Department of Employment Affairs & Social Protection

Internal Audit Unit Charter

1. Department's Policy

It is the policy of the Department of Employment Affairs & Social Protection ("the Department") to have and support a quality Internal Audit Unit (IAU) which serves and adds value to the Department. The IAU conducts its activities in accordance with the Code of Ethics and Standards of Professional Practice of the Institute of Internal Auditors – UK & Ireland and in accordance with the Internal Audit Standards and Guidelines of the Department of Public Expenditure & Reform.

2. Definition and Role

Internal auditing is an independent, objective assurance using 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.

The IAU's role is, as an integral part of the Department's overall business control, risk management and governance environment to assist in the achievement of Departmental goals and objectives, by providing a comprehensive and independent auditing appraisal and advisory service to Management.

The IAU is also the Audit Authority (AA) for the Fund for European Aid to the Most Deprived (FEAD) Operational Programme 2014-2020. It's role in relation to this is to:

- ensure that Ireland complies with the regulatory requirements of the European Union in relation to the audit of FEAD
- promote best practice in the management, control and audit of FEAD in Ireland

3. Scope and Access

The scope of the IAU includes all aspects of the Department's functions and responsibilities, including those Bodies under its aegis which do not have their own internal audit function.

Whilst all aspects of the Department's activities are within its ambit, the IAU is particularly committed to appraising those activities pertaining to its systems of business control, to quality of performance and to business risk.

In the course of their duties, IAU staff are allowed full and unrestricted access to all Departmental personnel, records, documents, information, property and assets for audit purposes.

In relation to the FEAD programme, the IAU as AA is empowered to audit all systems and activities within the Department's Certifying and Managing Authorities, Partner Organisations and Beneficiaries as provided for in the relevant regulations.

4. Duties & Responsibilities of the Internal Audit Unit

The duties and responsibilities are to evaluate, appraise and contribute to the Department's continuous assessment and improvement of its business control, risk management and governance systems and processes.

In doing so, the IAU'S responsibilities include providing advice, assurance and assistance in relation to the Department's operational, financial, compliance and IS processes regarding:

- The reliability and integrity of operational and management information;
- The economy, effectiveness and efficiency of operations;
- The safeguarding of assets;
- The achievement of Departmental objectives and statement of strategy
- The compliance with laws, regulations and contracts.
- Reviews in proposals to award a contract over €25,000 + VAT without a tender process

In relation to FEAD, the IAU as AA will carry out the functions of the AA as outlined in Article 34, sections 1-8, of Regulation (EU) No 223/2014 (FEAD) and will undertake the role of the independent audit body to assess the Managing and Certifying Authorities of FEAD as outlined in Article 35, section 2, of Regulation (EU) No 223/2014 (FEAD).

The responsibilities are summarised as

- ensuring that audits are carried out to verify the effective functioning of the management and control system of the Operational Programme;

- ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;

- having an up-to-date and documented audit strategy in relation to FEAD;

- providing annual control reports and audit opinions to the Commission;

- ensuring that audit work takes account of internationally accepted audit standards;

- Assessment of the Managing and Certifying Authorities of FEAD for the purposes of determining their fulfilment of the criteria relating to the internal control environment, risk management & control activities and monitoring. The IAU/AA will provide a report and opinion to the member state which will form the basis of the designation of the MA and CA for FEAD.

5. Authority and Reporting

The IAU/AA derives its authority from the Secretary-General, to whom the Head of Internal Audit (HIA) has the right of direct access.

The HIA reports quarterly, or otherwise as requested, to the Audit Committee. On administration matters, the HIA reports to an Assistant Secretary.

Audit observations and recommendations are communicated to Management in an expeditious manner. This usually takes the form of a written report.

The circulation list for IAU/AA Reports varies depending on the type and scope of the audit. In addition to the line management of the area audited, copies of all reports are forwarded to the Secretary-General and to the C&AG. In the case of FEAD, audit reports and opinions are also sent to the EU Commission.

The contents of audit reports are the responsibility of the IAU/AA and should not be subject to any external restrictions or impositions.

Audit reviews are carried out where it is deemed appropriate by the IAU/AA to ascertain if recommendations have been implemented in accordance with commitments given by management in its audit response.

6. Independence and Objectivity

Internal auditors must be independent of the activities they audit. They must not lessen their judgement to that of other people or be otherwise influenced by outside factors. They should not be put in a position which might compromise the quality of their work and the endeavour to ensure good governance.

The IAU/AA achieves this through its independence and professional objectivity, which enables it to give an impartial and unbiased judgement essential to the proper conduct of its work.

The IAU as AA for FEAD shall be independent of the activities that it audits. It will have sole responsibility for the planning and selection of expenditure and/or projects to be audited and the manner in which the audits are conducted. It may, if deemed appropriate by the HIA and the Audit Committee, advise on financial control and audit issues or review systems under development without prejudicing its right to subsequently audit such systems.

In conducting its work, the IAU/AA shall not subordinate its judgement to that of other people, or be otherwise influenced by outside factors.

In this regard, the following issues are worthy of specific mention:

(A) Responsibility for Business/Internal Control Systems

The line Management of the Department has primary responsibility for the establishment and maintenance of the Department's business/internal control systems. The IAU/AA's role is to appraise and assess the adequacy of the existing business control systems and to make recommendations to Management on where enhancement is desirable and how it might be achieved. It is Management's responsibility to evaluate these recommendations and to initiate any changes that are deemed appropriate to improve internal controls.

(B) IAU role in Systems under Development, etc.

The IAU/AA may act in an advisory capacity on Projects and in other ways to provide assurance that full consideration is given to building adequate controls into new systems and schemes at design stage.

Members of the IAU/AA should not specifically design, implement or operate control systems. In providing its advice, it should be recognised that the IAU/AA does not forego its right to recommend enhancements to the systems following implementation.

(C) Fraud

Management has primary responsibility for the prevention, deterrence and detection of fraud and other illegal acts. The IAU/AA should always have regard to the possibility of such misconduct and should seek to identify serious defects in internal control systems and procedures which might permit the occurrence of such an event.

Should the IAU/AA discover firm evidence or strongly suspect wrongdoing, it will immediately bring the matter to the attention of the appropriate level of management responsibility to determine what further action to take. If asked to participate in any such further action in an advisory capacity, the IAU/AA will (resources permitting) be willing to do so. Under the Departments Internal Fraud Policy, any suspicions of internal fraud should be reported to Internal Audit

(D) Non-Audit Work

In general, Internal Auditors should not have operational responsibilities outside audit. If the IAU performs non-audit work, it should be clearly understood that it is working separately from its audit role. Particular members of the IAU/AA should not be involved in any audit of any areas for which they had responsibility unless a reasonable time has elapsed since their leaving that area of work.

7. Quality assurance and improvement programme

The Internal Audit unit maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. This programme includes an evaluation of the IAU's activities to ensure conformance with the IIA standards and with the Internal Audit Charter. Such an evaluation consists of internal assessments, ongoing and periodic, and an external assessment every five years, The HIA provides a report on the outcome of these assessments to the Secretary General (Accounting Officer) and the Audit Committee together with an action plan, where required, to address any significant recommendations

John McKeon, *Secretary-General,* *Department of Employment Affairs & Social Protection.*	Noel O'Connell, *Chairman,* *Audit Committee.*	Seamus Quinn, *Head of Internal Audit* *Dept. Employment Affairs & Social Protection.*

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