

Vote Accounting Officer Reporting Obligations

Financial Reporting Responsibilities

The role and responsibilities of Vote Accounting Officers are set out formally in Section A5 of the Department of Public Expenditure and Reform's 2012 *Public Financial Procedures* (PFP). A copy of the section is attached as Appendix A.

The Accounting Officer for a Vote is required to ensure that the annual Vote appropriation account

- properly presents the receipts and expenditure of the Vote
- is presented in the form and with the disclosures (or notes) specified in the annual Department of Public Expenditure and Reform appropriation account circular
- is presented before 1 April of the following year to the C&AG for audit
- is presented (and published) together with a signed Statement on Internal Financial Control (SIFC).

Annual Statement on Internal Financial Control

The requirement for Accounting Officers to present an annual SIFC arose from a recommendation contained in the 2002 *Report of the Working Group on the Accountability of Secretaries General and Accounting Officers* (the 'Mullarkey report'). The recommendation was that the SIFC should be a descriptive statement about the internal financial control system, broadly similar to the annual statement required of Chairpersons of State bodies under the *Code of Practice for the Governance of State Bodies*.

The Department of Public Expenditure and Reform has published a template guide for the Accounting Officer SIFC (copy at Appendix B). Since 2014 the appropriation account circular specifically requires that the SIFC outline any significant financial risks relevant to the Vote together with the control responses.

As part of the audit of an appropriation account, the C&AG audit team reviews the SIFC for consistency with other information of which the team is aware from the audit.

Requirements to Provide Information to the C&AG

The C&AG and his representatives have a statutory right to access documents and information required in the performance of the audit, and to direct the manner in which records and information should be presented for audit. The effect of these provisions is to ensure that any reasonable requests by the audit for information must be complied with and that information requested should be provided by the audited body in an orderly manner.

There is no formal requirement set out under PFP for an Accounting Officer to inform the C&AG in relation to a significant matter of concern, other than where there is a difference of opinion between the Accounting Officer and a Minister in relation to a financial matter. There is, however, an expectation and established practice that significant matters will be communicated to the audit at the earliest opportunity in order that the audit can assess the matter, identify if there are implications for the account and/or the SIFC, and decide whether a C&AG report on the matter is warranted.

Audit Communications

There is a process of formal communications between the audit team and the audited body over the course of the audit. This includes

- At the commencement of the audit, a **letter of understanding** issued to the Accounting Officer sets out the general requirements for the audit, including a request to the Accounting Officer to provide a formal declaration outlining any known cases of actual or suspected fraud.
- A detailed request for information is sent by the Senior Auditor (the manager of the audit) to the departmental Finance Officer, specifying the information considered necessary to complete the audit.
- At the end of the audit, the Senior Auditor seeks a signed **letter of representation** from the Accounting Officer on any matters which are material to the audit and where evidence cannot otherwise be substantiated. The letter includes a declaration by the Accounting Officer that the audit has been provided with all the accounting records and that all known instances of loss, fraud or irregularity have been disclosed.
- Following the audit, the Senior Audit issues a **management letter** to the Accounting Officer outlining any financial control weaknesses identified in the course of audit, with recommendations for actions.

The Senior Auditor will usually meet the Head of Internal Audit at the audit planning stage to identify any significant matters which may have a bearing on the audit, and to assess what level of assurance may be obtained from the work of the internal audit.

Each year, the Senior Auditor will usually report to and attend a meeting (in some cases, more than once) with the Audit Committee. This provides an opportunity for the Committee and the Senior Auditor to discuss the audit process and audit work undertaken, the results of the audit, and any concerns raised in the management letter or in any other way.

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ACCOUNTING OFFICERS

1. Dáil Éireann votes funds every year for Government Departments and Offices to spend on the provision of public services. After the end of the year, Departments and Offices in receipt of the Votes prepare an account of their expenditure and receipts, called the Appropriation Account. This Account must be signed by the Accounting Officer, usually the Secretary General or Head of the Department or Office in question, who is responsible for having the Account prepared and presented for audit to the Comptroller and Auditor General before 1 April of the year following that to which it relates. The Accounting Officer may then be called to appear before the Committee of Public Accounts (PAC) 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. The statutory duties of Accounting Officers in giving evidence to the Public Accounts Committee are set out in Section 19 of the Comptroller and Auditor General (Amendment) Act, 1993 (*see* Appendix 4 of this section).
2. Accounting Officers can be appointed in two ways:
 - (i) Secretaries General of Government Departments and Heads of most Offices that have a Vote are appointed under Section 22 of the **Exchequer and Audit Departments Act, 1866**, which empowers the Minister for Finance to appoint an Accounting Officer in respect of any body for which a Vote is included in the Annual Appropriation Act.
 - (ii) Heads (CEO, Director, Chairman, etc.) of some Offices that have a Vote are appointed to the position of Accounting Officer on foot of primary legislation, i.e. the legislation which established the

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Office specifies to whom the role of Accounting Officer is assigned, for the Vote of that Office.

Note: The legislation establishing some public bodies makes the CEO, Director, Chairman, etc. of the body accountable to the Committee of Public Accounts (PAC). This should not be confused with the position of an Accounting Officer. An Accounting Officer receives a Vote direct from the Exchequer and thus is required to produce an Appropriation Account. The CEO, Director, Chairman, etc. of certain bodies are accountable to the PAC on the basis that their annual accounts are audited by the Comptroller and Auditor General and laid before the Oireachtas, which is usually a requirement specified in the legislation establishing the body.

3. Each Accounting Officer is personally responsible for the safeguarding of public funds and property under his or her control; for the regularity and propriety of all the transactions in each Appropriation Account bearing his or her signature; and for the efficiency and economy of administration in his or her Department. The Civil Service head of the Department/Office administering the Vote is normally appointed Accounting Officer on the premise that he or she alone is in a position to discharge responsibility for the money entrusted to a Department/Office, for the use made of its resources and for control of the assets in its keeping, such as land, buildings, stores, equipment or other property. An Accounting Officer cannot delegate this responsibility to subordinate officers.
4. While Accounting Officers are not required to be, and generally are not, professional accountants and while they could not be expected to be familiar with the details of every financial transaction affecting their Votes, Accounting Officers should be satisfied that adequate arrangements exist

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within their Departments/Offices to ensure the correctness of all payments under their control and to ensure the prompt and efficient recovery and bringing to account of all due receipts connected with the Vote, or with any fund for which their Departments/Offices are responsible. Accounting Officers should also ensure that they have staff throughout their Department/Office who are appropriately trained in the management of public funds, including the requirements of Public Financial Procedures. In addition, the Accounting Officer must ensure that there are adequate financial management systems in place to support the proper administration of the Department's functions in an economic and efficient way.

5. Accounting Officers are required to supply a signed **Statement of Internal Financial Control (SIFC)** (*see* Appendix 5 of this section) to the Comptroller and Auditor General with the annual Appropriation Account.
6. An Accounting Officer is responsible for ensuring that Finance sanction for expenditure has been obtained and for the maintenance of a central record of both delegated and specific sanctions (*see* Section A4.9 – A4.16 on finance sanctions).
7. An Accounting Officer should ensure that all relevant financial considerations are taken fully into account, and, where necessary, brought to the attention of Ministers in relation to the preparation and implementation of policy proposals relating to expenditure or income for which he or she is Accounting Officer.
8. In accordance with Section 22 of the Exchequer and Audit Departments Act, 1866, as amended, an Accounting Officer must have the Appropriation Account prepared and

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presented to the Comptroller and Auditor General not later than 31st March of the year following that to which the account relates (*see* Section B1.2.11). In accordance with Section 19 of the Comptroller and Auditor General (Amendment) Act, 1993, the Accounting Officer must, when called upon, appear before the Committee of Public Accounts (PAC) to answer any questions arising from his or her responsibilities under that section. **In giving evidence to the PAC, the Accounting Officer may not express an opinion on the merits of any policy or on the merits of the objectives of such a policy.** If an Accounting Officer is unable, because of absence or incapacity, to sign an Appropriation Account before it is submitted to the Comptroller and Auditor General, the Department of Finance should be asked to appoint an interim Accounting Officer. An Accounting Officer should consult the Department of Finance on any point of doubt concerning his or her duties and responsibilities.

9. An Accounting Officer who is appointed during the course of a financial year and subsequently signs the Appropriation Account for the whole year thereby undertakes responsibility for the whole of the Account, subject to any reservations made on the face of the Account. The former Accounting Officer may be summoned to appear before the Committee of Public Accounts.
10. Where responsibility for a service has been transferred between Departments and an Appropriation Account in relation to the service for a year before the transfer took place falls to be examined by the PAC, it is usual for the Accounting Officer who currently has the responsibility for the service to appear before the PAC. However, the person who signed the accounts remains answerable and may be called before the PAC.

Difference of opinion between Accounting Officer and Minister

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

Internal Audit

12. Internal audit is defined by the Institute of Internal Auditors UK and Ireland as follows:

‘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.’

As a consequence, internal audit offers a service to management and, in particular, to Accounting Officers.

13. While offering a service to management, **internal audit is not an extension of, or substitute for, line management, who remain fully responsible for having appropriate and adequate internal controls.** Internal auditors should not design, implement or operate control systems, although they may be asked for their views at the time of implementation.

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14. The role of internal audit is to determine whether the systems, procedures and controls that management operate are being complied with and are adequate. It is a systems-based approach and should encompass all aspects of a Department's functions and responsibility.
15. Departments/Offices should have either (a) a fully functioning, adequately resourced **internal audit unit** (capable of undertaking broad audit coverage of the organisation), with staff who are appropriately trained, preferably to an appropriate professional standard; or (b) where the size or risk does not warrant a separate unit, access to such a unit through a joint venture or client arrangement with another Department, or some other appropriate arrangement.
16. The internal audit function must operate freely and objectively. This requires the full support of management, a sufficient organisational status for the function and execution by the internal audit unit of work in a manner which is, and is perceived to be, objective and professional. It is preferable that the internal audit function is located outside the Finance/Accounts area and that the reporting relationship does not involve officers with responsibility for the Finance/Accounts area. Internal audit units, including the head of Internal Audit should have sufficient status and access within their organisation to promote the unit's independence and to ensure that their recommendations can be followed up.
17. Each Accounting Officer should 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. Each Audit Committee should operate under a written charter and should include external representation with appropriate expertise. The Chairperson of the Audit

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Committee should be external to the Department/Office. The Audit Committee should prepare an annual report to the Accounting Officer, reviewing its operations, and should invite the Comptroller and Auditor General, or his nominee, to meet with it at least once a year.

18. The guidelines relating to the standards to be followed are outlined in the Department of Finance's publication *Internal Audit Standards* available from Government Accounting Unit, Department of Finance. Internal audit is also covered in Sections 3.6–3.14 of the December 2003 Department of Finance Memorandum for Accounting Officers – The Role and Responsibilities of Accounting Officers. Departments may also refer as appropriate to the standards and guidelines issued by the Institute of Internal Auditors (IIA) – UK & Ireland and other appropriate professional bodies.
19. **Monitoring by Departments of bodies under their aegis**
Many Departments have responsibility for a number of bodies that come under their aegis. Departments will be involved in holding such bodies to account on behalf of their Minister. This will include evaluating the bodies' budgets against those set down by their Minister and plans (including corporate plans), as well as in monitoring their performance in meeting objectives and targets (including financial targets) and, where appropriate, returns on the State's investment set by legislation or by Ministers. Accounting Officers should satisfy themselves that the monitoring systems and procedures in place are adequate and if reports indicate that a problem has emerged, that appropriate corrective action is taken by the body as soon as possible. A guide to the management of State bodies was published by the Department of Finance in 2001, entitled the Code of Practice for the Governance of State Bodies.

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- 20.** As a general principle, Accounting Officers should satisfy themselves in relation to all bodies under their aegis in receipt of public funds that the requirements of the Code of Practice are being implemented and, if reports indicate that a problem has emerged, that appropriate corrective action is taken by the body as soon as possible.

Statement on Internal Financial Control

Responsibility for System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Department/Office. This responsibility is exercised in the context of the resources available to me and my other obligations as Secretary General/Head of Office. Also, any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under ongoing review.

The position in regard to the financial control environment, the framework of administrative procedures, management reporting and internal audit is as follows:

Financial Control Environment

I confirm that a control environment containing the following elements is in place:

- financial responsibilities have been assigned at management level with corresponding accountability,
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned,
- formal procedures have been established for reporting significant control failures and ensuring appropriate corrective action,
- there is an Audit Committee to advise me in discharging my responsibilities for the internal financial control system.

Administrative Controls and Management Reporting

I confirm that a framework of administrative procedures and regular management reporting is in place including segregation of duties and a system of delegation and accountability and, in particular, that:

- there is an appropriate budgeting system with an annual budget which is kept under review by senior management,
- there are regular reviews by senior management of periodic and annual financial reports which indicate financial performance against forecasts,
- a risk management system operates within the Department/Office,
- there are systems aimed at ensuring the security of the ICT systems,
- there are appropriate capital investment control guidelines and formal project management disciplines,

The Department is compliant with all relevant guidelines regarding procurement and is complying with all circulars relating to the mandatory use of framework agreements and contracts².

Internal Audit

I confirm that the Department/Office has an internal audit function with appropriately trained personnel, which operates in accordance with a written charter which I have approved. Its work is informed by analysis of the financial risks to which the Department/Office is exposed and its annual internal audit plans, approved by me, are based on this analysis. These plans aim to cover the key controls on a rolling basis over a reasonable period. The internal audit function is reviewed periodically by me and by the Audit Committee. I have put procedures in place to ensure that the reports of the internal audit function are followed up.

Accounting Officer
Department of Illustrative
Purposes
March 2014

² Any exceptions to this statement should be indicated here. Suggested format: "with the exception of X contracts to the value of €X". Details should be provided as to why the contracts were not in compliance and the steps being taken to remedy the situation. It should also be noted whether these contracts were included on the 40/02 return.