

Code of Practice for the Governance of State Bodies

Business and Financial Reporting Requirements

August 2016

Contents

Introduction	2
<hr/>	
1 Business and Financial Reporting Requirements	3
Annual Report and Financial Statements	4
Additional Reporting Requirements (Chairperson’s Comprehensive Report to the Minister)	8
Glossary	10

Appendices

Appendix A – Annual Report	11
Appendix B – Financial Statements	13
Appendix C – Chairperson’s Comprehensive Report to the Minister	15
Appendix D – Statement on System of Internal Controls in a State Body	17

Business and Financial Reporting Requirements

Introduction

The purpose of this document is to set out the business and financial reporting requirements to be observed by State bodies under the *Code of Practice for the Governance of State Bodies*.

This document provides details of reporting requirements for State bodies in (a) the annual report, (b) the financial statements, and (c) the Chairperson's comprehensive report to the relevant Minister.

This document has been developed by Government Accounting Unit, Department of Public Expenditure and Reform. For further information, please contact:

Government Accounting Unit
Department of Public Expenditure and Reform
Government Buildings
Upper Merrion Street
Dublin 2
D02 R583
Email: govacc@per.gov.ie

Business and Financial Reporting Requirements

Principles

Taking account of public accountability and the special considerations which attach to State bodies in relation to their management and operation, the annual report and financial statements, taken as a whole, should be fair, balanced and understandable and provide the information necessary for an assessment of the State body's financial position, financial performance, business model and strategy.¹

A fundamental duty of the Board is to ensure that a balanced, true and fair view of the State body's financial performance and financial position is made when preparing the annual report and financial statements of the State body and when submitting these to the relevant Minister.

The Board should ensure that timely and accurate disclosure is made to the relevant Minister on all material matters regarding the State body, including the business context, financial performance and position, and governance of the State body.²

Code Provisions

The publication of an annual report and audited financial statements is a primary expression of public accountability for State bodies. The objective of financial statements is to provide information about the financial performance, position and cash flows of the State body that is useful for economic decision-making for a broad range of stakeholders.³

The Board of a State body is required to arrange for the preparation of the financial statements in respect of each financial year. The annual financial statements are prepared from the information contained in the State bodies accounting records and other relevant information and in accordance with the accounting standards applicable to the State body.

The Board must present financial statements of a State body that give a true and fair view of the income, expenditure (financial performance), assets, liabilities and capital (financial position) of the State body as at the financial year end.

Reference to financial statements giving a "*true and fair view*" means in the case of an entity and group financial statements, that the financial statements present fairly the income and expenses (financial performance), assets, liabilities and capital (financial position), and cash flows of the State body or group concerned.

In order for a set of financial statements to give a true and fair view they should⁴:

- comply with the accounting standards applicable to the State body;
- incorporate judgment as to valuation, disclosure, and materiality that aim to give a true and fair view;

¹ Adapted from the Financial Reporting Council's "UK Corporate Governance Code" (2016) page 16

² Adapted from "G20/OECD Principles of Corporate Governance" (OECD, September 2015) page 41

³ Adapted from "FRS 102" (Financial Reporting Council, September 2015) page 28

⁴ Adapted from the "The Principal Duties and Powers of Company Directors under the Companies Act" (ODCE, 2015)

- be prudent in the consideration of matters of judgment in the financial statements, especially where there is uncertainty; and
- ensure that the financial statements reflect the commercial substance of transactions, and not just their legal form.

The Board is required to arrange for the financial statements to be audited by an independent auditor. The external audit of non-commercial State bodies is carried out by the Comptroller and Auditor General.

An audit is an independent examination of the financial statements. The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. Having conducted an examination of the financial statements, the auditor is required to report to the Board of the State body. In that report, the auditor is required to form an opinion on a number of matters including, for example whether the financial statements give a true and fair view and whether the financial statements are in agreement with the underlying accounting records.

The annual report, comprising the financial statements and commentary thereon, is a comprehensive report of the State body's activities throughout the preceding year. Annual reports are intended to give stakeholders information regarding the State body's activities and financial performance.

Each Government Department should lay the annual report and audited financial statements of State bodies under its aegis before the Houses of the Oireachtas within two months of such accounts being received by the Department, together with any report of the Comptroller and Auditor General on the financial statements.

Where a Department must first present the annual report and financial statements to the Government, this should be done at the earliest opportunity. In such cases Departments must in any event lay the financial statements of the State body before the Houses of the Oireachtas within three months of being received by the Department, as set out in the [Department of Public Expenditure and Reform Circular 7/2015 - Timely Production and Submission of Accounts of Bodies and Funds audited by the Comptroller and Auditor General and the Laying before the Houses of the Oireachtas Special Reports of the Comptroller and Auditor General](#).

The Chairperson of a State body is required to submit a comprehensive report to the relevant Minister in accordance with the specific reporting requirements set out in paragraph 1.9 of *Code of Practice for the Governance of State Bodies – Business and Financial Reporting Requirements*. The Chairpersons comprehensive report to the Minister is a confidential letter from the Chairperson of the Board to the Minister of the parent Department. It includes items such as affirmation that Government policy is being complied with, significant post balance sheet events, a statement on the system of internal control and an outline of all commercially significant developments affecting the State body in the preceding year.

Annual Reports and Financial Statements

1.1 Audited Financial Statements: All State bodies are required to publish audited financial statements. As set out above the financial statements of a State body are a formal record of the financial performance and financial position of the State body. Depending on the requirements set out in the governing legislation establishing the State body, some entities produce financial statements and an annual report while others only produce financial statements.

1.2 Preparation of Annual Report and Financial Statements: The Board of a State body is responsible for the preparation of the annual report and financial statements in accordance with relevant accounting standards. The Board is required to:

- ensure consistent application of accounting policies;
- make judgements and estimates that are reasonable and prudent; and
- ensure the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the entity will continue in existence for the foreseeable future.

Financial statements should be subject to external audit before inclusion in a State body's annual report. It is important that every effort is made not to delay the presentation of the financial statements before the Houses of the Oireachtas while completing other elements of the annual report.

1.3 Annual Report and Financial Statements: In addition to disclosure requirements of the State body's governing legislation, applicable accounting standards and other regulations applying to the State body, specific elements to be disclosed in the annual report and financial statements include:

- A Statement of how the Board operates, including a statement of types of decisions to be taken by the Board and which are to be delegated to management.⁵
- The names of the Chairperson, the deputy Chairperson (if any), the Chief Executive Officer (CEO) and members of the Board and Board committees.
- Termination/Severance Payments and Agreements – “The financial statements should disclose details of payments and agreements with an aggregate value in excess of €10,000 made in the reporting period. This includes severance/ termination payments, granting of added years for pension purposes or early retirement without normal actuarial reductions. The value of the latter can be determined in accordance with guidance to be issued by the Department of Public Expenditure and Reform from time to time. Given the policy underlying the Freedom of Information Acts, in concluding settlements a State body should not enter into confidentiality agreements which preclude it from disclosing details of the settlement reached in the financial statements, save in exceptional circumstances and on foot of legal advice that they are necessary in the circumstances of the case. When, in those circumstances, confidentiality agreements are entered into, parties to the agreements should be given prior notice that they may be subject to disclosure in any case where an overriding public interest is identified or when required by law.
- Travel and Subsistence - The financial statements should disclose the total costs incurred in relation to travel and subsistence for the entity analysed between national and international travel.
- Hospitality Expenditure - The financial statements should disclose the aggregate total expenditure incurred in relation to hospitality in the period. (This includes Christmas parties, retirement parties, expenditure on staff wellbeing, contribution to sports and social clubs, One4all vouchers, retirement/leaving gifts, flowers, etc.)

⁵ Taken from the Financial Reporting Council's "UK Corporate Governance Code" (2016) page 7

- Legal Costs/Settlements – in cases where cumulative legal costs incurred in the year of account exceed €50,000, a note should be included in the financial statements with a breakdown of the total costs as between legal fees and compensation paid.

1.4 Reporting Requirements: Reporting requirements should be adhered to as follows:

It is important to note that parent Departments may choose to seek additional financial information at more frequent intervals than those outlined below.

- i) **Interim Unaudited Financial Statements:** Each commercial State body should furnish to its parent Department and, where appropriate, the Department of Public Expenditure and Reform and NewERA⁶ not later than the end of the eighth month of the financial year, interim unaudited financial statements for the first half of that year.
- ii) **Draft Unaudited Financial Statements:** Draft unaudited financial statements⁷ for each State body should be furnished to its parent Department and, where appropriate, the Department of Public Expenditure and Reform and NewERA not later than two months after the end of the relevant financial year.
- iii) **Publication of Annual Report and Financial Statements:** Each commercial State body should publish (or where publication is not required, submit to the Government) its annual report and/or financial statements not later than four months after the end of the relevant financial year. In the case of non-commercial State bodies, this should be done not later than one month following completion of the audit of the financial statements of the said body by the Comptroller and Auditor General and six months from the end of that body's financial year end (whichever is the earlier).
- iv) **Board Fees:** In the interests of transparency and good governance, State bodies are required to publish in their annual report and/or financial statement details of non-salary-related fees paid in respect of Board members analysed by category of fees, and the salary of the CEO.
- v) **Board Meetings and Attendance:** The number of meetings of the Board and its committees and the attendance of each Board member at Board meetings should be reported in the annual report.
- vi) **Disclosure of Key Management Personnel Compensation:** State bodies should disclose in their annual report and/or financial statements aggregate details of the compensation of their key management analysed by the following categories:
 - (a) Salaries and short term employee benefits;
 - (b) Post-employment benefits; and
 - (c) Termination benefits;

An entity shall also disclose key management personnel compensation in total. *Compensation includes all employee benefits.*

⁶ This applies in the case of entities designated under the NTMA (Amendment) Act 2014

⁷ Draft unaudited financial statements refer to draft financial statements and notes thereon (in accordance with applicable accounting standards) and not management accounts.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Board members (whether executive or otherwise) of that entity.

Key management personnel will vary across State bodies. However, it should include, at a minimum, the CEO, Board members and the top layer of management reporting to the CEO.

The following arrangements should also apply:

- a) State bodies should disclose in their financial statements the aggregate amount of total compensation paid to employees including employee numbers in whole time equivalent format.
- b) The aggregate total compensation paid to employees should be split between salary, overtime and allowances.
- c) A separate note on CEO salary and benefits (and termination payment if relevant) should also be included.
- d) A separate note on termination benefits to all staff should be included. CEO termination benefits should be kept separate, as set out above.

vii) Commercial State Bodies: In addition to disclosing the aggregate pay bill and total number of employees, State bodies should publish details of the number of employees whose total employee benefits (excluding employer pension costs) for the reporting period fell within each band of €25,000 from €50,000 upwards and an overall figure for total employer pension contributions in their annual report and/or financial statements.

viii) Non-commercial State Bodies: In addition to disclosing the aggregate pay bill and total number of employees, non-commercial State bodies should publish details of the number of employees whose total employee benefits (excluding employer pension costs) for the reporting period fell within each pay band of €10,000 from €60,000 upwards and an overall figure for total employer pension contributions in their annual report and/or financial statements.

ix) Pension Liabilities: The standard conventions setting out how public service superannuation liabilities are reflected should be followed in all cases.

1.5 Consultancy Costs: State bodies should disclose details of expenditure on external consultancy/adviser fees in their annual report and/or financial statements for each accounting year for each entity.

For this purpose consultancy fees mean fees paid to external parties providing advisory services of any nature. Such fees should be itemised by category as stated below or as the State body considers appropriate having regard inter alia to its size and competitive position and to the extent to which information is already disclosed:

- Legal (legal fees across all areas to be included here e.g. for pension, HR etc.);
- Tax and financial advisory (e.g. due diligence, accounting, corporate finance);
- Public relations/marketing; and
- Pensions and human resources; and
- Other.

Note that financial advisory excludes what is currently required to be disclosed in respect of fees paid to the auditors.

In procuring the services of external consultants, State bodies should comply with all applicable laws and Code guidelines regarding competitive tendering.

- 1.6 Statement on Internal Control:** The Chairperson’s report to the relevant Minister regarding the system of internal control (paragraph 1.9(iv)) should be included in the annual report of the State body. This statement should be reviewed by the external auditors to confirm that it reflects the audited State body’s compliance with the requirements of paragraph 1.9(iv) and is consistent with the information of which they are aware from their audit work on the financial statements. The external auditors should include their report on this matter in their audit report on the financial statements.
- 1.7 Deadlines:** Where the audit has been unavoidably delayed and fulfilling the requirements in paragraphs 1.4(ii) and (iii) would cause unjustifiable difficulties for State bodies, the relevant deadline can be extended, subject to the consent of the relevant Minister.
- 1.8 Web Publication:** Annual reports should be published on the website of the State body.

Additional Reporting Requirements (Chairperson’s Comprehensive Report to the Minister)

- 1.9 Chairpersons Comprehensive Report to Relevant Minister:** The Chairperson of each State body must furnish to the relevant Minister and, where appropriate, NewERA⁸ in conjunction with the annual report and financial statements of the State body, a comprehensive report covering the State body, or where appropriate the Group:
- i)** outlining all commercially significant developments affecting the State body in the preceding year, including the establishment of subsidiaries or joint ventures and share acquisitions, and major issues likely to arise in the short to medium term;
 - ii)** providing summary details of all off-balance sheet financial transactions⁹ of the State body that are not disclosed in the annual report and financial statements of the State body, including information on the nature, purpose and financial impact of the off-balance sheet financial transactions. The contents and format of this section of the report should be agreed in advance with the relevant Minister/designated Departmental officials;
 - iii)** affirming that all appropriate procedures for financial reporting, internal audit, travel, procurement and asset disposals are being carried out;
 - iv)** including a statement on the system of internal control in the format set out in [Appendix D](#) and including, in cases where a breach of this system has been identified, an outline of the steps that will be taken to guard against such a breach occurring in future;

⁸ This applies in the case of entities designated under the NTMA (Amendment) Act 2014

⁹ As a guide, off-balance sheet transactions are arrangements that give rise, or may give rise, to an asset or liability in excess of €10m, or 2% of the total assets of the company, whichever is the smaller that is not recognised on the State body’s own balance sheet (or the State body’s consolidated group balance sheet), including, for example, leases, letters of credit, guarantees, derivatives, sale of receivables, debt or debt-like instruments of non-consolidated equity interests or joint ventures.

- v) affirming that Codes of Conduct for the Board and employees have been put in place and adhered to;
- vi) affirming that Government policy on the pay of CEOs and all State body employees is being complied with;
- vii) affirming that Government guidelines on the payment of Board members' fees are being complied with;
- viii) explaining failure to comply with any of the above and stating any corrective action taken or contemplated;
- ix) outlining significant post balance sheet events;
- x) confirming that the appropriate requirements of the Department of Public Expenditure and Reform Public Spending Code are being complied with;
- xi) confirming that procedures are in place for the making of protected disclosures in accordance with section 21(1) of the Protected Disclosures Act 2014 and confirmation that the annual report required under section 22(1) of the Act has been published;
- xii) confirming that Government travel policy requirements are being complied with in all respects;
- xiii) confirming that the State body has complied with its obligations under tax law;
- xiv) providing details of/information on legal disputes involving other State bodies;
- xv) confirming that this Code has been adopted and the extent to which the State body is in compliance with the Code; and
- xvi) stating that any subsidiary of the State body (or subsidiary thereof) continues to operate solely for the purpose of which it was established, remains and continues to remain in full compliance with the terms and conditions of the consent under which it was established.

1.10 Commercially Sensitive Developments: Along with the unaudited six-monthly financial statements, the Chairperson should also provide an interim report to the relevant Minister and, where appropriate, NewERA on significant commercially sensitive developments in the preceding six months and likely developments for the rest of the year.

1.11 Subsidiary Reporting: The Chairperson of the Board of each subsidiary should formally report to the main Board in a similar manner as the main Board Chairperson reports to the relevant Minister. This report should be received prior to the main Board reporting.

Reporting requirements for State bodies required under (a) the annual report, (b) the financial statements, and (c) the Chairperson's comprehensive report to the relevant Minister are set out in tabular format in Appendices A, B and C.

Appendix A:	Annual Report
Appendix B:	Financial Statements
Appendix C:	Chairperson's Comprehensive Report to the Minister
Appendix D:	Statement on System of Internal Controls in a State Body

Glossary

For the purpose of this Code, the terms below shall have the following meaning:

- **Accounting Officer** – the Comptroller and Auditor General (Amendment) Act, 1993 defines an Accounting Officer as “an officer referred to in section 22 of the [Exchequer and Audit Department’s Act of 1866] to whom the duty of preparing the appropriation accounts of a Department is assigned under that section”.
- **Annual Report** – A report detailing the State body’s activities and financial performance during the preceding year. It includes the financial statements and may generally also include reports from those charged with governance (for example, the Chairperson of the Board), a review of the State body’s strategy and performance, information on risk management and governance, alongside other information for stakeholders.
- **CEO** – Chief Executive Officer.
- **Chairperson’s Comprehensive Report to the Minister** – A confidential letter from the Chairperson of the Board of a State body to the Minister of the parent Department.
- **Financial Statements** – A formal record of the financial activities and position of the State body for the previous financial year, including disclosures, intended to communicate the State body’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework.
- **Joint Venture** – A joint venture is a business entity created by two or more parties, generally characterised by shared ownership, shared returns and risks, and shared governance.
- **NewERA** – New Economy and Recovery Authority
- **ODCE** – Office of the Director of Corporate Enforcement.
- **OECD** – Organisation for Economic Co-operation and Development.
- **Parent Department** – The Department under whose aegis the State body lies.
- **State Body** – See page 11 of the Code of Practice.
- **Subsidiary** – A subsidiary is a company that is controlled by the holding or parent company – often indicated by holdings of more than 50% of the voting share capital of the company. A wholly owned subsidiary is 100% owned by a holding or parent company.

Reporting requirements for the Annual Report include the following:

1. Each State body should note the agreement reached with its parent Department in its annual report regarding their level of compliance with this Code. This should explain whether certain requirements are to be phased-in over a longer period of time, or otherwise varied in some way. **(Compliance Requirements)**
2. The Board of each State body should approve an annual plan and/or budget and should formally undertake an evaluation of actual performance by reference to the plan and/or budget on an annual basis and reflect this, as appropriate, in the annual report. **(1.19 –Code of Practice)**
3. It must be stated in the annual report that the Board are responsible for preparing the annual report and financial statements¹⁰ and whether they consider the financial statements to be a true and fair view of the State body’s financial performance and its financial position at the end of the year. **(1.20 – Code of Practice)**
4. The Board should state in the annual report and financial statements how the performance evaluation of the Board and its committees has been conducted. An external evaluation proportionate to the size and requirements of the State body should be carried out at least every 3 years. **(4.6 – Code of Practice)**
5. The annual report should include a statement of how the Board operates, including a high level statement of which types of decisions to be taken by the Board and which are to be delegated to management. **(4.7 – Code of Practice)**
6. The Audit and Risk Committee should meet at least four times a year and invite outsiders with relevant experience to attend meetings if necessary. In the event that four meetings is not considered necessary the Chairperson of the State body should make a statement in the annual report of the State body that the he/she is satisfied that the Audit and Risk Committee discharged its role with fewer than four meetings in a year. **(1.13 – Audit and Risk Committee Requirements)**
7. The names of the Chairperson, the deputy Chairperson (if any), the CEO and members of the Board and its committees. **(1.3 – Business and Financial Reporting Requirements Document)**
8. The number of meetings of the Board and its committees and the attendance of each Board member at Board meetings should be reported in the annual report. **(1.4(v) – Business and Financial Reporting Requirements Document)**
9. Each commercial State body should publish (or where publication is not required, submit to the Government) its annual report and financial statements not later than four months after the end of the relevant financial year. In the case of non-commercial State bodies, this should be done not later than one month following completion of the audit of the financial statements of the said body by the Comptroller and Auditor General and six months from the end of that body’s financial year end (whichever is the earlier). **(1.4(iii) – Business and Financial Reporting Requirements Document)**
10. Confirmation that the Board has carried out an appropriate assessment of the State body’s principal risks, including a description of these risks, where appropriate and associated mitigation measures or strategies. **(7.2 – Code of Practice)**
11. The Chairperson of each State body should confirm in the annual report that the organisation is adhering to the relevant aspects of the Public Spending Code. **(8.25 – Code of Practice)**

¹⁰ Apart from the case of a statutory body with responsibility for “Voted” funds, in which case the preparation of the annual Appropriation Account is the responsibility of the Accounting Officer.

12. The Chairperson's report to the relevant Minister regarding the system of internal control (**paragraph 1.9(iv) – Business and Financial Reporting Requirements Document**) should be included in the annual report of the State body. This statement should be reviewed by the external auditors to confirm that it reflects the audited body's compliance with the requirements of paragraph **1.9(iv)** and is consistent with the information of which they are aware from their audit work on the financial statements. The external auditors should include their report on this matter in their audit report on the financial statements. (**1.6 – Business and Financial Reporting Requirements Document**)

Reporting requirements for the Financial Statements include the following:

Note: Parent Departments may choose to seek additional financial information at more frequent intervals than those outlined here.

1.	Each commercial State body should furnish to the parent Department and, where appropriate, the Department of Public Expenditure and Reform and NewERA ¹¹ not later than the end of the eighth month of the financial year, interim unaudited financial statements for the first half of that year. (1.4(i) - Business and Financial Reporting Requirements Document)
2.	Draft unaudited annual financial statements ¹² for each State body should be furnished to its parent Department and, where appropriate, the Department of Public Expenditure and Reform and NewERA not later than two months after the end of the relevant financial year. (1.4(ii) - Business and Financial Reporting Requirements Document)
3.	Each commercial State body should publish (or where publication is not required, submit to the Government) its annual report and/or financial statements not later than four months after the end of the relevant financial year. In the case of non-commercial State bodies, this should be done not later than one month following completion of the audit of the financial statements of the said body by the Comptroller and Auditor General and six months from the end of that body's financial year end (whichever is the earlier). (1.4(iii) – Business and Financial Reporting Requirements Document)
4.	In the interests of transparency and good governance, State bodies are required to publish in their annual report and/or financial statements details of non-salary-related fees paid in respect of Board members analysed by category, and the salary of the CEO. (1.4(iv) – Business and Financial Reporting Requirements Document)
5.	State bodies should disclose details of expenditure on external consultancy/adviser fees in their annual report and/or financial statements for each accounting year for any given entity. For this purpose consultancy fees mean fees paid to external parties providing advisory services of any nature. Such fees should be itemised by category as stated below or as the State body considers appropriate having regard inter alia to its size and competitive position and to the extent to which information is already disclosed: <ul style="list-style-type: none"> ▪ Legal (legal fees across all areas to be included here e.g. for pension, HR etc.); ▪ Tax and financial advisory (e.g. due diligence, accounting, corporate finance); ▪ Public relations/marketing; ▪ Pensions and human resources; and ▪ Other. (1.5 - Business and Financial Reporting Requirements Document)
6.	Commercial State Bodies: In addition to disclosing the aggregate pay bill and total number of employees, State bodies should publish details of the number of employees whose total employee benefits (excluding employer pension costs) for the reporting period fell within each band of €25,000 from €50,000 upwards and an overall figure for total employer pension contributions in their annual report and/or financial statements. (1.4(vii) – Business and Financial Reporting Requirements Document)

¹¹ This applies in the case of entities designated under the NTMA (Amendment) Act 2014

¹² Draft unaudited financial statements refer to draft financial statements and notes thereon (in accordance with applicable accounting standards) and not management accounts.

<p>7. Non-commercial State Bodies: In addition to disclosing the aggregate pay bill and total number of employees, non-commercial State bodies should publish details of the number of employees whose total employee benefits (excluding employer pension costs) for the reporting period fell within each pay band of €10,000 from €60,000 upwards and an overall figure for total employer pension contributions in their annual report and/or financial statements. (1.4(viii) – Business and Financial Reporting Requirements Document)</p>
<p>8. State bodies should disclose in their annual report and/or financial statements aggregate details of the compensation of their key management level broken down by the following categories:</p> <ul style="list-style-type: none"> a) Salaries and short term employee benefits; b) Post-employment benefits; and c) Termination benefits. <p>An entity shall also disclose key management personnel compensation in total. (1.4(vi) – Business and Financial Reporting Requirements Document)</p>
<p>9. Termination/severance payments and agreements - The financial statements should disclose details of payments and agreements (with a value in excess of €10,000) made in the reporting period. These would include severance/termination payments, granting of added years for pension purposes or early retirement without normal actuarial reductions. (1.3 – Business and Financial Reporting Requirements Document)</p>
<p>10. Travel and subsistence - The financial statements should disclose the total costs incurred in relation to travel and subsistence broken down between national and international travel. (1.3 – Business and Financial Reporting Requirements Document)</p>
<p>11. Hospitality expenditure - The financial statements should disclose the aggregate total expenditure incurred in relation to hospitality in the period. (This would include Christmas parties, retirement parties, expenditure on staff wellbeing, contribution to sports and social clubs, One4all vouchers, retirement/leaving gifts, flowers, etc.) (1.3 – Business and Financial Reporting Requirements Document)</p>
<p>12. Legal Costs/settlements – in cases where cumulative legal costs incurred in the year of account exceed €50,000, a note should be included in the financial statements with a breakdown of the total costs as between legal fees and compensation paid. (1.3 – Business and Financial Reporting Requirements Document)</p>

Items for inclusion in the Chairperson's Comprehensive Report to the Minister and, where appropriate, NewERA¹² include the following:

1. The Chairperson's report to the relevant Minister regarding the system of internal control (**paragraph 1.9(iv) – Business and Financial Reporting Requirements Document**) should be included in the annual report of the State body. This statement should be reviewed by the external auditors to confirm that it reflects the audited body's compliance with the requirements of paragraph 1.9(iv) and is consistent with the information of which they are aware from their audit work on the financial statements. The external auditors should include their report on this matter in their audit report on the financial statements. **(1.6 – Business and Financial Reporting Requirements Document)**
2. The Chairperson's report to the relevant Minister should include a statement on the system of internal control in the format set out in Appendix D and include, in cases where a breach of this system has been identified, an outline of the steps that will be taken to guard against such a breach occurring in future. **(1.9(iv) - Business and Financial Reporting Requirements Document)**
3. Outlining all commercially significant developments affecting the State body in the preceding year, including the establishment of subsidiaries or joint ventures and share acquisitions, and major issues likely to arise in the short to medium term. **(1.9(i) - Business and Financial Reporting Requirements Document)**
4. The Chairperson's comprehensive report should provide summary details of all off-balance sheet financial transactions¹⁴ of the State body that are not disclosed in the annual report and financial statements of the State body, including information on the nature, purpose and financial impact of the off-balance sheet financial transactions. The contents and format of this section of the report should be agreed in advance with the relevant Minister/designated Departmental officials. **(1.9(ii) - Business and Financial Reporting Requirements Document)**
5. Affirming that all appropriate procedures for financial reporting, internal audit, travel, procurement and asset disposals are being carried out. **(1.9(iii) - Business and Financial Reporting Requirements Document)**. For example, details of and explanations for the disposals of assets or grants of access to property or infrastructure for commercial arrangements with third parties above the threshold of €150,000 which have not been subject to auction or competitive tendering process should be included. **(8.34)**
6. Affirming that Codes of Conduct for the Board and Employees have been put in place and adhered to. **(1.9(v) - Business and Financial Reporting Requirements Document)**
7. Affirming that Government pay guidelines on the pay of CEOs and all State body employees are being complied with. **(1.9(vi) - Business and Financial Reporting Requirements Document)**
8. Affirming that Government guidelines on the payment of Board members' fees are being complied with. **(1.10(vii) - Business and Financial Reporting Requirements Document)** The Chairperson's comprehensive report should also include a schedule of the fees and aggregate expenses paid to each of the Board members. **(2.10 – Remuneration and Superannuation)**

¹³ This applies in the case of entities designated under the NTMA (Amendment) Act 2014

¹⁴ As a guide, off-balance sheet transactions are arrangements that give rise, or may give rise, to an asset or liability in excess of €10m, or 2% of the total assets of the company, whichever is the smaller that is not recognised on the State body's own balance sheet (or the State body's consolidated group balance sheet), including, for example, leases, letters of credit, guarantees, derivatives, sale of receivables, debt or debt-like instruments of non-consolidated equity interests or joint ventures.

9.	As part of the Chairperson’s comprehensive report, the Chairperson should affirm that the Government pay guidelines are being complied with in respect of such appointees who serve on the main Board and any subsidiaries of State bodies. (2.10 – Remuneration and Superannuation)
10.	Explaining failure to comply with any of the above and stating any corrective action taken or contemplated. (1.9(viii) - Business and Financial Reporting Requirements Document)
11.	Outlining significant post balance sheet events. (1.9(ix) - Business and Financial Reporting Requirements Document)
12.	Confirming that the appropriate requirements of the Public Spending Code are being complied with. (1.9(x) - Business and Financial Reporting Requirements Document)
13.	Confirming that procedures are in place for the making of protected disclosures in accordance with section 21(1) of the Protected Disclosures Act 2014 and confirmation that the annual report required under section 22(1) of the Act has been published; (1.9(xi) - Business and Financial Reporting Requirements Document)
14.	Certifying that Government travel policy requirements are being complied with in all respects. (1.9(xii) - Business and Financial Reporting Requirements Document)
15.	The Chairperson’s letter should include the confirmation that the State body has complied with its obligations under tax law. (1.9(xiii) - Business and Financial Reporting Requirements Document)
16.	Providing details of/information on legal disputes involving other State bodies. (1.9(xiv) - Business and Financial Reporting Requirements Document)
17.	Confirming that this Code has been adopted and the extent to which the State body is in compliance with the Code. (1.9(xv) - Business and Financial Reporting Requirements Document)
18.	Stating that any subsidiary of the State body (or subsidiary thereof) continues to operate solely for the purpose of which it was established, remains and continues to remain in full compliance with the terms and conditions of the consent under which it was established. (1.9(xvi) - Business and Financial Reporting Requirements Document)
19.	Along with the unaudited six-monthly financial statements, the Chairperson should also provide an interim report to the relevant Minister and, where appropriate, NewERA on significant commercially sensitive developments in the preceding six months and likely developments for the rest of the year. (1.10 - Business and Financial Reporting Requirements Document)
20.	The Chairperson should, in the comprehensive report to the Minister affirm adherence to the relevant procurement policy and procedures and the development and implementation of the Corporate Procurement Plan. (8.20 – Code of Practice)
21.	Non-competitive procurement should be reported in the Chairperson’s comprehensive report to Minister. (8.16 – Code of Practice)

A statement on the system of internal controls in a State body should include the following items:

1. Acknowledgement by the Chairperson that the Board is responsible for the State body's system of internal control.
2. An explanation that such a system can provide only reasonable and not absolute assurance against material error.
3. Description of the key control procedures tailored to reflect the size and complexity of the organisation in order to provide a full understanding of the procedures, which have been put in place by the Board, to provide effective internal control.
 - i) A statement in relation to when the annual review of the effectiveness of control was conducted or where such a review was not conducted, a statement that it was not conducted.
 - ii) Disclosure of details regarding instances where breaches in control occurred – such breaches might include non-compliance with procurement rules or instances where other elements of the control system (e.g. internal audit, Audit and Risk Committee or other committees) were not operational.
 - iii) Disclosure of details of any material losses or frauds.
 - iv) Statement on System of Internal Controls is to be reviewed by the Audit and Risk Committee and the Board to ensure it accurately reflects the control system in operation during the reporting period.
 - v) Statement on System of Internal Controls is to be reviewed by the external auditors to confirm that it reflects the audited body's compliance with the requirements of paragraph 1.9 (iv) and is consistent with the information of which they are aware from their audit work on the financial statements and where this is not the case, the external auditor should report on this in the audit report on the relevant financial statement.
 - vi) the steps taken to ensure an appropriate control environment (such as clearly defined management responsibilities);
 - vii) processes used to identify business risks and to evaluate their financial implications;
 - viii) details of the major information systems in place such as budgets, and means of comparing actual results with budgets during the year;
 - ix) the procedures for addressing the financial implications of major business risks (such as financial instructions and notes of procedures, delegation practices such as authorisation limits, segregation of duties and methods of preventing and detecting fraud); and
 - x) the procedures for monitoring the effectiveness of the internal control system which may include: Audit and Risk Committees, management reviews, consultancy, inspection and review studies, the work of internal audit, quality audit reviews and statements from the heads of internal audit.
4. Confirmation that there has been a review of the effectiveness of the system of internal control.
5. Information (if appropriate) about the weaknesses in internal control that have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or the auditor's report on the financial statements.
6. The information relating to weaknesses in internal control should be a description of the action taken, or intended to be taken, to correct the weaknesses, or an explanation of why no action is considered necessary.
7. Confirmation that the State body is in compliance with current procurement rules and guidelines as set out by the Office of Government Procurement.

Tithe an Rialtais,
Sráid Mhuirfean Uacht,
Baile Átha Cliath 2,
Éire.
D02 R583

Government Buildings,
Upper Merrion Street,
Dublin 2,
Ireland.
D02 R583

T: +353 1 676 7571
E: govacc@per.gov.ie