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| <b>Lead topic: Government Accounting</b> | <b>Sub-topic: Government Accounting Developments</b> | <b>Contact: Breda Rafter Ext. 5862</b> |
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### **Government Accounting – Developments**

- Role of Government Accounting Unit, DPER is to develop and advise on policy for accounting, financial management, internal audit and risk management for central Government Departments and Offices.
- Government Accounting Unit also have responsibility for the Code of Practice for the Governance of State Bodies, 2016 and the Public Spending Code.

### **Current developments:**

- Updated *Risk Management Guidance for Government Departments and Offices* published on 17th February 2016. Effective from date of publication.
- The *Code of Practice for the Governance of State Bodies, 2016* published on 17th August 2016. It is effective from financial reporting period's beginning on or after the 1st September 2016.
- Second year of operation of DPER Circular 13/2014 *Management and Accountability for Grants from Exchequer Fund*.
- Examining the feasibility of a transition from cash to accrual accounting for Central Government Departments and Offices taking account of a wider reform agenda.

### **Risk Management Guidance for Government Departments and Offices, 2016**

- An updated Risk Management Guidance for Government Departments and Offices, 2016 was published in February 2016.
- The updated guidance promotes the continuing development of risk management including embedding and integrating risk management as an integral part of the governance framework of Government Departments and Offices.
- The updated guidance was developed taking account of developments in risk management including International Standard ISO 31000, Risk Management - Principles and Guidelines.
- The Risk Management Guidance complements the recently published Corporate Governance Standard for the Civil Service. It will assist Government Departments and Offices in preparing their Governance Framework a requirement under the new Governance Standard for the Civil Service.

### **Code of Practice for the Governance of State Bodies, 2016**

The Code of Practice for the Governance of State Bodies, 2016 is designed to ensure that both commercial and non-commercial State bodies meet the highest standards of corporate governance.

- It provides a framework for the application of best practice in corporate

governance for commercial and non-commercial State Bodies.

- It is based on the underlying principles of good governance: accountability, transparency, probity and a focus on the sustainable success of the organisation over the longer term.

The updated Code of Practice for is based on 4 key pillars:

- **Values** – Good governance supports a culture of behaviour with integrity and ethical values;
- **Purpose** – Each body should be clear about its mandate with clearly defined roles and responsibilities;
- **Performance** – Defined priorities and outcomes to achieve efficient use of resources resulting in the delivery of effective public services;
- **Developing Capacity** – Appropriate balance of skills and knowledge within the organisation, to be updated as required.

### **Key Benefit of the Updated Code**

- The key benefit of the 2016 Code is that it provides greater clarity regarding the roles and responsibilities of the Board of a State body.
- There is a greater emphasis on accountability and transparency, which is underpinned by effective relationships between the Minister/parent Department and the Chairperson of the State body to ensure that the body is effective in achieving its objectives, uses its resources efficiently and operates in a manner which secures the longer-term sustainability of the State body.
- In light of the scale and diversity of roles carried out by State bodies, the Code is not a ‘one size fits all’ document, but rather acts as a framework to ensure that both commercial and non-commercial State bodies meet the highest standards of corporate governance commensurate with their significant public roles and responsibilities.

### **Main changes in Update of the Code**

The update of Code contains a number of significant changes:

- **Strengthened Board Leadership and Strategic Aims:** The Board should agree the body’s strategic aims with the body’s parent Minister and Department.
- **Alignment of statement of strategy** with parent Department’s statement of strategy.
- **Board appointments** must be made in compliance with the Public Appointments Service process set down in the Guidelines on Appointments to State Boards published by DPER.
- **Terms of Appointment:** No member of a State Board should serve more than two full terms of appointment on that Board, or should hold appointments to more than two State Boards, at the same time.
- **Increased Focus on Risk Management and Internal Control:** The Code requires the Board in its annual report to confirm that it has carried out an

assessment of the body's principal risks, including a description of the risks, where appropriate, and associated mitigation measures or strategies. Also that it has carried out an annual review of the effectiveness of the internal control systems to ensure that it has considered all aspects of risk management and internal control for the year under review.

- **Audit and Risk Committee:** The Code specifically requires all bodies to have an Audit and Risk Committee.
- **Enhanced Oversight Arrangements:** between the relevant Minister/parent Department and bodies under their aegis, including written oversight agreements.
- **Performance Delivery Agreements:** Each Department is required to agree a Performance Delivery Agreement (reviewed annually) with all non-commercial State bodies under its aegis.
- **Key Management Compensation Disclosure:** State bodies should disclose in their annual report and financial statements aggregate details of the compensation of their key management personnel.
- **Recommendations of the C&AG:** The updated Code takes account of the Recommendations of the C&AG in his Special Report on the Effectiveness of Audit Committees in State Bodies regarding embedding requirements concerning the selection of audit committee members, identification of conflicts of interest, performance assessment and measuring audit committee effectiveness.

### **Management of Exchequer Grants**

- New updated requirements for the management of grant funding provided from public money issued in the form of a **DPER Circular 13/2014 – *Management and Accountability for Grants from Exchequer Funds***. The Circular is effective from the 1<sup>st</sup> January 2015. 2017 second year of operation of the Circular.
- The circular outlines the public financial management principles, procedures, and additional reporting requirements to be followed in the management of grant funding provided from public money.
- The overall principle is that there should be transparency and accountability in the management of public money, in line with economy, efficiency and effectiveness.
- The provisions of the circular apply to the movement of funds from a Vote to an outside body, and to any/all onward movements of that funding. The objective is to ensure that all Exchequer funds, regardless of the method of distribution, are accounted for and properly managed.
- All grantors should ensure that the principles and procedures reflected in these requirements are applied in a meaningful and effective way in respect of any grants under their remit.
- Grantors are required to take a proactive approach to ensuring that the terms and conditions for grants are appropriate to the local conditions in the sector in which they operate, while ensuring effective management and accountability of public money.

## **Accrual Accounting**

- Government Accounting Unit is examining the feasibility of a move from cash to accrual accounting for central Government Departments and Offices taking account of a wider reform agenda including the roll-out of the Financial Management Shared Services (FMSS) and developments at EU level concerning the future implementation of harmonised accounting standards – European Public Sector Accounting Standards (EPSAS).
- A move to accrual accounting for central Government Departments and Offices will be considered in line with developments on the FMSS and EPSAS projects.
- However, it should be noted that accrual accounting is already the norm for the wider public sector with the exception of central Government Departments and the Educational Training Boards (ETBs). In addition, the notes to the Appropriation Accounts of Government Departments and Offices already contain certain accruals information including a balance sheet and an operating cost statement.

## **Public Spending Code**

- The Public Spending Code is the set of rules, procedures and guidance to ensure Value for Money in public expenditure across the public service. It draws together in one central location, the long-established elements of the VFM arrangements that have been in place over the past number of years.
- The Code consolidates and replaces material from a number of sources including the Capital Appraisal Guidelines 2005, as developed in further guidance notes and circulars.
- All relevant guidance material and requirements are presented together, through a unified web-portal: <http://publicspendingcode.per.gov.ie>.

## **Objective**

- The objective of the Public Spending Code is to ensure that the State achieves value for money in the disbursement of public funds. Doing so requires a disciplined and systematic approach to public expenditure. The Public Spending Code aims to ensure that the State gets the best possible value for the resources at its disposal.

## **Scope**

- The Public Spending Code applies to both capital and current expenditure and sets out what is required of public service managers at different points of the expenditure lifecycle as well as how to fulfil those requirements. This encompasses economic appraisals for new expenditure proposals and best practice in efficiently planning and managing spending programmes.
- In addition, it sets out that projects and programmes should only be continued if they are effective in achieving their intended outcomes. This requires good performance monitoring as well as post project review and evaluation.
- The Public Spending Code updates the previous components of the VFM

framework and also includes additional guidance modules. The Public Spending Code has been developed to bring expenditure evaluation procedures in line with best national and international practice.

The Key elements of the Public Spending Code include:

- Expenditure evaluation and appraisal requirements applied to current expenditure under similar to that which previously only applied to capital expenditure.
- A simplified quality assurance process replacing the previous spot-check regime.
- A reduced threshold for conducting Cost-Benefit analyses (CBAs) from €30m to €20m.
- Streamlining the Value for Money and Policy Review process and the introduction of the Balanced Scorecard for inclusion in published reports.
- The Public Spending Code will be updated from time to time as appropriate where improvements can be made to ensure that it continues to reflect current best practice.

## **General Information**

### **Audit Committees - Government Departments and Offices**

- Audit Committees are an important part of the governance framework in Government Departments and Offices.
- The functions of Audit Committees are key in providing assurance to Accounting Officers regarding the adequacy and effectiveness of departmental internal control systems and procedures.
- In the context of their internal audit arrangements, each Department /Office is required to have a formally-constituted Audit Committee.
- Each Audit Committee is required to
  - operate under a written charter
  - Have significant external representation (at least 2 members), including representatives from the private sector with appropriate expertise.
  - The chairperson of the Committee should come from outside the Department or Office.
  - Prepare an annual report to the Accounting Officer reviewing its operations.
  - Invite the Comptroller and Auditor General, or his nominee, to meet the Committee at least once a year.

### **Audit Committee Guidance**

- DPER developed in consultation with Accounting Officers, Audit Committee members and Heads of Internal Audit Units, Audit Committee Guidance to provide clarity on the role of the Audit Committee in Government Departments and Offices.
- The *Audit Committee Guidance* was launched on the DPER website in September 2014 and circulated to Audit Committee Chairs and Accounting Officers of

Government Departments and Offices. The Guidance is intended to be generic, and should be used as a tool to help inform the work of the Audit Committee.

### **Internal Audit Standards**

- One of the key elements of good governance is an independent and objective internal audit service working to Internal Audit Standards.
- DPER adopted the Institute of Internal Auditors International Standards for Professional Practice of Internal Auditing (IIA Standards) for the Irish central government sector, in November 2012.
- The adoption of the IIA Standards brings with it requirements to audit and improve governance processes across all government departments and vote holders.
- DPER is working with a Heads of Internal Audit Forum Subgroup to develop training opportunities for the staff working in internal audit units to support the implementation of the IIA Standards.
- A training programme was developed with the Chartered Institute of Internal Auditors (CIIA) for Heads of Internal Audit and Senior Audit Managers across Government Departments and Offices. The training programme provided an opportunity to all Heads of Audit to enhance their audit management skills
- The training programme commenced in 2015 and was completed in 2016. In total 22 senior auditors completed, the course. 12 participants have been conferred with full membership of the Chartered Institute of Internal Auditors (CIIA).

