



Department of Communications, Energy and Natural Resources
Roinn Cumarsáide, Fuinnimh agus Acmhainní Nádurtha

Mr. Ken Foxe
The Sunday Tribune
Independent House
27 – 32 Talbot Street
Dublin 1

31st March 2010

Our reference FOI/2010/6

Dear Mr. Foxe

I refer to the request which you made under the Freedom of Information Acts, 1997 and 2003 for records held by this Department.

Specifically you requested that:

“Under the Freedom of Information Act I am seeking copies of all reports of the Audit Committee of your Department since the date of the last election.

Furthermore I am seeking copies of the minutes of the meetings of the audit committee during the same period.”

The date of receipt in this Department of this request was 4th March 2010.

I have made a final decision to part grant your request on 31st March 2010. If you have any queries regarding this correspondence you can contact me by telephone at 01 6782778.

The purpose of this letter is to explain that decision. This explanation has the following parts:

1. A schedule of all of the records covered by your request;
2. concerning records to which access is granted, an explanation and a statement of the arrangements for this access, its form and the fee required to be paid;
3. Concerning records to which access is denied, an explanation of the relevant findings; and
4. A statement of how you can appeal this decision should you wish to do so.

This letter addresses each of these four parts in turn.

1. Schedule of records

A schedule is attached at the end of this letter. It shows the documents that this Department/Body considers relevant to your request. It also gives you a summary and overview of the decision as a whole. The schedule describes each document, and indicates whether the document is released in full, released with deletions or not released. The schedule refers to the sections of the FOI Act which apply to prevent release. As to these documents, the schedule also provides brief reasons for

the decision which are meant to supplement the fuller and more detailed explanation given under heading 3. below.

2. Access Arrangements

You have sought access to the records by means of electronic format documents, and I consider this an appropriate form of access in this case. Accordingly, the records described as released in full or released with deletion are being sent by electronic media in .pdf format. Should you have any difficulty accessing these documents, feel free to contact me.

3. Findings, particulars and reasons for decisions to deny access.

The sections of the Act which can apply to deny access to documents are known as its exemption provisions.

The following exemption provisions are being applied in respect of your request with the relevant excerpt from the Freedom of Information Acts, 1997 and 2003 being provided below.

Document/Record Title	Part Grant/Refuse Note	Exemption Note
Audit Committee Minutes, Meeting No 50.	Part Grant Report to be released, subject to withholding the following. Section 5 ICT Disaster Recovery Page 2	It would not be in the public interest under Section 21.1.b to release, since disclosure would prejudice the effectiveness of the operations of the Department in that it references Departmental strategies in respect of IT Disaster recovery and Business Continuity Plans
Audit Committee Minutes, Meeting No 55.	Part Grant Report to be released, subject to withholding the following. Section 5 ICT Disaster Recovery Pages 2, location of the Departments disaster recovery site.	It would not be in the public interest under Section 21.1.b to release, since disclosure of the operational disaster recovery site would prejudice the effectiveness of the operations of the Department
Report of the Audit Committee to the Secretary General 2008	Part Grant Report to be released, subject to withholding the following. ICT Security and Disaster Recovery Page 16	It would not be in the public interest under Section 21.1.b to release, since disclosure would prejudice the effectiveness of the operations of the Department in that it references Departmental strategies in respect of IT Disaster recovery and Business Continuity Plans

A head may refuse to grant a request under section 7 if access to the record concerned could, in the opinion of the head, reasonably be expected to –

(b)

Have a significant adverse effect on the performance by the body of any of its functions relating to management.

Put simply, the above exemption is what is termed a “harm based exemption”, i.e. the release of the records/documents or portion thereof could reasonably be expected to have a serious negative impact on the organization or on the ability of Internal Audit to perform its duties.

In the case of the 3 documents identified in the table above, access is being granted to the document, save for those sections that reference the Departments disaster recovery plans/strategies and the physical location of the Departments disaster recovery site, as it is adjudged that release of this information is not in the public interest in that it could prejudice the effectiveness of the operations of the Department.

4. Rights of appeal

You may appeal this decision. In the event that you need to make such an appeal, you can do so by writing to the Freedom of Information Unit, Department of Communications, Energy and Natural Resources, Elm House, Earlsvale Road, Cavan. Your correspondence should include a fee of €25 for processing the appeal. Payment should be made by way of bank draft, money order, postal order or personal cheque made payable to the Department of Communications, energy and Natural Resources. You should make your appeal within 4 weeks from the date of this notification. However, the making of a late appeal may be permitted in appropriate circumstances. *A week is defined in the Act to mean 5 consecutive weekdays, excluding Saturdays and public holidays (Sundays are also excluded, as they are not weekdays).* The appeal will involve a complete reconsideration of the matter by a more senior member of the staff of this Department/Body.

Yours sincerely

Edward Barry
Higher Executive Officer
Internal Audit Unit
Department of Communications,
Energy and Natural Resources
Earlsvale Road
Cavan

01 6782778

Primary Schedule of Documents relating to FOI/2011

Record Number	Brief Description and Date of Record	No of Pages	Relevant Facts	Findings/Conclusion (Public Interest Considerations, If applicable)	Grant/Refuse/Part-Grant	Basis of refusal: Section of Act	Record Edited/Identify deletions
	Audit Committee Minutes, Meeting No 43	9		No impediment to release of report	Grant	N/A	N/A
	Audit Committee Minutes, Meeting No 44.	9		No impediment to release of report	Grant	N/A	N/A
	Audit Committee Minutes, Meeting No 45.	5		No impediment to release of report	Grant	N/A	N/A
	Audit Committee Minutes, Meeting No 46.	4		No impediment to release of report	Grant	N/A	N/A
	Audit Committee Minutes, Meeting No 47.	4		No impediment to release of report	Grant	N/A	N/A
	Audit Committee Minutes, Meeting No 48.	4		No impediment to release of report	Grant	N/A	N/A
	Audit Committee Minutes, Meeting No 49.	3		No impediment to release of report	Grant	N/A	N/A
	Audit Committee Minutes, Meeting No 50.	4	It would not be in the public interest under Section 21.1.b to release, since disclosure	Report to be released, subject to withholding the following. Section 5 ICT Disaster Recovery Page 2	Part Grant	Section 21.1.b	Section 5 ICT Disaster Recovery Page 2

				would prejudice the effectiveness of the operations of the Department in that it references Departmental strategies in respect of IT Disaster recovery and Business Continuity Plans				No impediment to release of report	Grant	N/A	N/A
	Audit Committee Minutes, Meeting No 51.	4					No impediment to release of report	Grant	N/A	N/A	N/A
	Audit Committee Minutes, Meeting No 52.	4					No impediment to release of report	Grant	N/A	N/A	N/A
	Audit Committee Minutes, Meeting No 53.	4					No impediment to release of report	Grant	N/A	N/A	N/A
	Audit Committee Minutes, Meeting No 54.	5					No impediment to release of report	Grant	N/A	N/A	N/A
	Audit Committee Minutes, Meeting No 55.	5		It would not be in the public interest under Section 21.1.b to release, since disclosure of the operational disaster recovery site would prejudice the effectiveness of the operations of the Department			Report to be released, subject to withholding the following. Section 5 ICT Disaster Recovery Page 2	Part Grant	Section 21.1.b	SAN Update	Delete the location of the Departments disaster recovery site.

Audit Committee Minutes, Meeting No 56.	7		No impediment to release of report	Grant	N/A	N/A
Report of the Audit Committee to the Secretary General 2007	23		No impediment to release of report	Grant	N/A	N/A
Report of the Audit Committee to the Secretary General 2008	30	It would not be in the public interest under Section 21.1.b to release, since disclosure would prejudice the effectiveness of the operations of the Department in that it references Departmental strategies in respect of IT Disaster recovery and Business Continuity Plans	Report to be released, subject to withholding the following. ICT Security and Disaster Recovery Page 16	Part Grant	Section 21.1.b	ICT Security and Disaster Recovery Page 16

Audit Committee Minutes
Thursday 24th May 2007

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Audit Committee Minutes
Meeting No. 43, Thursday 24th May 2007
Main Conference Room, Leeson Lane, Dublin 2.

Attendance: Siobhán Fay, Pamela McDonald and Fiona Kilcullen

I.A.U.: Niall Kelly, Sean O'Broin, Tom O'Brien and Eddie Barry.

Apologies: Gerard Farrell, Liam Kidd

1. Adoption of the Minutes of the Previous meeting and matters arising

Niall Kelly gave a brief update on the following issues from the previous meeting:

- Meeting with the C&AG's representatives took place on 29th March. Minutes of the meeting are attached for information purposes. Issues raised to be discussed under agenda item 3.
- It was reported that the Audit Plan 2007 is currently 38% complete and the 2006 plan remains at an 85% completion rate. The delay in finishing the work outstanding from the 2006 plan is directly related to gaining access and being able to engage meaningfully with the appropriate individuals within the Communications Sector of the Department. However it is anticipated that the 2006 plan will be completed in the near future.
- A snapshot of a database which will record actual audit times against those allocated for the completion of such jobs within the audit plan was circulated by Mr Edward Barry. This will help the monitor the effectiveness and efficiency of the IAU unit and give a real time view on how audits are progressing against the agreed annual audit plan.
- Copy of the Final Report of the Audit Committee to the Secretary General will be circulated early next week.
- It was reported that IAU no longer have responsibility for driving the Risk process or indeed the Risk Committee and that Ms Susan McCarthy has recently taken over the role of Risk Manager for the Department.
- A copy of the correspondence between the IAU and BIM in relation to the contracting in by BIM of the Internal Audit function was circulated to the members for information purposes as had been agreed.

As there were no other matters arising, the Minutes of the previous meeting were agreed and adopted.

2. Decentralisation of the IAU Function to Cavan

Mr David Hanley Principal Officer attended the meeting at the request of the Chair to give an update of the transfer of the IAU function to Cavan. He briefly outlined the history around the decision of senior management to relocate the IAU Function in line with the Governments Decentralisation policy. Mr Hanley also gave a brief overview of the current turnover of staff within the Department as a result of Decentralisation. It was noted that the turnover of staff within the IAU was being replicated around the

Department with a turnover of circa 90% of individuals which highlighted a major risk with the loss of expertise and corporate knowledge. Mr. Hanley also indicated that the Department were currently 25 posts over compliment because of taking in staff under the decentralisation programme. This has led to a salaries overspend in the region of €800,000 consequently the Department of Finance will not sanction the recruitment of new staff while the existing staff are still in situ. As a result HR are not in a position to overlap Mr. Kelly's replacement. In addition, because of the uncertainty surrounding the formation of the new Government and the likely configuration of the Department in the new Administration there will be no recruitment up to the 14th June, consequently it would not be possible to advertise the Head of Internal Audit vacancy until that time. It was noted that all staff within the unit have now being replaced with the exception of Mr Kelly (Head of the Unit). It was also reported that it is not envisaged that additional resources would be added to the unit in the current climate and that the Staigaire post which has been carried by the unit for the previous 4 years would not be filled on a permanent basis. The Audit Committee voiced their concerns around the Departments speed and timing of replacing Mr Kelly with a suitably qualified and experienced individual. Mr. Hanley indicated that it is the express view of the Secretary General that the head of the internal audit function should be an accountant grade and that the Department of Finance were not likely to sanction the recruitment of a replacement in the immediate future (with the configuration of the Department likely to change after the General election) and as an interim measure Mr Tomas Chambers (who is on a 5 year contract in the Financial unit) had been identified as such a suitably qualified individual who has the capacity to take on these extra functions. A reservation was raised by the members of the committee not in relation to the individual in question but as Mr Chambers is currently involved in operational functions within the Department this would compromise the independence of the Internal Audit Function as was introduced with the recommendations of the Mullarkey Report. The only other alternative solution to this issue would be for the Department to contract in an individual to carry out the duties of Head of Internal Audit until such a replacement is recruited on a permanent basis. The Audit Committee expressed concern that there will be a gap between Mr. Kelly's departure and the recruitment of a permanent person to take on the role. It was therefore agreed by the committee that the best option was to hire in a consultant with appropriate qualifications and experience for this interim period. This consultancy could also advise on appropriate training for internal audit staff and re-access the unit against the Standards for Professional Practice of Internal Audit as set of the Institute of Internal Auditors. It was also recognised by the Audit Committee that due to the fact that Mr. Kelly will be leaving within three weeks and that it would be necessary for some form over overlap between him and his temporary replacement taking it was thought that the "urgent business need" provisions within the procurement guidelines could be invoked and a limited tender used rather than the full tender procedures.

Mr Hanley requested that the Audit Committee would formally make a recommendation to him in relation to this matter so as to assist Senior Management make a suitable appointment decision for the interim period. It was mentioned that as the staff of the previous IAU had being benchmarked favourably against the IIA Standards of skills and attributes that staff in IA units should have that a similar exercise must take place for the current staffing complement and relevant training be organised to fill potential skill gap shortages, if identified. The Chair recommended

that Mr. Kelly should participate in the 1st round interview process in the selection of a permanent replacement Head of function and that she would participate in a second round.

The chair finished by thanking the current staffing complement of the IAU² for their dedication and effectiveness in the provision and execution out the internal audit function within the department and wished Mr Kelly all the best in his new post.

3. Meeting with Representatives of the Comptroller and Auditors Generals Office

A meeting took place between representatives of the C&AG's Office and IAU on the 29th March 2007 in Leeson Lane (Copy of Minutes enclosed). The meeting noted the concerns of both the IAU and the C&AG as to the continuing expenditure surrounding the Sea Bed Survey project but the appointment of Liam Kidd to the project board would bring a more cohesive approach to the process. The collection of the TV Licence Fee also raises concerns especially in relation to the non implementation of recommendations contained in the Value for Money report conducted by the C&AG in January 2004. The department's responsibility in controlling the overall collection process and procedures for estimating levels of evasions were also questioned. It was noted that the C&AG were about to conduct a review audit but since IAU had carried out an audit the findings of the report would be forwarded to the Value for Money Unit for consideration. It was agreed to invite officials of the C&AG to meet with the Audit Committee prior to the next scheduled meeting to discuss issues of concern that they may have with the Department. It was agreed that a clear agenda would be drafted for this meeting. The notion of the role of the C&AG's office pushing out the accounting standards across the public service was discussed however it was felt that this role was more the responsibility of the Department of Finance along with updating the Public Accounting Guidelines (Blue Book). It was noted that it would assist Departments greatly when dealing with the C&AG officials if there was some engagement with departmental officials prior to the audit process.

4. Reports for Discussion

Report to the Accounting Officer in relation to the Statement of Internal Financial Control

This report examines issues identified by the Internal Audit work over the last year that are relevant to the Financial Control Framework in the Department and forms part of the analysis informing the Secretary General in relation to whether he should sign the Statement of Internal Financial Control in relation to the 2006 Appropriation Account. Mr Kelly gave a summary of the findings of the report which included:

- Applying uniform project governance controls for all significant projects across the whole Department.
- Applying evidence based decision making techniques for both capital and current expenditure decisions.

- Establishing adequate corporate governance oversight in respect of agencies under the aegis of the Department both commercial and non-commercial
- Improving compliance with National and EU legislation, directives, regulations and guidelines.
- Providing adequate security for data collected from the National Sea Bed Survey/Infomar and other scientific projects in which considerable investment has been made by State.
- Updating ICT Security Policies in line with accepted best practice.
- Undertaking post contract reviews of expenditure on consultancies to consider the value for money achieved.
- Ensuring that purchase orders are processed before any legal obligation to pay occurs.

It was noted that the points within the report have been taken on board by the Senior Management Financial Group within the Department of which Mr Kelly is an active participant. Notwithstanding the control weaknesses identified, Mr. Kelly indicated that the Internal Audit Unit were not aware of any issues that would prevent the Secretary General from signing the Statement of Internal Financial Control in relation to the year 2006.

Letter to Principal Officer Finance:

A copy of this letter was circulated to the committee for information purposes. The purpose of the letter is to highlight areas where the Head of Internal Audit recommends that improvements are required in advance of the completion of the Appropriation Account and Internal Audits role in advising the Secretary General in relation to the sign-off of the Statement of Internal Financial Control. The issues for consideration contained within the letter have either been discovered in the course of work done by Internal Audit, by the Office of the Comptroller & Auditor General, identified as risks or otherwise flagged as issues outstanding. These issues highlighted include:

- Assets
- Assets under Development
- Sea Bed Survey/ Infomar
- Asset valuation
- Heritage Assets
- Contingent Liabilities
- Commitments
- Financial Controls

Mr. Kelly indicated that he had received a verbal response from the PO in Finance, which was in broad agreement with the issues raised, which will be dealt with in a long-term strategy.

Clogherhead Harbour Project

The report represents the result of an audit of the management and control systems applied by Sea Fisheries Administration to operations co-financed by the Community under the Ireland: National Development Plan 2000-2006, Fishery Harbour Measure of the BMW Operational Programmes, co-funded by the European Regional Development Fund. The opinion of the Internal Audit Unit was that the internal management and controls systems in place within the Sea Fisheries Administration Division (Intermediate Body) were only partially satisfactory.

During the course of the audit a number of gaps in the audit trail were identified within the claim process. The Sea Fisheries Administration did not request that Louth County Council send supporting invoices along with the claim form and B1 form. This is a significant weakness within the claim process as the Division cannot fully certify expenditure included in the claim to be eligible. It is noted that Sea Fisheries Administration have only carried out one Article 9 spot check to date in relation to claims made for the Clogherhead Project. This spot check was carried out in 2003 and examined the 2001 claim. B1 forms were not included on the same file. It was also noted that three out of four B1 forms all had the same date of sign off and there was variances in amounts on B1 forms to actual expenditure claimed. Only one B2 form was provided by the Division during the course of the audit. It was noted that additional work would be required to be conducted within the administrating unit so as to ensure that this expenditure is deemed eligible for recoupment of EU Funds from Brussels as in its current format with no evidence of certifying expenditure and numerous gaps in the audit trail it would be deemed ineligible. It was also noted that the Division concerned have fully decentralised from Dublin to Clonakilty and that the Division had difficulty in locating the required files.

Consultancy Review Audit

A review of the Consultancy Audit Report noted that there had been improvements in the way consultancies had been engaged and managed since the original audit had been completed. These improvements include the following:

- that the procurement guidelines have been brought to the attention of all staff and that, in future, the guidelines will be adhered to in all cases
- the adoption of the Agresso Purchase to Pay Module across the Department has effectively resolved issues surrounding the required segregation of duties.
- divisions now monitor all consultancies and ensure that they are included on the consultancy database. Training of staff in procurement procedures is taking place.
- co-ordination of legal services consultancies is now taking place.
- the Senior Financial Management and Control Group has decided that all consultancies over the EU threshold level (circa €180k) will be subjected to post-completion value for money audit.

2006 Recoupment Audit – Aquaculture

It was reported that it is the opinion of the Internal Audit Unit of DCMNR that the financial information contained in the claims submitted to the European Commission during 2006 for the Aquaculture (Border Midlands Western/South & Eastern Operational Programme) forwarded by the Seafood Policy & Development Division requesting the reimbursement of funds which had been previously paid by the Department to the relevant Implementing Agencies (Bord Iascaigh Mhara & Udaras na Gaeltachta) have been verified as eligible under the relevant regulations.

2006 Reclamation Audit - Fleet Supporting Measures: Adjustment of Landing Limit

It was reported that it is the opinion of the Internal Audit Unit of the DCMNR that the financial information contained in this claim submitted to the European Commission April 2007 for the Fisheries Development Priority (PSOP) forwarded by the Seafood Policy & Development Division requesting the reimbursement of funds which had been previously paid by this Department to the relevant Implementing Agencies have been verified as eligible under the relevant regulations.

Transposition of EU Directives

An audit has been conducted of the Transposition of EU Directives by the IAU. 29 Directives/Regulations were examined across the 5 sectors of the Department. A number of concerns have been highlighted within the report including the following issues:

- The role of third party regulators drafting SI's for the Department.
- Lack of a Departmental database for Transposing EU Directives as stipulated by the EU.
- The delays in transposing EU Directives could lead to infringement proceedings and possibly financial penalties against the Department by the EU.
- The non-implementation of the "Best Practice" for transposing EU Directives in accordance with the Government's decision of 21st June 2005

The role and extent of the MAC in determining, assessing, managing and monitoring the risks associated with the failure of the Department to transpose on time EU Directives/Regulations by means of S.I.'s. Advice has been sought by the Department from the Attorney General's Office on a number of issues related to transposing EU Directives/Regulations. Mr. O'Brien also informed the Audit Committee that the Department of Enterprise, Trade and Employment are now tracking the transposition of directives at a national level.

5. Tracking of Issues

A copy of the current Tracking Document which provides an age analysis of all the High Risks findings from the Internal Audit Reports carried out by IAU was circulated to the Audit Committee for their information.

6. Update against the Audit Plan

It was reported that the Audit Plan 2007 is currently 38% complete and the 2006 plan remains at an 85% completion rate. The delay in finishing the work outstanding from the 2006 plan is directly related to gaining access and being able to engage meaningfully with the appropriate individuals within the Communications Sector of the Department. However it is anticipated that the 2006 plan will be completed in the near future.

8. Spot Checks of Capital Projects Procedures

It was reported that DCMNR had engaged Crowley's DFK to do spot-checks and to report with the overall objective to ensure that the Department is compliant with its obligations under the "Guidelines for Appraisal and Management of Capital Expenditure in the Public Sector" with regard to carrying out the required spot checks. A copy of the report produced by Crowley's DFK was circulated to the committee for its information. It was noted that these spot checks will be a new function of the Internal audit Unit, however they do not form a part of the current Audit Plan and no resources have been allocated/available for this task.

The scope of the spot checks was all capital expenditure projects funded directly and indirectly by the Department. This included capital projects managed by agencies under the aegis of the Department and local authorities. One of the requirements for compliance is that the sanctioning body must carry out annual spot checks with capital expenditure guidelines and that the sanctioning body must report the findings of the spot-checks to the Department of Finance. A sample of at least 5% of the Department's capital expenditure was selected for spot checking. The sample agreed with the Department's Finance Officer was spread across the Department's complete capital programmes. In summary the main findings were as follows:

- The Department must incorporate the guidelines listed in Section 1.2 of the report into its own procedures document.
- The procedures must be applied consistently to all capital projects
- The Department must ensure that bodies receiving grant aid also comply with the relevant guidance
- Reasons for not following the appropriate guidelines should be documented and the decision properly approved

These guidelines set out 4 main stages of a capital expenditure project:

1. Appraisal
2. Planning
3. Implementation
4. Review

The Department anticipates three types of capital projects under the multi-annual capital framework which require testing:

- Direct Capital Expenditure by the Department

- Direct Capital Expenditure by Agencies under the aegis of the Department funded through the Vote
- Capital Expenditure funded by the Department but applied for/managed by a public body not under the aegis of the Department e.g. Local Authority

In future years the Department will also spot check expenditure granted to non-public bodies for capital purposes in line with Guidelines produced for that area in the Department or in Agencies as appropriate.

9. A.O.B.

The Chair on behalf of the Audit Committee thanked the current/departing members of the Internal Audit Unit for their work to date and wished them well for the future.

The date of the next meeting is set as Thursday 5th July 2007 in the Main Conference Room, Lesson Lane at 2.30pm

Tom O'Brien
Secretary
Audit Committee
8th June 2007

Actions/ Decisions

- **Suitably qualified and experienced consultant to be sought to act as temporary Head of Audit, sanction and budget line approval to be sought from Corporate Services.**
- **Niall Kelly to be involved in the selection of a permanent replacement. Siobhán Fay to be involved at the final selection stage.**
- **Internal Audit staffing to be considered post the formation of the new Department particularly in the light of new responsibilities being placed on the Unit e.g. checking of capital appraisal guidelines.**
- **C&AG representatives to be invited to the next meeting.**
- **Report of the Audit Committee to the Secretary General to be circulated to all members.**

Audit Committee Minutes
Meeting No. 44, Wednesday 26th July 2007
Main Conference Room, Leeson Lane, Dublin 2.

Attendance: Siobhán Fay, Pamela McDonald, Fiona Kilcullen, Gerard Farrell and Liam Kidd

I.A.U.: Niall Kelly, Francis Hughes and Eddie Barry.

1. Mr. Francis Hughes, Helm Corporation

Mr. Francis Hughes, Helm Corporation was introduced to the members of the Audit Committee. Mr. Hughes has been contracted to fill the post of Head of Internal Audit in a temporary capacity pending the recruitment of a permanent person. Details of the award contract include a 40 day consultancy over a 6 month period, to be executed on a 2 day a week basis. It is anticipated that this should provide cover in the position up until the end of November 2007.

2. Adoption of the Minutes of the Previous meeting and matters arising

Niall Kelly gave a brief update on the following action points from minutes of the previous meeting (24th May 2007):

- Details of the procurement of a temporary Head of Internal Audit. (covered in point 1. above.)
- Update on the recruitment of a permanent head of Internal Audit (covered in point 3. below)
- Contact had been with representatives of the C&AG who indicated they were not available to attend this meeting of the Audit Committee, but would definitely make themselves available for the next meeting.
- C and AG also indicated that they had no specific issues for the current meeting other than Procurement issues which they are currently addressing to all Departments.
- Special mention was made of a letter issued by the C and AG on the 19th July in respect of returns made by Accounting Officers under Department of Finance Circular 40/42. This circular deals with the award of contracts in excess of €25,000 where the standard competitive process was not used and a report of same, signed off by the Secretary General must issue to the C and AG by 31st March each year. Overall the Department reported 17 instances of contracts being awarded outside of the competitive process, with a total combined value of €1.435 million.
- It was noted as catered for under Circular 40/42, that only 1 of the 17 cases reported on, had been notified to the Departments Procurement Reviewing Officer, Mr. Niall Kelly.
- The issue of the head of Internal Audit, also holding the post of Procurement Reviewing Officer was also discussed. It was noted within the circular that "contracts exceeding the limit which was subject to a competitive process were

required to be reviewed within Departments/Offices by the Internal Audit or by an appropriate senior officer who was not part of the procurement process". The view of the Audit Committee was that an officer holding both posts may lead to a conflict of interests by crossing the management line, with the Officer concerned potentially providing "sign-off" to a contract being awarded outside of the competitive process and subsequently being involved in an audit of the same process. It was noted that the Department had a Procurement Officer and that this issue should be raised with her for discussion, on how this procedure might be dealt with, including who might be nominated as the reviewing officer going forward.

- Liam Kidd provided details of the historical evolution of the process whereby the Head of Internal Audit also filled the role of procurement reviewing officer. The overlapping of the functions stemmed from an era in the Department where the role of procurement officer in the Department had not been created and so in the absence of same, the Head of Internal Audit filled the vacuum as reviewing officer.
- The issue of the Departments exposure F of I requests on contracts awarded outside of the competitive process and the possibility litigation by a service provider, thus excluded from applying was raised by Ms Kilcullen.
- Report of the Audit Committee issued.
- Due to the decentralisation of the IAU to Cavan and the re-structuring of the Department it was reported that a revised Audit Plan for 2007 had been drafted. This is dealt with below.
- Liam Kidd wished to clarify an item arising from the minutes in relation to his appointment to the Sea Bed Survey project board. Mr. Kidd informed the group that he had not in fact been co-opted onto the board. Mr. Kelly clarified the position, in that it was a recommendation coming out of a meeting with the C and AG that Mr. Kidd should be appointed to the board. This recommendation coming from a recognition that the Information Technology Division should have input on a project that is highly IT orientated and that issues had arisen in the past in relation to the reporting of IT related expenditure and the identification and purchase of appropriate hardware. In addition, Mr. Kelly pointed out that the project which is seen in 2 phases,
 - 1. the actual sea bed survey process and
 - 2. the data migration to shore and its secure backup, the latter was seen as a risk, with approx €1 billion worth of data. that was not being adequately dealt with.Mr. Kidd informed the group that the Project Board had been made aware of the IT governance procedures. It was noted that the Assistant Secretary with responsibility for the area, had suggested that Mr. Kidd might participate at a more strategic level. The appointment remains a standing audit recommendation.

As there were no other matters arising, the Minutes of the previous meeting were agreed and adopted.

3. Decentralisation of the IAU Function to Cavan

Mr David Hanley Principal Officer Human Resources Division had indicated previously, to Mr. Francis Hughes and Mr. Niall Kelly, his intention to attend the meeting, to give an update on the progress on the recruitment of a permanent Head of Internal Audit. Mr Hanley was not available to attend.

In Mr. Hanley's absence, Mr. Hughes outlined the position as he had understood it following a conversation with Mr. Hanley:

1. As of the previous week, no advances have been made in initiating the process of recruiting a permanent Head of Internal Audit.
2. Given the current overstaffing issue in the Department due to the decentralisation programme, HR are of the opinion that it may be difficult to get sanction from the Department of Finance in respect of further recruitment.

Despite the above scenario, it was noted by Niall Kelly, that overstaffing was a known issue at the time that a letter was sent by Mr. Brendan Tuohy giving assurances to the audit Committee that the same level and quality of staff would be made available in the Cavan location.

The Chair raised a concern, previously voiced by the Audit Committee, over having a crossover period between experienced and new staff and ensuring adequacy of cover and service. Without such an appropriate overlap and a permanent replacement for the Head of Internal Audit being in place in good time, there may be an issue in providing an adequate level of assurance to the Committee, thereby the Audit Committee would have difficulty in providing an end of year report. Further, it was noted that the fact that the post has not yet been advertised, suitable qualified personnel who are registered with the Central Applications Facility (CAF) are not been made aware of the post. The Chair requested that it be noted as an action point that she would write to Mr. Hanley seeking clarification on the recruitment of a permanent Head of the Function. This point was endorsed by the members of the Committee.

Liam Kidd similarly raised a concern over the fact that the post has not yet been advertised. In addition he raised a concern at the level and quantity of work that can be achieved by the new unit given that it has moved from the position of having 4 experienced resources working on the audit team to a relatively light Audit team comprising 3 resources with no experience.

4. Revised Audit Plan

Mr. Hughes outlined a revised audit plan, the main features of where:

Original figures based on full time Head of Function, 1 HEO, 1 EO, 1 CO and 1 Stagiare = 725 days available for Audit

Revised figures on the basis of reduced Head of Function availability, 1 HEO, 1 EO and 1 CO = 520 days available for audit. 40% reduction in resources.

Analysing the figures, including making a reduction of days for those areas scheduled for audit that are likely to leave the Department when the Transfer of Function order is signed and the addition of days for Capital Appraisal spot-checks; a shortfall of 195 days is identified.

Mr. Kelly pointed out that if the current audit plan is to be completed, and the Capital appraisal spot checks (which are a Department of Finance requirement), are also to be completed it is essential that the Head of Function vacancy is filled as soon as possible. It was noted that the Capital appraisal spot checks were not an issue at the time of finalising the 2007 Audit plan and as such they had not been factored into that plan. Further, that in order to complete the audit plan for 2007, it may be necessary to allocate another resource to the IAU area.

Mr. Barry indicated that he had already spent approx 4-5 days completing background checks in respect of the Capital appraisal workload and also gave the AC a brief outline of what is required to be checked.

The Chair floated the suggestion that it may be necessary to de-prioritise some audits from the audit plan to cater for the Capital Appraisal workload or alternatively it may become necessary to outsource this work. It was also suggested that a business case be drafted to support the allocation of an additional resource. This business case to include the following points.

1. With the current depleted resources in IAU, is it/will it be necessary to de-prioritise items from the current plan ?
2. With the likelihood of no cover for the Head of Internal Audit for the month of December, will it be necessary to extend the consultancy to cover this void, or will the recruitment of a permanent resource have been completed at this stage?
3. Outsourcing of the Capital Appraisal workload.

The Chair also recommended that the current audit plan be married to the risk register in order to identify/flag the level of risk associated with each item, so that in the event that items needed to de-prioritised, that the lower level ranked items could be targeted.

On the point of the allocation of an additional resource, Mr. Barry pointed out that the current thinking in the Department was that with the impending transfer/loss of functions, Divisions particularly in the Cavan office were likely to see a 20% redeployment of resources to other work within the Department.

In reply to this, Mr. Kelly pointed out that although the Internal Audit Unit would no longer have the FIGG workload under its remit, this was of no benefit to the unit in the current year as this work had already been fully completed. In addition as the unit is currently down a Stagiare and work is being added to the unit, the global analysis requiring a cut of staff across corporate areas, did not apply to Internal Audit in the current year.

Mr. Hughes was requested to raise the resource issue and revised audit plan with Mr. Eamonn Molloy.

5. Reports for Discussion

Annual Report on FIFG Controls in 2006 (Per. Article 13 of Commission Regulation (EC) 438/01)

Mr. Kelly provided details of this report which examines and summarises the results of all the reports in relation to expenditure co-funded by the FIFG on the Border, Midlands & Western and the South & East Operational Programmes, Aquaculture Measure and expenditure from the Productive Sector Operational Programme, Fleet Development Measure, Supporting Measures and Adjustment of Fishing Effort (Decommissioning).

Responsibility for the implementation of systems audits and verification checks per Articles 10-12 of 438/01 has been assigned to the Internal Audit Unit DCMNR in order to "ensure an appropriate separation of tasks as between such checks and implementing or paying procedures concerning operations" As requested this report was delivered 2 weeks ahead of time to DG Fish in Brussels and DG Regio. A response is normally expected from DG Fish. Mr. Kelly pointed out that the response may now issue the Department of Agriculture, Fisheries and Food (DAFF). A copy of the report has already issued to that Departments Internal Audit Unit, alerting them to the existence of the report. Mr. Kelly indicated that should the Department of Agriculture have any future queries in relation to the report that he would make himself available to attend a meeting to discuss same.

Mr Kelly pointed out that in previous years, the only substantive issue raised by DG Fish centred on reconciliations between their figures and figures provided by DCMNR. This was largely due to timing issues. In order to avoid the same issue this year, a huge effort had been expended to ensure the claim figures provided were on an annual basis.

The normal timeline surrounding the DG Fish letter:

Report submitted in June
DG Fish process report during July
Letter issues from DG Fish in late July early August, before they commence their summer break.
DG Fish would expect a reply in early September.

Bord Iascaigh Mhara Verification Report for the year ending 31/12/2006

This report contains the results of verification checks on the eligibility of expenditure for the year ended 31st December 2006 by Bord Iascaigh Mhara (BIM) the Implementing Agency, in respect of the Aquaculture Development Measure of the Regional Operational Programmes, the Fishing Fleet Development Measures, Supporting Measures for Sea Fisheries Development and the Decommissioning Scheme for the withdrawal of capacity from the Demersal and Shellfish sectors of the

Productive Sector Operational Programme (2000-2006), funded by the Financial Instrument for Fisheries Guidance (FIFG).

The overall scope of this audit was to carry out verification checks of at least 5% of eligible expenditure incurred by the Implementing Agency in the calendar year 2006 as required by the EU.

Údarás Na Gaeltachta Verification Report for the year ending 31/12/2006

This report contains the results of our Article 10.1 (b) 5% Verification Checks of the eligibility of expenditure within Údarás Na Gaeltachta, the Implementing Agency, for the Aquaculture Measure projects for the period 1st January 2006 - 31st December 2006. The Department of Communications, Marine and Natural Resources (DCMNR) is the Implementing Department, with the Sea Fisheries Policy and Development Division as the Paying Authority, in respect of the Measures within the National Development Plan, Regional Operational Programmes (2000-2006), funded by the Financial Instrument for Fisheries Guidance (FIFG). It is noted that the Internal Audit Unit, DCMNR have carried out a Systems Audits (10.1(A)) on the Paying Authority of the Aquaculture Measure, in the recent past and all claims received from the Implementing Agencies are audited in conjunction with the Paying Authority by the Internal Audit Unit.

The overall scope of this audit was to carry out verification checks of at least 5% of eligible expenditure incurred by the Implementing Agency in the calendar year 2006 as required by the EU.

Mr Kelly provided summary outlines of both reports. The Chair noted that assurances were been given in both reports in relation to environmental matters and queried how this was achieved. Mr. Kelly informed the group that both BIM and U na G have technical field officers who provide environmental reports in respect of each project.

Ballyvaughan Project Report

This report represents the result of an audit of the management and control systems applied by Engineering Division to operations co-financed by the Community under the Ireland: National Development Plan 2000-2006, Fisheries Harbour Measure of the South & East Operational Programmes, co-funded by the European Regional Development Fund.

The opinion of the Internal Audit Unit was that the internal management and controls systems in place within the Engineering Division (Intermediate Body) were partially satisfactory and that the expenditure examined has been verified as eligible under the relevant regulations.

The main finding included:

- The Engineering Division and the Sea Fisheries Administration Division both expressed serious concerns over the need for staff training in relation to the ERDF fund.
- In 2005, the Engineering Division requested the accounts branch to transfer surplus non-hire plant from the Ballyvaughan Project to other projects.
- This request was not acted upon in the accounts branch and as a result the Agresso accounts for the Ballyvaughan project are minus the value of €15,000.
- The permanent plaque at the project site does not acknowledge funding from ERDF or the EU Flag as required.
- Only one B1 Claim form was completed during the whole course of this project.
- As the Engineering Division completed all the work on a direct labour basis for this project it was not necessary for them to drawdown funds on a yearly basis.
- No checks as required by Article 9 of Regulation 438/2001 have been carried out in relation to the Ballyvaughan Harbour project. However the Engineering Division does complete a monthly report that provides a detailed summary of expenditure and progress in relation the Ballyvaughan project.
- Quotations from suppliers in relation to the Ballyvaughan project were not fully documented on file.

Mr. Kelly indicated that nothing was discovered during the course of the audit that would rule the expenditure to be ineligible, but that the issues raised would still need to be addressed.

Mr Farrell welcomed the positive comments in the report in respect of the level of project management. Mr. Farrell indicated that he is the head of function for the Division and that he would be concerned, that despite the fact that the Division have very comprehensive guidelines/controls in place for tendering and budget reporting/accounting, that quotations were not on file for some of the items procured. This is something that the Division is normally particular mindful of.

In relation to the lack of form B1's, Mr. Farrell indicated that a dichotomy existed between Engineering Division and Sea Fisheries Administration Division on who the responsibility actually resides with. This has never been formally identified/resolved.

Mr. Kelly stated that a recommendation from a previous audit had suggested that both Divisions should be merged.

Ms Kileullen outlined the potential financial consequences of not complying with the signage requirements on this and similar projects, which can be quite severe.

6. Tracking of Issues

A copy of the current Tracking Document which provides an age analysis of all the High Risks findings from the Internal Audit Reports carried out by IAU was circulated to the Audit Committee for their information.

Mr. Kelly clarified the position with regards to the items listed. All items are perceived as reasonable high risk, either at the time or continue at that level currently. 4 of the items require a review to be carried out, 2 of which will probably fall within the remit of the Department of Agriculture.

Ms Fay, commenting on the items listed and with particular reference to the age of some of the items, stated that Divisions should be notifying IAU when recommendations have been implemented, particularly where a review has also been completed.

Ms McDonald queried whether an agreed timeframe is agreed with Divisions for the implementation of audit recommendations.

Mr. Kelly in response stated that normally Internal Audit hope to go back to the Division within 6 months to a year of the issuing of a report. However in a number of cases, it has been necessary to extend that timeline.

In general, it was agreed by the Audit Committee, that agreed recommendations should be given a deliverable date, against which reviews can be benchmarked/measured against. The main issue being identified with long standing items is that either the issue is no longer perceived as being a high level risk or that the exposure is being accumulated because the issue is outstanding. It will be necessary to establish which of the 2 scenarios the item falls into. It was also suggested that where a recommendation has been made and not actioned by the Line Division, the management in the area should be made aware that should anything go wrong in the interim, Internal Audit cannot be held responsible.

7. A.O.B.

The date of the next meeting is provisionally set as day 13th September 2007 in the Main Conference Room, Lesson Lane at 2.30pm

Eddie Barry
Secretary
Audit Committee
31st July 2007

Actions/ Decisions

- The Chair to write to the Personnel Officer seeking clarification on the assurances given to the Audit Committee in respect of seeking a suitable qualified person to fill the role of Head of Internal Audit on a permanent basis.
- Eddie Barry to circulate to the members of the Audit Committee a schedule of dates for future meetings for consideration.
- Eddie Barry to circulate a list of Action points to the members of the Audit Committee in advance of the next meeting.
- Eddie Barry to write to the Procurement Officer seeking clarification in respect of the role of Procurement Reviewing Officer.
- Eddie Barry to complete a review of the Metropolitan Area Networks programme and Television License Fee audits as listed under the High Risk Issues from the Tracking document.
- Eddie Barry to contact a representative from the Internal Audit Unit, Department of Agriculture, advising them of the review audits due in respect of the National Fishing Fleet and Inland Fisheries audits as per the High Risk Issues listed on the Tracking document.
- Eddie Barry to cross reference the current Audit plan against the risk register, in order to highlight the associated level of risk should it become necessary to de-prioritise items.
- Francis Hughes to raise the resource issue and revised audit plan with the Assistant Secretary Corporate.
- Francis Hughes to develop a business case to support the allocation of an additional resource.

Audit Committee Minutes
Meeting No. 45, Tuesday 23rd October 2007
Main Conference Room, Leeson Lane, Dublin 2.

Attendance: Siobhán Fay, Pamela McDonald, Fiona Kilcullen,

I.A.U.: Francis Hughes Eddie Barry, Gemma Lynch.

1. Adoption of the Minutes of the Previous meeting and Action Points

Recruitment of Head of Function

- Siobhan Fay wrote letter to Dave Hanley about update on recruitment of Head of Function and raised query on staffing issues within the Unit.

Meeting with new Secretary General

- Francis updated the committee on meeting with Mr Aidan Dunning and re-iterated to him the importance of the function of Internal Audit to the Dept. Mr Dunning stated he will write to both Dave Hanley and Eamonn Molloy re the recruitment of a permanent Head of Function. Siobhan noted it should be emphasised that we can only comment on the work done within the year and highlight that we have limited resources. Fiona agreed and noted, it is a Management issue if work planned cannot be completed due to resource constraints.

IAU as Procurement Reviewing Officer

- Francis stated that Aidan Dunning wants Internal Audit to continue in role of procurement Reviewing Officers. Siobhan expressed concern over internal audit being both procurement reviewing officers and auditing procurement procedures within Dept. It is noted that no-one working as procurement reviewing officer will undertake an audit on procurement so as to maintain a role of independence.

Transfer of Functions

- Eddie and Francis met with Dept Agriculture re transfer of functions. Files have been transferred across. It has been conveyed that Inland Fisheries are remaining with DCENR. An Audit on Inland Fisheries started previously by Internal Audit but left until we knew whether we were in the position to complete it, must now be re-addressed and completed.

Audit Plan 2008

- Mr Dunning expressed his wish at the meeting of 19th October that Internal Audit should ensure that they focus on the general payments and payroll processes in the course of 2008. Therefore it was noted by Siobhan to place an Audit on Payroll as No 1 on Audit plan list for 2008. Eddie also noted that due to the Payroll moving from Castlebar to Cavan, there may be a loss of corporate knowledge in this area.

Staffing issues within IAU

- Francis explained the staffing issue was raised with Eamonn Molloy, and went on to say a greater emphasis should be put on the Audit function within the Department. The Internal Audit Unit should be at least staying the same size if not expanding in line with the increasing governance responsibilities of Government Departments.

2. Matters arising with new Secretary General, Mr Aidan Dunning

- Aidan Dunning has requested a meeting with Siobhan Fay. Eddie to arrange meeting between both on Wed 5th December.
- Aidan is showing a keen interest on Capital Appraisal spot-checks within the Dept and is satisfied with progress to date.

3. Progress in relation to finding a permanent Head of Function and re-sourcing of the Unit.

- The position of Head of Function has not been advertised by HR yet. Aidan Dunning is writing to Dept of Finance on this issue. The Audit Committee has suggested to re-tender the contract, or to extend the existing contract as a handover period would be necessary. These options however also have financial implications and a business case may need to be presented to Eamonn Molloy. Siobhan recommends we re-engage with Eamonn and try to get a commitment to get an extension to the existing contract with Helm or a new permanent Head of Function.

4. Comptroller and Auditor General report under Department of Finance Circular 40/02

- Following the publication of the C and AG report, dealing with the award of Contracts in excess of €25,000, where the competitive process has not been used and the specific mention of DCENR, Francis provided an overview of the 9 contracts that had been reported on.
- It was noted that 5 of the contracts had ended. In respect of the remaining 4, one contract relating to the Commercial Salmon Sector was now the responsibility of the Department of Agriculture Fisheries and Food. The contract in respect of Advisory Services on the NDRC is due to end in December 2007.
- The remaining 2 contracts are on-going.

5. Article from Irish Examiner in respect of Overtime payments.

- Details were provided to the Audit Committee in respect of an article that had been produced in the Irish Examiner reporting that civil servants racked up a bill of €100 million last year in overtime figures and in which DCENR was specifically mentioned.
- Eddie outlined the results of enquiries made in respect of the DCENR case studies. The case referred to (2006 payments) involved a member of staff who was deployed to Seafood Control Division and is now employed by the Sea Fisheries Protection Authority. The Sea-Fisheries Protection Authority is a new Statutory Authority established on the 1st of January 2007 by the Minister.

- Eddie indicated that in future the situation in relation to such overtime payments will no longer be the concern of DCENR post the implementation of the Transfer of Functions order, when responsibility for the Corporate Governance of this organisation will transfer to the Department of Agriculture, Fisheries and Food.
- However, the AC raised a concern over the way in which a similar case in 2005 had been dealt with by HR Division, where arrangements for an increment increase combined with an allowance to cover the extra duties being performed by the officer concerned, was entered into rather than deal with the issue through the recruitment of additional staff to cover the responsibilities.

6. Transfer of Functions

- Francis provided an update on meeting with Agriculture on 22nd October re the handover of files. A forum on Assistant Secretaries has been set up between the two Departments involved i.e. Agriculture and DCENR. Capital Appraisal issues were discussed and question marks over what work was going to Dept Agriculture and what was staying with the DCENR was clarified.
- It was decided after a discussion that Marine issues would be referred to in the DCENR report of the Audit committee to the Secretary General for 2007 and that the transfer of functions to Department of Agriculture would be explained within the report.
- This annual reporting approach will be agreed with the Dept of Agriculture.
- Weekly meetings are arranged on the Transfer of Functions so any issues raised can be addressed and to ensure the operation runs smoothly.

7. Capital Appraisal Spot-Checks

- Francis explained that this procedure has twice been discussed at the management committee meetings and therefore is getting lots of publicity throughout the Department. Aidan Dunning is also showing keen interest on the procedure and how we are implementing it.
- Eddie explained to the committee the Methodology behind the selection procedure for the Spot-Checks and how our check list was drawn up based on the Capital Appraisal guidelines. Reassurance was given by Aidan Dunning at the meeting on 19th Oct that this was the correct procedure for undertaking the Spot-Checks.
- A structure or template for the final report has not yet been issued and IAU is awaiting guidance at present over how to present the information we have gathered.

Audit Reports –

8 Digital Hub

- In relation to future Audits, it was suggested that Internal Audit Unit and the relevant management should agree on the recommendations to be implemented and this should be reflected in the final report. This would help

to ensure the implementation of recommendations and enable follow up audits to be more effective in the future.

- Siobhan pointed out that there seemed to be a problem with documentation in this section.
- It was suggested by Fiona Kilcullen that in relation to the agencies such as the Digital Hub which is planned to be self-financing in the future, a mechanism for paying back excess funding should be introduced to ensure that in the event of the agency being much more successful than anticipated the Department can reclaim monies that it has already provided. This would take the form of a dividend or taxation.

9. Leitrim Co Council MANS – Audit Report

- No comments on this audit.

10. Mayo Co Council MANS – Audit Report

- This was a joint venture audit with Mayo Co Council. Audit Committee satisfied with controls, Mayo also happy with audit results.

11 Fishery Harbour Centres debt collection

- Francis stated that there was a considerable amount of debt owed but this has improved considerably recently. On a follow up by Donna, it was discovered that debt was down by 50%
- Siobhan and the Audit Committee wishes to acknowledge the quality of work and reports produced by the unit considering the shortfall of staff in the unit.

12. Transposition of EU Directives

- Francis provided details to the AC of a meeting held with EU/North South Division to clarify some issues in respect of this report.

13. Tracking of Issues

- Audits which have commenced at present are Travel and Subsistence, Energy RDTI, Review of TV licences, and Mining Licences. It is anticipated that these will be completed before the year end.
- Siobhan pointed out that an extra column at the side on the Audit plan stating 'last review date' would be helpful to us.
- Also Inland Fisheries Review Audit needs to be looked at as this is staying with DCENR

14. Any Other Business

- It was pointed out by the committee that 2 new members need to be recruited internally for the Audit Committee. Clarification to be sought if this decision rests with the Secretary General.
- Siobhan brought up the issue of time served on the panel. Initially she was recruited as Chair on a temporary basis to replace the previous Chair who left

to take up a post in New Zealand. We need to check to see if he is returning to the Committee and also check the time frame allowed to hold the position of Chair of Audit Committee.

- The next Audit Committee meeting has been scheduled for 6th December @2.30.

15. Action Points

- Organise meeting between Secretary General and Chair of the Audit Committee
- Highlight need for a decision on Chair of Audit Committee for 2008 and the recruitment of two new Audit Committee Members
- Decision on recruitment of a Permanent Head of Internal Audit
- Decision on possible extension of contract for Temporary Head of Internal Audit

Contacts for Members of the Postcode Steering Group

DCENR

Eamonn Molloy – Chair –6783104

Derek Byrne – 6782111

John Dillon – 6782026

David Brophy – 6782207

Anne Ward – 6783069

Caroline Green - 6782190

Ray Treacy – 6782954

External

George Merrigan ComReg -

Sinead Devey ComReg – 8049621

Eamonn Ryan – Business Consultant – ryaneamonn@eircom.net

Regards

Ray Treacy

Audit Committee Minutes
Meeting No. 46, Thursday 6th December 2007
4th floor Board Room, Leeson Lane, Dublin 2.

Attendance: Siobhán Fay, Pamela McDonald, Fiona Kilcullen, Katherine Licken

I.A.U.: Francis Hughes Eddie Barry, Donna Comer Gemma Lynch.

The meeting started by Ms Fay welcoming Ms Licken to the Audit Committee and thanking the previous Audit Committee members for their Contribution.

1. Adoption of the Minutes of the Previous meeting and Action Points

1. Organise meeting between Secretary General and Chair of the Audit Committee

The meeting was organised between both parties on Wednesday 5th December (see point 2 below)

2. Decision on Chair of Audit Committee for 2008 and recruitment of 2 new Audit Committee Members

(See point 2 below). Patricia Cronin and Katherine Licken are the 2 new members of the Audit Committee.

3. Recruitment of permanent Head of Internal Audit

Mr Hughes explained this procedure is proceeding slowly, It has been decided that Mr Hughes' contract be extended for 20 extra days to facilitate the recruitment of a permanent Head of function and also to allow for a hand over period.

The minutes were then approved by the audit committee following corrections of errors by Ms McDonald and Ms Fay.

2. Meeting between Ms Fay and Secretary General, Aidan Dunning

- Ms Fay discussed issues surrounding the Head of Internal Audit and reported that the Secretary General is committed for this to happen by the end of quarter one in 2008
- Ms Fay having served 5 years on Audit Committee agreed to stay on as Chairperson for 2008. Internal Audit need to check if this is possible or if changes can be made to the charter.
- Other issues of concern brought to the attention of the Secretary General was the length of time taken for divisions to respond to draft audit reports and implement recommendations made. The Secretary

General stated he would like to be made aware of any road blocks we may encounter from divisions.

3. Progress in relation to finding a permanent Head of Function and re-sourcing of the Unit.

- Mr Hughes has agreed to continue to fill the role until the end of Q1
- The IAU report for 2007 will be available by mid February to ensure there is adequate time for approval and sign off.

4. Audit Plan 2008

- Mr Hughes explained the background to how we picked our Audits for 2008. IAU examined the risk register and took on board the views of the Secretary General, the outcome of the budget was also considered. Other issues considered was the experience of the Internal Audit Unit and the time lapse in the Audit plan of 2007
- Ms Fay pointed out that considering how new the Internal Audit section is, there should be more time made available for training Mr Hughes explained that training was considered in the draft audit plan but the time allocated would be revised to reflect actual training organised in the final plan
- Mr Hughes explained the need to review the procurement reviewing officer role, and as this is expanding IAU it will be necessary to allocate more days to it
- Also the issue of Consultancy Expenditure will be brought up at MC resulting in the need to allocate resource days to this.
- Mr Hughes finished off by saying that the Audit Plan had been worked around 312 days and IAU tried to look at every division.
- Ms Fay asked the question in relation to the Rapid Programme 'how are dormant accounts associated with Communications?' Mr Barry explained the background to the Dormant Accounts and DCENR's involvement in the ICT element of the project.
- Ms Kilcullen suggested we look at Data Protection as an inclusion on our Audit plan following recent incidents which have occurred in the UK.
- Ms Kilcullen recommended we look at any C&AG management letter correspondence with the Department to see what other areas should be focused on in the 2008 Audit Plan
- Ms Fay also commented that whilst drafting the Audit Committee report some issues may crop up which may need to be included.

5. Update on 2007 Plan

- Mr Hughes wishes to have the 4 outstanding reports finished by early 2008.

- Ms Comer stated the mining audit is at the report stage and should be drafted within the next few weeks
- Mr Hughes explained the T & S is almost finish and is at draft report stage
- The Charles Parson audit has only just commenced. The Terms of Reference has been agreed with the division and hopefully we will have it at draft report stage by year end.
- In relation to the TV licences review audit, they have conveyed their apologies to us and will meet with us soon to complete the review.

6. Capital Appraisal

- Mr Barry explained to the Committee that 11 of the 13 projects have been completed and, following the transfer of functions, the remaining projects have moved to Department of Agriculture. We are aiming to have the work finished by the end of December as the report needs to be with Department of Finance by end January and MAC would like to view it by mid January. We are waiting on a format of how the report should be drafted but may have to work on it ourselves in order to meet the deadline.

7. Procurement reviewing role

The unit will update the Audit Committee regularly on how much time is being allocated to fulfilling the role of Procurement Reviewing Officer for DCENR

8 IPA Diploma Course

1. Following on from an exploratory discussion the following points were noted
 - The course is very intensive with about 180 hours per module expected study time.
 - Is not feasible to do in one year and should be spread over 2 years or longer

It was decided to re think the options in relation to 3 members of staff participating on the course and consider both financial and time limitations.

9 Article on Consultants

- Mr Hughes explained 4.4m spent in DCENR as per recent articles in the press and would like to make the Audit Committee aware of our expenditure in relation to other Departments

-
- Ms Kilcullen brought to the attention of the Audit Committee the report from the C&AG titled 'National Educational Welfare Board Lapses in Internal Control'

10 Upcoming Year

- There will be 5 Audit Committee meetings held in 2008
- Date of next meeting set for 28th March
- Suggested meetings of Audit Committee meetings to be circulated to the Committee
- It was suggested to invite the C&AG to next meeting on 28th March

11 Any Other Business

- The IAU 2008 business plan will be finalised in January 2008.

Audit Committee Minutes
Meeting No. 47, Friday 28th March 2008
Meeting Room 5D Adelaide Road.

Attendance: Siobhán Fay, Pamela McDonald, Fiona Kilcullen, Katherine Licken, Patricia Cronin

IAU: Francis Hughes Eddie Barry, Gemma Lynch.

NOTE

Internal Audit Unit agreed to send on any documents or reports to the Audit Committee members 5 days in advance of the agreed date of an Audit Committee meeting. This is to ensure sufficient time for the Audit Committee members to review the documents and prepare for the meeting.

1. Adoption of the Minutes of the Previous meeting and Action Points

Mr Hughes stated that the C&AG would be invited to the next Audit Committee meeting which is scheduled in May. Mr Hughes also spoke about how the business plan had been finalised in December 2007 and has been approved by the Secretary General. The Role Profiles for the IAU staff have also been finalised and signed off on.

Ms McDonald suggested that the Charters should be amended to reflect the changes in the Audit Committee of late. Mr Barry agreed and has already sent copies of the amended charter to the Secretary General for approval.

The minutes were then approved by the committee.

2. Meeting between IAU and Secretary General, Aidan Dunning

Mr Hughes spoke about the meeting with the Secretary General.

1. The Secretary General expressed concern over the timing of audits and suggested moving certain audits, e.g. the ICT security audit and decentralisation to reflect the importance of the issue within the Department. This has been reflected in the audit plan.
2. He also was keen to get the Statement of Internal Financial Control signed off, by 31/03/08.
3. He expressed an interest in the activities of the Departments Risk Committee and the updating of the Departments Risk Register and would like more focus placed on it in 2008.

3. Progress in relation to finding a permanent Head of Function and re-sourcing of the Unit.

Mr Hughes explained to the Audit Committee that progress to date continues to be slow. The Secretary General has been made aware of this issue, but is also aware it may take up to 3 months for a replacement to be sought. With Mr Hughes having 5 days left on his contract, Ms Fay suggested possibly extending the contract. Mr Hughes also suggested perhaps a call on contract may be an option and he will speak to Mr Molloy on Friday 4th Apr to discuss the options.

Ms Cronin asked why the recruitment process has taking so long and Ms Fay indicated that there had been difficulties in receiving Department of Finance sanction to fill the post. Ms Cronin recommended we highlight the issue about the delay in recruitment of Head of Function in the minutes. Ms Fay commented that the level of assurance that may be provided to the Secretary General in the coming year may be limited due to the resource issues surrounding the Head of Function position. Ms McDonald suggested that perhaps another tender may be the option and perhaps an open ended contract would be best. Mr Barry agreed to bring this option to the attention of Mr Molloy. Ms Fay asked that the issue of staffing/resourcing of the Unit be kept as a standing item on the agenda in the future.

4. Report to Secretary General Mr Aidan Dunning

- The report to the Secretary General was reviewed by the Audit Committee and clerical amendments made to the text.
- Ms Kilcullen suggested that a cover letter be sent with the report and Mr Hughes agreed to draft the letter on Monday 28 March.
- Ms Cronin suggest that perhaps it should be mentioned in the report that the Audit unit has 100% staff turnover in 2007 and with regards to providing assurance to the Secretary General we should draw attention to this occurrence.
- Ms McDonald also noted that we should mention in the report that staff numbers in the unit have been reduced in 2007.
- Ms Kilcullen added that a sentence should be inserted in the report to reflect that some work was not carried out due to resource issues within Internal Audit.
- Mr Hughes to make changes to report and circulate new draft to Audit Committee by Monday 31 March.
- Ms Licken and Ms Cronin both expressed concern over the lack of awareness of the new Public Procurement Division within the Dept. A gap has opened within the Department due to decentralisation and people may need to introduce themselves to sections through presentations or meetings.

- Ms Kilcullen stressed that the work of the Internal Audit Unit was only part of the process of enabling the Secretary General to sign off on the Statement of Internal Financial Control.

5 ICT Audit

- With regards to the ICT audit Ms Cronin asked the question whether Internal Audit has the necessary skills to conduct and audit on this area. Mr Barry explained that Internal Audit was involved in the ICT disaster recovery group and is aware of what needs to be done in this area. Mr Barry added that he feels competent to undertake this audit if needs be.
- A discussion occurred over Internal Audits best options in conducting this audit, and 3 outcomes were addressed
 1. IAU could look into requesting additional resource from another department to help with the audit
 2. IAU can approach the Head of Internal Audit forum and seek advice from them.
 3. IAU can approach the C & AG and ask assistance as they also are knowledgeable in this area

6 Audit Reports

The committee agreed to defer examination of the audit reports presented, to the next Audit Committee meeting in May, due to the time limitations involved.

7 Risk Committee

This subject was mentioned in the meeting with the Secretary General. Mr Hughes advised that greater emphasis will need to be placed on this in 2008 as it appears to have been overlooked in 2007. Mr Barry explained that Mr Tomas Chambers is preparing a paper for the risk committee and that he had requested that he be kept informed of developments on behalf of the Audit Committee. He will continue to liaise with Mr Chambers on this issue.

8 Training

Mr Barry talked the Audit Committee through the training programme which the Internal Audit staff have undertaken and are scheduled to partake in, in the coming year. Ms Fay advised that it is deemed necessary to have adequate cover in the office on training days where the 3 members of IA are out of office and that instances of this occurrence should be minimised. Mr Barry informed the Audit Committee that in respect of training on the Diploma in Internal Audit, where the 2 day workshops necessitated all 3 members of staff to be in attendance, that these days were in fact held on Fridays and Saturdays, which helped mitigate the impact. Mr Hughes indicated that he had previously provided the Unit with cover as required.

9 Any Other Business