



## Chair's Update

Jim Kelly

**I know that you are all getting ready for the 2012 budget preparations. The Branch acknowledges the hard work and contribution not only of the CPFAs but indeed all Public Finance staff involved in this vital period of national recovery.**

The Branch continues to communicate with its members through the "To Account quarterly bulletins and CPD events and also with the wider CIPFA community. The attendance of CPFAs at events is encouraging. Hats off to those who attended the AGM and Governance Conference, CPD events and indeed the Portlaoise branch presentation. It was the first ever event held outside Dublin by the Branch.

Public Sector Reform, in many guises, is a key theme of our new programme for Government, and the area of finance and financial management is no exception. Our new relationship with the IMF and EU has influenced the manner in which we report and account for our public services.

The requirement to do more with less, across all sectors, has resulted in an examination of our processes and procedures and an impetus to improve where they are found to be lacking. It is important that CIPFA maintains a profile in these matters.

So your ongoing contribution is important nationally. I am encouraged by Public Sector targets being met in the June 2011 returns to IMF/EC and ECB and more recently the growth in exports. Are we over the worst of it? Who knows? But there seems a basis for some cautious optimism.

So keep up the good work. Finally, congratulations to our new president Declan mc Donagh and new PRO Maria Callinan.

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# Audit Committees in Government Departments - a valued benefit

Dermot O’Riordan

**Audit committees are an integral part of the corporate governance framework of today’s public sector and have been established in government departments over the past number of years and especially since the 2003 Mullarkey Report (*Report of the Working Group on the Accountability of Secretaries General and Accounting Officers*) which recommended their introduction for all departments.**

There are fifteen government departments and a Secretary General is the civil service head of a department with responsibility, under his/her Minister, for a wide range of functions including managing the department and implementing government policy. According to recent research (*Audit Committees in Irish Government Departments: A Research Paper* 2011 [www.ipa.ie/research/working\\_papers](http://www.ipa.ie/research/working_papers)), there is a strong consensus among the Secretaries General that they find their audit committees provide a valued benefit to them in terms of the assurance they provide, the independence of the committee, their support and oversight of internal audit, the provision of an early warning of issues, acting as a resource to them and the impact on the managers in their departments.

As a government department does not have a board/council to appoint an audit committee or to hold the Secretary General accountable an audit committee is established by the Secretary General and it is advisory and reports to him/her. The Secretary General supports the work and independence of their committees to ensure they have an impact in their department. They encourage the committee to act independently, drive itself and carry out its remit. The Secretaries General appoint members who bring their knowledge, skills and background to focus on issues such as audit, controls and risk management.

## Secretaries General and the Committees

The Audit committees oversee reviews of internal controls, supporting and monitoring internal audit, risk management and, in some cases, value for money. The Secretaries General approve the charters/terms of reference of their committees and any changes to them, have an input into the content of the work plan of the internal audit units and a high level of interest in the work of their audit committees. The Secretaries General engage with the work of their committees by meeting their chairs, at least once a year, to review the preceding year and to plan for the subsequent year and can arrange to meet if an issue of concern arises during the year. They keep up to date on the work of the committees during the year by receiving briefings from the senior officials who they appoint as internal members to the committees and the heads of internal audit, who are in attendance at their meetings, and also by receiving the committees’ papers, minutes and reports. The Secretaries General take an active interest in their committees and keep up to date on their work and this is a positive reflection of the benefit they are getting from them.

## Membership

The Secretaries General attach significant importance to the recruitment of the external chair and the other members for their audit committees and are active in sourcing and approving new members. They appoint internal members from within their own departments and external members are invited from other government departments, the wider public sector and the private sector. The role of the external chair of a committee is critical to its success and requires characteristics such as authority, integrity, independent-minded and a familiarisation with the public sector.

The Secretaries General appoint internal members from among senior officials of their own departments. They see this as bringing a contribution to the committees in terms of the perspective and experience of officials who are familiar with the workings of the departments. The importance to the Secretaries General of appointing external members is demonstrated by having them as the majority on most of their audit committees. When sourcing external members the Secretaries General look to other departments, the wider public sector and the private sector.

## Benefits

The strong consensus among the Secretaries General is that they find their audit committees provide a valued benefit to them in terms of the assurance they provide, the independence of the committee, their support and oversight of internal audit, the provision of an early warning of issues, acting as a resource to them and the impact on the managers in their departments.

The Secretaries General see their committees as providing assurance to them through the work they and internal audit carry out in reviewing the department's systems and procedures. The independence of the audit committee arises from it being a function outside the normal reporting structure of the department which is chaired by an individual who is not an official of the department and this structure coupled with the background of the members brings credibility and supports the independence of the committee.

The Secretaries General consider their audit committees as having a major role in supporting and overseeing their internal audit units. These units by their nature have a high degree of independence within a government department in that they report to the Secretaries General on their work but are not subject to direct supervision by them. The Secretaries General rely on their audit committees to support their internal audits in terms of giving advice and guidance and also to oversee the units through their involvement with the development and delivery of the annual audit plan, the quality of their work and the implementation of the internal audit reports received by the audit committees.

The Secretaries General see their committees as a mechanism to provide an early warning to them of issues emerging or existing in their departments so action may be taken on them. The committees have an impact by

assisting the relevant departments with the oversight of the expenditure of monies from the European Commission. The audit committees, and in particular their chairs, are a resource to the Secretaries General as they can provide advice and assistance to them. The Secretaries General support their committees to take an active and visible role in their departments by inviting officials to attend committee meetings as required. The purpose of this attendance by officials can be either to provide briefings on their areas of responsibility to the committee members or to account for their implementation of recommendations arising from internal audit reports affecting their areas. The Secretaries General regard the committees as making an impact through their influence on governance, programmes and processes within their departments.

## Conclusion

The Secretaries General support the work and independence of their committees to ensure they have an impact in their departments. They allow and encourage their committees to act independently, drive themselves and carry out their remit. They are very involved with their committees in terms of being interested in their work and appointing members who will underpin the independence and contribute to the committees. The membership of audit committees in government departments consists of individuals who bring their knowledge, skills and background to focus on the governance of the departments and these members can have a significant influence because their appointment has been personally approved by the Secretaries General. Audit committees in government departments are providing a valued benefit to the Secretaries General as they are bringing a greater focus on issues such as audit, controls and risk management and, whilst audit committees in departments are advisory to them, they can make an impact by being an independent structure within the departments with their members focusing on these issues on behalf of the Secretaries General.

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## Lessons from Japan

**At the annual UK CIPFA conference it was very interesting to learn about the Japanese recovery from Richard Koo, Chief Economist of Tokyo's Nomura Research.**

He warned delegates that current U.K. policies resemble the actions of the Japanese government, which caused its country already fragile economy to "fall off a cliff" in 1997! The Japanese strategy included; maintaining low interest rates, avoiding restructuring the banks, withdrawing fiscal stimulus early and forcing austerity during a balance sheet recession. On a more optimistic note, Japan Inc is now open for business, again.



Mickey Mouse and Homer, ok! But where are the Muppets?

## Examples of best practice or achievements?

**Mindful of the challenging economic climate, at the Branch AGM, it was decided that the Branch would use its offices to highlight best practice and achievements in the area of public finance in Ireland.**

It is important that the contribution of the branch members to the challenging financial environment is at least known not just to themselves alone. It is important that achievements are appreciated not just within the Branch, but to a wider audience with a view to highlighting it.

So I should be glad if you could send some summary information to the Branch PRO Maria Callinan. Please e-mail [maria@laoisenterprise.com](mailto:maria@laoisenterprise.com). Ideally, it would be cases in which CIPFA Branch members were directly involved, but if it was within your finance function, please pass it on to us.

## Branch Meeting – Portlaoise, June 2011

**On the 15<sup>th</sup> June, in Portlaoise there was a branch event with presentations by Maria Callinan, Portlaoise Enterprise Board and Fintan Moran, Dublin City Council. It was the first event outside Dublin and, while the attendance was modest, it was appreciated. Hats off to Maria Callinan who proposed and facilitated the event.**

### Role of the County Enterprise Board

Maria Callinan, Chief Executive of Laois County Enterprise Board outlined the role of the Board in promoting business, providing information and management support to start up businesses and those ready for expansion. Among the information learnt was that there is a range of methods to promote an enterprise culture such as school programmes, student enterprise awards, county enterprise week and national enterprise awards.

One could not be impressed by individuals who tread the singular path of setting up their own business. Another insight was the availability of supports provided by the Enterprise Board, Laois County Council, County Development Board and the local Chamber of Commerce. The advice to budding entrepreneurs is that you are not alone.

### Dublin City Council – driving change in a new environment

Fintan Moran, Head of Management Accounting, Dublin City Council presented on the challenges facing a large urban local authority and the major achievements during the last three years. During this period of economic contraction, the City Council's income had declined, yet core services were delivered. It was noted that total revenue income had been reduced in the region of 10% but that effective financial management approaches such as a Finance contingency plan in 2009 and DCC's Efficiency Review Group had ensure good financial stewardship.

A valuable insight learnt was the importance of pro-active reviews, planning and engaging with stakeholders in response to local needs and priorities. It was obvious that a range of financial skills has been applied constructively by the finance function and there were very important strategic and operational roles for accountants in contemporary times.



Nice to know it's not just us!

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