reform**  
**September 2014**

## Introduction

### **Definition of Internal Auditing**

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

*Institute of Internal Auditors*

1. This Guidance is structured as a practical guide to the principles which should inform the work of the Audit Committees, allowing for flexibility to reflect the varying scale and nature of relevant organisations.
2. The role of the Audit Committee is to be a source of independent advice and support to the Accounting Officer in the performance of his/her duties and in fulfilling his/her responsibilities with regard to the internal audit function, taking account of the [Role and Responsibilities of Accounting Officers](#) and the [Internal Audit Standards](#).
3. The Internal Audit function provides the Accounting Officer with assurances on the adequacy of control systems and procedures including internal controls, risk management and governance arrangements within Government Departments and Offices and other Vote Holders.
4. The [Internal Audit Standards](#) guide the professional practice and reflect the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors. A summary of the Internal Audit Standards is provided in [Appendix 1](#).
5. Within this framework, each Accounting Officer is required to establish an audit committee to assist in the formulation of internal audit planning and policy, and to review the audit function on a regular basis
6. While the management of risk is a matter for the Management Board, the [Internal Audit Standards](#) outline the role of Internal Audit in evaluating and contributing to the improvement of governance, risk management and control processes using a systematic and disciplined approach. This wider role should be reflected in the Audit Committee charter (see also: [Risk Management Guidelines](#)).
7. A checklist to assist an audit committee in considering its effectiveness is provided in [Appendix 2](#).

## Accountability in Central Government

*As a source of independent advice to the Accounting Officer, the Audit Committee should be aware of the role of the Accounting Officer in the system of accountability for public moneys.*

### Overview of System of Accountability

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 funds prepare an account of their payments 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.

### Responsibilities of Accounting Officers

The Comptroller & Auditor General (Amendment) Act 1993 defines the term "Accounting Officer" 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...".

In addition to the preparation of the Appropriation Accounts, the main responsibilities of Accounting Officers 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 Public Expenditure and Reform 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 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.
- Including with the Appropriation Account for their Department/Office, a statement on their organisation's systems of internal financial control.

Further detailed information is available in the [\*Role and Responsibilities of Accounting Officers\*](#).

### **Internal Systems and Support Functions**

The Accounting Officer has an important and responsible role in relation to public moneys. As he/ she cannot be acquainted with the detail of every transaction in the Department or Office, it is essential that proper mechanisms are 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.

## Six Best Practice Principles for Audit Committees

The following principles should inform and guide the work of the Audit Committee.

### **1. Advice to Accounting Officer**

The Audit Committee is part of the control environment, tasked with providing advice to the Accounting Officer regarding the suitability and robustness of the organisation's internal control systems and procedures.

### **2. Independence and Objectivity**

The Audit Committee is independent of the organisation and objective in its considerations of the reports made to it.

### **3. Communication and Organisational Awareness**

The Audit Committee is aware of the objectives and priorities of the organisation in which it operates, and seeks to communicate effectively with the Accounting Officer and other stakeholders. In turn, the Audit Committee is kept informed of developments, with access to necessary resources and all relevant information.

### **4. Membership**

The Audit Committee membership is at the discretion of the Accounting Officer\* with external representation of appropriate expertise to enable the Audit Committee to carry out its work in a proactive and informed manner.

*\*Unless otherwise provided by law*

### **5. Authority and Accountability**

The Audit Committee's authority is derived from its charter, which reflects its responsibility to provide independent and objective advice to the Accounting Officer and it is accountable to the Accounting Officer for its performance in that regard.

### **6. Support of Internal Audit**

The Audit Committee is an important advocate of the value of internal audit to the organisation, and in promoting best practice in terms of the internal audit function itself and also in improving internal controls within the organisation.

## **1. Advice to Accounting Officer**

*The Audit Committee is part of the control environment, tasked with providing advice to the Accounting Officer regarding the suitability and robustness of the organisation's internal control systems and procedures.*

The Audit Committee performs an advisory role for the Accounting Officer which includes:

- providing advice to the Accounting Officer regarding the suitability and robustness of the organisation's internal control systems and procedures;
- ensuring that the internal audit plan provides for regular review of the organisation's internal control systems and procedures;
- assisting the Head of Internal Audit in judging priorities;
- reviewing the plans and reports of the Internal Audit Unit;
- assessing the service provided by the Internal Audit Unit;
- promoting understanding of the internal audit function and status within the organisation;
- enhancing the independence and perceived value of internal audit; and
- aiding in the co-ordination of internal audit, external audit and any other consultancy and inspection reviews.

### **Written Charter**

Each audit committee should operate in accordance with a written charter which clarifies the role of the audit committee in the context of the control environment of its organisation. An Illustrative Written Charter is provided in [Appendix 3](#).

There are a number of specific tasks that the written charter should include, detailed as follows:

### **Internal Control**

- Advise on the organisation's internal control systems, including information technology security and control.
- Obtain and review internal audit reports, significant findings and recommendations together with management responses.
- Monitor management's implementation of audit recommendations from internal audit, external audit and other sources.

### **Governance and Risk Management (to be tailored as necessary depending on whether there is a Risk Committee in operation in the organisation)**

- Advise on the systems of control underlying the risk management framework and processes, including:
  - receiving feedback from the Head of Internal Audit and the organisation's management on the effectiveness of the risk management process; and
  - taking such feedback into account for input into the priorities of the Internal Audit Unit work programme.

### **Internal Audit**

- Review assessments of the internal audit function, including compliance with the [\*Internal Audit Standards\*](#)<sup>1</sup>.
- Review with the Head of Internal Audit, and as necessary discuss with management, the Internal Audit Unit's charter, audit plans, activities, staffing, and organisational status.
- Receive progress reports on the audit plan assignments.
- Raise any concerns with Accounting Officer regarding the independence of the Internal Audit unit.
- On a regular basis, meet separately with the Head of Internal Audit to discuss any matters that the Audit Committee or Internal Audit Unit believes should be discussed privately.

### **External Audit**

- On at least an annual basis, meet with the nominee of the Comptroller and Auditor General.
- Review the Internal Audit working relationship and liaison with the nominee of the Comptroller and Auditor General to ensure co-operation, avoidance of duplication and potential gaps in audit coverage.
- Review the external audit management letter and the organisational response.

### **Financial Management**

- Advise on the systems of control underlying the financial management processes, including:
  - reviewing the results of the external audit; and
  - reviewing the procedures and practices associated with financial management and budgeting.

### **Reporting Functions**

- Regularly report to the Accounting Officer about audit committee activities, issues, and related recommendations by:
  - circulating to the Accounting Officer and the Management Board the agreed minutes of audit committee meetings as a matter of normal practice;
  - submitting an annual report to the Accounting Officer, within three months following year end, of the activities of the Audit Committee; and
  - availing of the Chairperson's right of access to the Accounting Officer.
- Provide an open avenue of communication between internal audit, the Office of the Comptroller and Auditor General, and the Accounting Officer.

### **Other Functions**

- Perform other activities related to the charter as requested by the Accounting Officer.
- Review and assess the adequacy of the written charter at regular intervals (frequency of review to be agreed between Accounting Officer and Chairperson) and request Accounting Officer approval for proposed changes

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<sup>1</sup> Evaluation of conformance with the IIA Standards is required periodically under Standard 1300, the results of which will be communicated to the Accounting Officer and Audit Committee.

- Confirm annually that all functions outlined in the written charter have been carried out.
- Evaluate the audit committee's performance on a regular basis.

#### ***Review of Written Charter***

The Audit Committee should carry out a regular review of its written charter to ensure that it remains current and relevant.

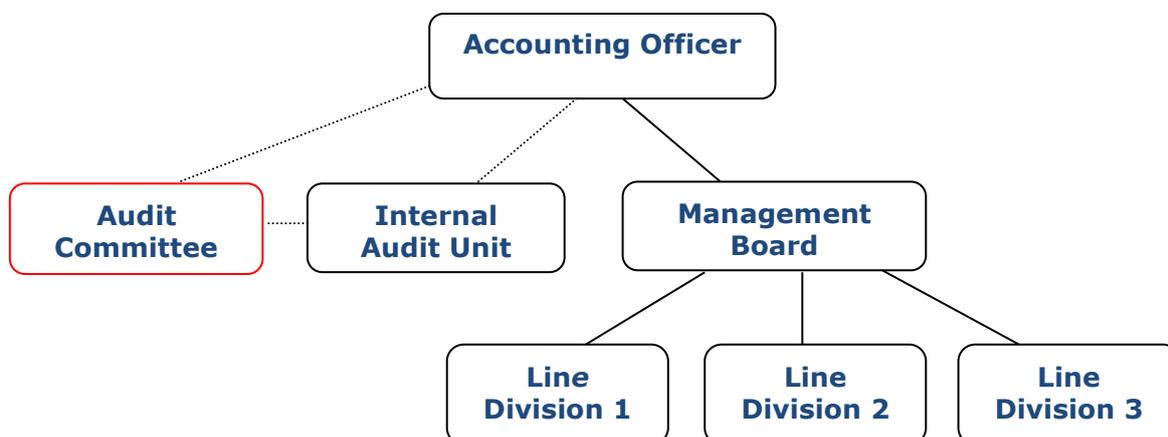
The frequency of review should be agreed between Accounting Officer and Chairperson, and confirmation that the review has been completed should be inserted in the [Annual Report](#) to the Accounting Officer.

## 2. Independence and Objectivity

***The Audit Committee is independent of the organisation and objective in its considerations of the reports made to it.***

The Audit Committee provides an independent and objective view of the internal control systems and procedures, and advises the Accounting Officer on these matters.

Within the control environment, the Audit Committee's position in reporting directly to the Accounting Officer maintains its independence from the management. The Internal Audit Unit also reports directly to the Accounting Officer - the Audit Committee exercises oversight of the work of the Internal Audit Unit and advises the Accounting Officer in this regard.



Each member of the Audit Committee has a specific role to play in ensuring the committee maintains its independence and objectivity.

### ***Role of the Chairperson***

The Chairperson is appointed by the Accounting Officer, unless otherwise provided for in law, and provides feedback to the Accounting Officer on the Audit Committee's composition and organisation.

The Chairperson of the Audit Committee should come from outside the organisation, and has right of access to the Accounting Officer.

Specifically, the Chairperson should:

- ✓ Provide clarification to members on the Audit Committee's functions
- ✓ Plan and manage the Audit Committee meetings
- ✓ Oversee the provision of briefing to the Audit Committee in advance of meeting, where necessary
- ✓ Develop the effectiveness of the Audit Committee
- ✓ Seek to demonstrate the value of internal audit to the organisation.

### ***The Role of Each Individual Member***

The Audit Committee should consist of significant external representation (at least two members), including, in the normal course, representatives with appropriate expertise who are not serving civil servants. All audit committee members are expected to attend each meeting with suggested minimum attendance of 75% of meetings per year.

Specifically, each member should:

- ✓ Meet the minimum attendance at audit committee meetings (suggested: 75%)
- ✓ Review the briefing provided in advance of meetings
- ✓ Participate constructively at the meetings
- ✓ Treat all briefings as confidential unless advised otherwise
- ✓ Have the capacity for independent thought, and be willing to act diligently

Members who are existing public servants are reminded to remain conscious of their responsibility as a member of the Audit Committee rather than as a representative of the organisation in which they work.

In discharging its role, the Audit Committee should act in a collective manner.

Any conflict of interest should be communicated in line with the Audit Committee's agreed procedures- a sample wording is provided in the Illustrative Written Charter in [Appendix 3](#).

Where a member wishes to voice his/her dissent from the agreed position of the Audit Committee, this should be discussed with the Chairperson and, where appropriate, be recorded in the Minutes and/or in an appendix to the Audit Committee communication.

### **3. Communication and Organisational Awareness**

***The Audit Committee is aware of organisational objectives and priorities and seeks to communicate effectively with the Accounting Officer and other stakeholders. In turn, the Audit Committee is kept informed of developments, with access to necessary resources and all relevant information.***

In the course of its considerations, the Audit Committee should have regard to the provisions of the [Internal Audit Standards](#) and should maintain an awareness of the financial, reputational and strategic focus of the organisation when conducting its business.

The Audit Committee should have the necessary support and resources made available to it to enable it to properly discharge its functions including, where deemed necessary by the Committee and with the approval of the Accounting Officer, funding to seek independence professional advice.

#### **Meetings**

To facilitate regular engagement with the organisation, the Audit Committee should meet at least quarterly, with the authority to convene additional meetings as circumstances require. Where it is proposed to meet less frequently than quarterly, this should be agreed with the Accounting Officer.

The Audit Committee should invite members of management, internal auditors or others to attend meetings and provide information, as necessary.

The Audit Committee (or at least the Chairperson) should meet with the Accounting Officer annually.

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

Minutes should be circulated to the Accounting Officer and Management Board within ten working days of the date of the meeting at which the minutes are agreed.

Appropriate records of the work of the Audit Committee should be maintained.

#### **Work Programme**

The Audit Committee should agree a Work Programme, based on the Audit Plan for that year. An illustrative Work Programme, to be tailored to reflect the priorities of each individual audit committee, is included in [Appendix 5](#).

#### **Access to Documents**

The Audit Committee should have access to all relevant documents, including but not limited to minutes of previous meetings, updates on the Internal Audit Unit work programme, Internal Audit reports, relevant financial information, formal and informal audit queries and management letters from the Office of the Comptroller and Auditor General, and letters to the Accounting Officer relevant to work of the Audit Committee.

Where the Audit Committee is dissatisfied with the information provided to it, it should communicate with the Head of Internal Audit or directly with the Accounting Officer as appropriate in the circumstances.

### ***Protected Disclosures***

The role of the Audit Committee in relation to protected disclosures should be agreed with the Accounting Officer, in line with organisational policy and any relevant guidelines.

In the event that the Audit Committee receives a protected disclosure, the Audit Committee will refer the protected disclosures made to it to the relevant area in line with organisational policy.

This should form part of the written charter: a sample wording is provided in the Illustrative Written Charter in [Appendix 3](#).

### ***Ethics***

In relation to ethics, Audit Committees are guided by the Best Practice Principles outlined in this document, the [Internal Audit Standards](#) (specifically the IIA Code of Ethics), and the Audit Committee's own written charter in terms of operating within a code of ethics.

Best practice principles for public servants have also been published in the [Civil Service Code on Standards and Behaviour](#) and the [Ombudsman's Guide to Standards of Best Practice for Public Servants](#).

Where appropriate, the Audit Committee may seek to develop a specific code based on these documents.

Procedures should be put in place for the disclosure of any conflicts of interest- a sample wording is provided in the Illustrative Written Charter in [Appendix 3](#).

A statement of interests should be prepared on an annual basis-an illustrative statement of interests is provided in [Appendix 4](#).

### ***Freedom of Information (FOI) requests***

The Audit Committee has no role in relation to Departmental FOI requests.

Audit Committee papers are, in the absence of any specific exemption, subject to FOI in the same way as other papers and should be assessed in line with the provisions of the legislation and FOI Central Policy Unit guidance.

## 4. Membership

***The Audit Committee membership is at the discretion of the Accounting Officer\* with external representation of appropriate expertise to enable the audit committee to carry out its work in a proactive and informed manner. \*Unless otherwise provided by law***

Each member of the Audit Committee is appointed to serve a critical role in ensuring the organisation has effective and robust processes in place regarding internal control, risk management, financial management and governance arrangements.

### **Appointments**

Membership of the Audit Committee is, as a general rule, the preserve of the Accounting Officer. In some cases, the relevant Minister has a legislative role in the appointment of members.

The role requirements should be clearly communicated to potential members at the outset including time commitments and an indication of frequency of meetings. An illustrative appointment letter is provided in [Appendix 6](#).

There should be a briefing process for new members agreed between the Audit Committee Chairperson and the Accounting Officer, to include an overview of the work of the organisation, current concerns being addressed by the Audit Committee and this Guidance document.

### **Term**

Members may serve up to three years, with the option to extend by up to three years.

### **Appraisal**

Continued participation on the Audit Committee should be determined by the Accounting Officer on the basis of contribution and in consultation with the Chairperson.

Failure to meet the mandatory meeting attendance rate (suggested: 75%) should trigger a discussion with the member on their continued ability to meet the role requirements.

In line with the Audit Committee's periodic self-evaluation of its effectiveness, the Chairperson should report to the Accounting Officer on any issues arising from membership including gaps in skills or expertise available to the Audit Committee.

### **Skills**

The Accounting Officer should ensure that the Audit Committee has the capacity to understand the financial, cultural, strategic and political environment in which the organisation operates.

The Audit Committee should also be satisfied that at least one of its members has recent and relevant financial experience. Other suggested skills include ICT expertise, and corporate and ICT governance experience.

The Audit Committee should review its training needs annually to identify any gaps in knowledge or expertise needed to fulfil its functions.

### ***Indemnity***

As external members of Audit Committees are not acting in their professional capacities, any indemnity insurance they have may not apply to their position as an Audit Committee member.

The general rule applying to legal indemnification of civil servants is that applying to professional and technical civil servants as set out in General Council Report 1357 (see [Appendix 7](#)). The arrangements in General Council Report 1357 may be extended to external members of Audit Committees.

Organisations that wish to have them so extended should apply in writing for formal sanction to the Remuneration Division of the Department of Public Expenditure and Reform.

### ***Payment of Fees***

Audit Committees members generally serve in a voluntary capacity.

For Audit Committee members who are serving public servants, payment of fees is prohibited by the "One Person, One Salary" principle. Any queries regarding the "One Person, One Salary" principle should be addressed to the Remuneration Division of the Department of Public Expenditure and Reform.

With regard to non-public servants, organisations must seek sanction from the Remuneration Division of the Department of Public Expenditure and Reform for any proposed payments.

## 5. Authority and Accountability

*The Audit Committee's authority is derived from its charter, which reflects its responsibility to provide independent and objective advice to the Accounting Officer and it is accountable to the Accounting Officer for its performance in that regard.*

### **Written Charter**

As discussed in [Section 1](#), each audit committee should operate in accordance with a written charter which clarifies its role in the context of the control environment of the organisation.

### **Reporting Relationships**

The accountability structures within Government Departments and Offices give rise to a requirement for reporting relationships individually between the Accounting Officer, Audit Committee and Head of Internal Audit.

There are some differences in reporting relationships across Government Departments and Offices and a summary of the standard reporting relationships is as follows:

- The Accounting Officer, in most cases, appoints the organisational Audit Committee and the Audit Committee reports to the Accounting Officer.
- The Head of Internal Audit has direct access to the Accounting Officer and may bring matters to his/her attention as and when the Head of Internal Audit deems it is appropriate to do so.
- The Head of Internal Audit plans the work programme of the Internal Audit Unit and the skills and resources that are required.
  - The Accounting Officer may propose items for inclusion in the work programme and should be consulted, along with the Management Board, when the programme is being drawn up.
  - The Accounting Officer is advised by the Audit Committee on the work programme of the Internal Audit Unit, the skills and resources required and the performance of the Internal Audit Unit.
  - The work programme is approved by the Audit Committee, which may also contribute to the work programme.
  - It is the responsibility of the Audit Committee to review progress on the audit plan and advise on resource allocation to the Internal Audit Unit.
- The Internal Audit Unit derives its authority from, and operates in accordance with, a formal Charter approved by the Accounting Officer and the Audit Committee.

### ***Annual Report***

An annual report reviewing the Audit Committee's operations should be prepared for the Accounting Officer and submitted within 3 months following year end. This report should include an assessment on the work of the Internal Audit Unit, the supports provided to the Audit Committee and a self-assessment of the Audit Committee's own effectiveness. A suggested effectiveness checklist is provided in [Appendix 2](#).

The Audit Committee should follow up on any recommendations from the Accounting Officer arising from this report, or in the course of other interactions.

### ***Relationships with External Auditors***

A meeting should be held with the nominee of the Comptroller and Auditor General at least once a year.

The organisation should provide to the Audit Committee a copy of the annual Management Letter issued by the Comptroller and Auditor General, a copy of the organisation's response and any other correspondence from the Comptroller and Auditor General requested by the Committee.

## 6. Support for Internal Audit

***The Audit Committee is an important advocate of the value of internal audit to the organisation, and in promoting best practice in terms of the internal audit function itself and also in improving internal controls within the organisation.***

The Internal Audit function is an important support to the Accounting Officer- it works under the general direction of the Accounting Officer, and is overseen by the Audit Committee.

The Internal Audit function is guided by the [Internal Audit Standards](#), and its primary objectives are to review and appraise:

- The systems, policies and procedures (including financial, risk, managerial, governance, and ethics and values) 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 Public Expenditure and Reform) 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 Unit plans its work schedule which the Audit Committee approves and can propose amendments to, on behalf of and in consultation with the Accounting Officer, including:

- the audit scope and objectives,
- setting priorities as regards areas to be audited and
- determining the requirements in terms of people, time and other resources.

In addition, the Audit Committee liaises with the Accounting Officer in terms of his/her responsibilities to provide oversight and support of the Internal Audit Unit. The responsibilities of the Accounting Officer (see S3.8 of [Role and Responsibilities of Accounting Officers](#)) in this regard includes:

- Reviewing the internal audit function to ensure that the outputs are of the desired quality.
- Ensuring appropriate follow-up action is taken on internal audit reports.
- Ensuring that a programme of staff training and development is in place for staff involved in internal audit.

## Appendices

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## Appendix 1- Summary of the Internal Audit Standards

### **A: Purpose of the IA Standards**

1. The purpose of the Internal Audit Standards is to:
  - define the nature of internal auditing within central government;
  - set basic principles for carrying out internal audit in central government;
  - establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
  - establish the basis for the evaluation of internal audit performance and to drive improvement planning.
2. These Standards support the delivery of effective internal audit practice in evaluating and improving the effectiveness of governance, control and risk management. They will assist Accounting Officers in delivering on their responsibilities in relation to the control environment in their respective Departments. The Internal Audit Standards apply equally to in-house internal audit services, shared services and to outsourced arrangements.

### **B: The Standards**

*The Standards are comprised of a Code of Ethics and individual Standards.*

3. There are two essential components to the **Code**:
  - **Principles** relevant to the profession and practice of internal auditing; and
  - **Rules of Conduct** describing behavioural norms expected of internal auditors, which aid interpretation of principles into practical application.
4. The **Standards** IA Standards cover areas relating to internal audit such as Purpose, Authority and Responsibility; Independence and Objectivity; Proficiency and Due Professional Care; Quality Assurance and Improvement Programme; Managing the Internal Audit Activity; Nature of Work; Engagement Planning; Performing the Engagement; Communicating Results; Monitoring Progress; Resolution of Senior Management's Acceptance of Risks.

### **C: Internal Audit**

5. Internal Audit has an important role in providing Accounting Officers<sup>2</sup> with assurances on the adequacy of control systems and procedures including internal controls, risk management and governance arrangements. Accounting Officers may also access advice from Departmental Management Advisory Committees/Management Boards, Audit Committees, Risk and Finance Committees.
6. The role and responsibilities of Internal Audit have developed in line with key changes in the central government sector including:
  - The emergence of corporate governance and risk management systems as important elements of the accountability framework, and
  - A greater focus on the governance responsibilities and accountabilities of Accounting Officers and the measures needed to underpin this.

These changes are reflected in the Standards.

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<sup>2</sup> Within the IIA Standards, the term 'board' should be interpreted in the context of the governance arrangements within each organisation, as arrangements vary in structure and terminology depending on the nature of the organisation. In the majority of cases, i.e. government departments and offices, the term 'board' will generally refer to the Accounting Officer.

## Appendix 2- Checklist for Effective Audit Committees

The following is a checklist against which the Audit Committee can assess itself in terms of its effectiveness. **This checklist is not exhaustive and should be amended to reflect the agreed role of each individual Audit Committee.**

<b><i>The Audit Committee</i></b>	<b>Y N N/A</b>	<b>Action Required</b>
carries out regular reviews of its written charter to ensure it remains current and relevant		
self-evaluates its contribution at regular specified intervals.		
is clear on its place within the structure of the organisation, and members are clear on their individual responsibilities.		
engages with the internal audit unit, reviewing its annual audit plan and discussing its audit findings and reports.		
assesses the quality of the work of the internal audit unit, and makes recommendations to the Accounting Officer on its impressions.		
monitors the response of Management to the internal audit reports, and its implementation of the associated recommendations.		
advises on the system of control underlying the organisation's risk management process and reflects its role in this regard within its charter.		
meets with the nominee of the Comptroller and Auditor General on an annual basis.		
undertakes an annual review of its training needs, to ensure it has the knowledge and expertise to fulfil its functions.		
members report a high attendance at meetings and participate actively.		

## Appendix 3- Illustrative Written Charter

**Note: the content of this written charter is intended to be illustrative only and should be amended to reflect the agreed role of each individual Audit Committee.**

### **PURPOSE**

The Audit Committee is part of the control environment, tasked with providing independent advice to the Accounting Officer regarding the suitability and robustness of the organisation's internal control systems and procedures.

### **AUTHORITY**

The Audit Committee is appointed to provide independent advice to the Accounting Officer and is responsible to him/her for its performance in this regard.

### **MEMBERSHIP**

The Accounting Officer will appoint members and the Chairperson, unless otherwise provided by law.

The Chairperson of the Committee should come from outside the organisation, and has right of access to the Accounting Officer.

At least two members of the Committee will be external to the organisation.

The role requirements will be clearly communicated to potential members at the outset including time commitments and an indication of frequency of meetings.

Members may serve up to three years, with the option to extend by up to three years.

A statement of members' interests will be prepared on an annual basis.

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

### **MEETINGS**

To facilitate regular engagement with the organisation, the Audit Committee will meet at least quarterly, with the authority to convene additional meetings as circumstances require.

All committee members are expected to attend each meeting.

The Audit Committee should invite members of management, internal auditors or others to attend meetings and provide information, as necessary.

The Audit Committee (or at least the Chairperson) should meet with the Accounting Officer annually.

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

Minutes will be prepared and circulated to the Accounting Officer and Management Board within ten working days of the date of the meeting.

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

## **FUNCTIONS**

The Audit Committee will carry out the following functions:

### **Internal Control**

- Advise on the organisation's internal control systems, including information technology security and control.
- Obtain and review internal audit reports, significant findings and recommendations together with management responses.
- Monitor management's implementation of audit recommendations from internal audit, external audit and other sources.

### **Governance and Risk Management (to be tailored as necessary depending on whether there is a Risk Committee in operation in the organisation)**

- Advise on the systems of control underlying the risk management framework and processes, including:
  - receiving feedback from the Head of Internal Audit and the organisation's management on the effectiveness of the risk management process; and
  - taking such feedback into account for input into the priorities of the Internal Audit Unit work programme.

### **Internal Audit**

- Review assessments of the internal audit function, including compliance with the Internal Audit Standards<sup>3</sup>.
- Review with the Head of Internal Audit, and as necessary discuss with management, the Internal Audit Unit's charter, audit plans, activities, staffing, and organisational status.
- Receive progress reports on the audit plan assignments.
- Raise any concerns with Accounting Officer regarding the independence of the Internal Audit unit.
- On a regular basis, meet separately with the Head of Internal Audit to discuss any matters that the Audit Committee or Internal Audit Unit believes should be discussed privately.

### **External Audit**

- On at least an annual basis, meet with the nominee of the Comptroller and Auditor General.
- Review the Internal Audit working relationship and liaison with the nominee of the Comptroller and Auditor General to ensure co-operation, avoidance of duplication and potential gaps in audit coverage.
- Review the external audit management letter and the organisational response.

### **Financial Management**

- Advise on the systems of control underlying the financial management processes, including:
  - reviewing the results of the external audit; and
  - reviewing the procedures and practices associated with financial management and budgeting.

### **Reporting Functions**

- Regularly report to the Accounting Officer about audit committee activities, issues, and related recommendations by:

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<sup>3</sup> Evaluation of conformance with the IIA Standards is required periodically under Standard 1300, the results of which will be communicated to the Accounting Officer and Audit Committee.

- circulating to the Accounting Officer and the Management Board the agreed minutes of audit committee meetings as a matter of normal practice;
- submitting an annual report to the Accounting Officer, within three months following year end, of the activities of the Audit Committee; and
- availing of the Chairperson's right of access to the Accounting Officer.
- Provide an open avenue of communication between internal audit, the Office of the Comptroller and Auditor General, and the Accounting Officer.

### **Other Functions**

- Perform other activities related to the charter as requested by the Accounting Officer.
- Review and assess the adequacy of the written charter at regular intervals (frequency of review to be agreed between Accounting Officer and Chairperson) and request Accounting Officer approval for proposed changes
- Confirm annually that all functions outlined in the written charter have been carried out.
- Evaluate the audit committee's performance on a regular basis.

### **ANNUAL REPORT**

An annual report reviewing the Audit Committee's operations should be prepared for the Accounting Officer and submitted within 3 months following year end. This report will include an assessment on the work of the Internal Audit Unit, the supports provided to the Audit Committee and a self-assessment of the Audit Committee's own effectiveness.

The annual report will also include confirmation that a review of this written charter has been completed at a frequency agreed between Accounting Officer and Chairperson.

The Audit Committee will follow up on any recommendations from the Accounting Officer arising from this report, or in the course of other interactions.

### **PROTECTED DISCLOSURES**

The role of the Audit Committee in relation to protected disclosures is agreed with the Accounting Officer, in line with organisational policy and any relevant guidelines. <the role should be set out here>

In the event that the Audit Committee receives a protected disclosure, the Audit Committee will refer the protected disclosures made to it to the relevant area in line with organisational policy.

## Appendix 4- Illustrative Statement of Interest

<b>Person/ Organisation</b>	<b>Nature of relationship and/or nature of conflict of interest</b>
e.g. Department of Public Affairs	Employee

Name:

Position:

Signed:

Date:

## Appendix 5- Illustrative Work Programme

***Note: the content of this work programme is intended to be illustrative only and should be amended to reflect the agreed role of each individual Audit Committee.***

### **Quarter 1**

- review Internal Audit's finalised periodic work plan for the financial year just begun.
- agree the Audit Committee's annual report to the Board and Accounting Officer.

### **Quarter 2**

- consider the accounts for the previous year;
- consider the content of the Statement on Internal Control for the year just finished, which is presented alongside the finalised accounts;

### **Quarter 3**

- consider mid-year report on emerging findings from Internal Audit;
- consider the Comptroller and Auditor General management letter for the previous year;
- consider any residual actions arising from the previous year's work of both internal and external audit.

### **Quarter 4**

- advise on the Internal Audit strategy and the periodic work plan for the beginning of the new financial year;
- consider areas in which the Audit Committee will particularly promote cooperation between auditors and other review bodies in the coming year;
- re-visit emerging findings from auditors and review actions in response to the Comptroller and Audit General management letter;
- consider the Audit Committee's own effectiveness in its work.

## Appendix 6- Illustrative Appointment Letter

**Note: the content of this appointment letter is intended to be illustrative only and should be amended to reflect the agreed role of each individual Audit Committee.**

### Term of Appointment

Your appointment will be for an initial term of three years, with the option to extend by up to three years, unless terminated earlier and at the discretion of, either party on one month's written notice.

### Time commitment and location of meetings

We anticipate a time commitment of <number> days per month. This will include attendance at <number> Audit Committee meetings per annum as well as any appropriate training workshops and participation in <number> subcommittee.

In addition, you will be expected to devote appropriate preparation time for each meeting. In accepting this appointment, you have confirmed that you are able to allocate sufficient time to meet the reasonable demands of the role.

Meetings will be held at <address> unless otherwise specified in the meeting notifications.

All audit committee members are expected to attend each meeting in person with suggested minimum attendance of 75% of meetings per year.

### Independence

Your appointment to the Audit Committee is assumed to be independent of any other positions held by you. If there is, at any time, a conflict with this assumption, please notify the organisation immediately.

You will be required to complete a Statement of Interests form on an annual basis.

Members who are existing public servants are reminded to remain conscious of their responsibility as a member of the Audit Committee rather than as a representative of the organisation in which they work.

### Role

The Audit Committee performs an advisory role to the Accounting Officer which includes:

- ensuring the organisation's internal control systems and procedures are audited at regular intervals;
- assisting the Head of Internal Audit in judging priorities;
- reviewing the plans and reports of the Internal Audit Unit;
- quality assuring the service provided by the Internal Audit Unit;
- promoting understanding of the internal audit function and status within the organisation;
- enhancing the independence and perceived value of internal audit; and
- aiding in the co-ordination of internal audit, external audit and any other consultancy and inspection reviews.

## **Confidentiality**

All information acquired during your appointment is generally confidential to the organisation. Such information should not be released to third parties either during your term of appointment or thereafter without prior clearance from the Chairperson.

## **Briefing and Training**

Briefing, and if necessary formal training, will be provided to you to assist in the undertaking of this position. Further details will be made available to you at your first Audit Committee meeting.

## **Indemnity**

Members are expected, in the course of their duties as a member of the Audit Committee, to operate in good faith. The Accounting Officer will confirm indemnity for members on that basis in the format of a letter which will issue in advance of your first Audit Committee meeting.

## **Agreement to appointment**

Please confirm in writing your agreement to the terms and conditions set out in this letter of appointment.

## **Appendix 7- Appendix to General Council Report No. 1357 on Indemnity**

### **Appendix to General Council Report No. 1357 - Indemnity**

1. A civil servant shall be indemnified against any reasonable legal expenses necessarily incurred by him/her and against any damages and/or costs awarded against him/her in the event of civil proceedings being taken against him/her arising out of the manner in which s/he discharges his or her duties, provided that an examination of all the circumstances (including the outcome of such proceedings) establishes that s/he acted bona fide in the execution of his/her duties and did not act with gross negligence or gross neglect of his/her duties.
2. This indemnity is subject to the following conditions :-
  - a) the officer concerned must immediately notify his/her Department of the receipt by him/her of any claim, and
  - b) in appropriate cases, the Chief State Solicitor will act for the civil servant. Where the Chief State Solicitor's Office is so acting, that Office, if necessary after consulting the Attorney General, shall have full discretion as to how the proceedings are addressed including, if it considers it to be the most prudent course of action, the right to settle any cases arising in advance of or during any Court proceedings. Where it has been decided that it is not appropriate for the Chief State Solicitor's Office (CSSO) to act, but the officer satisfies the conditions referred to in paragraph (1) above, the reasonable legal expenses necessarily incurred by him/her in instructing his/her own solicitor will be recouped in such amount as the Minister for Finance, having consulted the Attorney General, deems reasonable. (For this purpose the officer will instruct his/her solicitor to furnish the Chief State Solicitor with such information as is required by the Attorney General for the purpose of calculating the legal expenses).

## Appendix 8- Useful Documents

Department of Finance. 2004. *Risk Management Guidelines for Government Departments and Offices*. Available online: <http://govacc.per.gov.ie/files/2011/05/RM-Guidance-for-WebSite.pdf> [in the process of being updated]

Department of Finance. 2009. *Code of Practice for the Governance of State Bodies*. Available online: <http://govacc.per.gov.ie/files/2012/03/codepractstatebod09.pdf>

Department of Public Expenditure and Reform. 2011. *The Role and Responsibilities of Accounting Officers: A Memorandum for Accounting Officers*. Available online: <http://govacc.per.gov.ie/files/2012/01/Accounting-Officers-Memo-2011-revision-Final-January-2012.pdf>

Department of Public Expenditure and Reform. 2014. *Internal Audit*. Available online: <http://govacc.per.gov.ie/internal-audit/>

Department of Public Expenditure and Reform. 2013. *Public Financial Procedures- Section A*. Available online: <http://govacc.per.gov.ie/files/2013/02/Section-A-Feb-2013.pdf>

Office of the Ombudsman. 2002. *Updated Guide to Standards of Best Practise for Public Servants*. Available online: <http://www.ombudsman.gov.ie/en/Publications/Guidelines-for-Public-Bodies/The-Ombudsman's-Guide-to-Standards-of-Best-Practice-for-Public-Servants/Guide-to-Standards-of-Best-Practice-for-Public-Servants.html>

Standards in Public Office Commission. 2008. *Civil Service Code on Standards and Behaviour*. <http://hr.per.gov.ie/files/2011/06/Civil-Service-Code-of-Standards-and-Behaviour.pdf>

Working Group on the Accountability of Secretaries General and Accounting Officers. 2002. *Report (Mullarkey Report)*. Available online: <http://www.finance.gov.ie/viewdoc.asp?DocID=935>