

MEMORANDUM OF UNDERSTANDING

Between

Irish Comptroller and Auditor General

And

Comptroller & Auditor General for Northern Ireland

In respect of the audits of The Implementation Bodies established under the British-Irish Agreement Act 1999 and the North/South Co-operation (Implementation Bodies) (Northern Ireland) Order 1999

Date 9 March 2016

This Agreement is made between The Irish Comptroller and Auditor General (hereinafter referred to as "Irish C&AG") and The Northern Ireland Comptroller and Auditor General (hereinafter referred to as "Northern Ireland C&AG") on 9 March 2016.

Background

Arising from Strand 2 of the Agreement reached in the multi-party negotiations in Belfast on 10 April 1998, the North/South Ministerial Council (The Council) was established to bring together those with executive responsibility in Northern Ireland and the Irish Government to develop consultation, co-operation and action within the island of Ireland. The agreement provided for the establishment of six implementation bodies through which co-operation would take place on a cross-border all-Ireland level. The bodies were established pursuant to the provisions of the North/South Co-operation (Implementation Bodies) (Northern Ireland) Order 1999 and the British-Irish Agreement Act 1999.

Section 56 of the British-Irish Agreement Act 1999 and Part 7 paragraph 2.5 of the agreement between the Government of Ireland and the Government of the United Kingdom of Great Britain and Northern Ireland (hereafter referred to as "the Agreement") provides for the Irish C&AG and the Northern Ireland C&AG, in co-operation, examine and certify the accounts of the implementation bodies. Annually, one audit certificate will be issued on each implementation body's accounts. These certificates will be signed by both C&AGs. Paragraph 2.7 of the Agreement provides for officers of the Irish C&AG and the Northern Ireland C&AG to have access to all records as may be required to carry out the financial audit functions or value for money examinations.

The purpose of this memorandum is to clarify the audit sharing arrangements between the officers / offices of the Irish C&AG and the Northern Ireland C&AG. The audits will be conducted in compliance with the International Standards on Auditing and Ethical Guidelines. The memorandum makes certain the role and responsibilities of the parties in relation to the management of the audits and the certifying process upon completion of these audit. Compliance with the memorandum should ensure that each C&AG has appropriate evidence to approve the audit opinion. It is expected that each party will comply with their undertakings under this memorandum to provide timely, regular and informed information to their counterparty to permit certification of the financial statements within the statutory timeframes.

North/South Implementation Bodies

The Agreement provided for the establishment of six implementation bodies through which co-operation would take place on a cross-border or all-island level. The Council later agreed (in 1999) to establish a limited company Tourism Ireland Ltd to market the island of Ireland overseas as a tourism destination. It was formed by Bord Fáilte Éireann and the Northern Ireland Tourist Board under the Irish Companies Acts as a company limited by guarantee without a share capital.

It is agreed that the Northern Irish Audit Office will be the lead partner in the audit of bodies whose headquarters are located in Northern Ireland, and the Office of the Irish C&AG will lead on the other bodies. The assignment of the lead partner role in the audits will be reviewed from time to time by both offices.

The resulting responsibilities are set out in Figure 1.

Figure 1

Implementation bodies and their lead auditors:

Implementation Bodies	Lead Auditor
Waterways Ireland	Northern Ireland C&AG
Trade and Business Development Body (known as Intertrade Ireland)	Northern Ireland C&AG
Special EU Programmes Body	Northern Ireland C&AG
Foyle, Carlingford and Irish Lights Commission	Northern Ireland C&AG
Food Safety Promotion Board	Irish C&AG
The Language Body <ul style="list-style-type: none">• Foras na Gaeilge• Ulster Scots Agency	Irish C&AG Irish C&AG Northern Ireland C&AG
Tourism Ireland Ltd	Irish C&AG

The target date for the certification of the accounts is 30 June. Both offices will engage with the implementation bodies with a view to bringing forward this date.

All audits except for Tourism Ireland are certified jointly. Tourism Ireland is certified by the Irish C&AG following consultation with the Northern Ireland C&AG.

Submission of Accounts for Audit

For each of the implementation bodies, the required date of submission of year end financial statements for audit is 1 April of the following year.

Draft financial statements shall be submitted by each body to the Comptrollers and Auditors General (C&AGs) North and South, and to the Council by the Chief Executive Officer. In the case of bodies with Boards, the Chief Executive should have obtained approval from the Board for this submission to be made on its behalf. A covering letter should confirm to the C&AGs that the Board have approved the financials statement for signing subject to there being no material audit adjustments required following the completion of the audit process.

Draft financial statements should also be forwarded for information purposes to the sponsor Department by the implementing bodies.

Roles of Lead Auditor and Non-Lead Auditor

The lead auditor shall be responsible for the planning and execution of audit field work. The lead auditor shall consult with the non-lead auditor as part of the audit plan process, at the completion of field work but, before concluding on the audit certificate, and before the draft

report to the audit committee or the management letter are finalised. Both offices will explore the feasibility of the non-lead auditor being given access to the electronic audit files of the lead auditor. Where an audit is subject to an office's quality control review process, the results will be shared.

Preliminary

It is the responsibility of the lead auditor to issue the letter of engagement/audit strategy informing the body of the audit fee and setting out in general the audit requirements, and the client and auditor responsibilities. The letter should also address operational issues on the conduct of the audit and the clearance and certification processes to be followed. Copies of the letters of engagement/audit strategies should also be provided to the non-lead auditor. The letter of engagement/draft management letter should include a "draft standard" letter of representation for completion by the body when the accounts are cleared but prior to signing of the financial statements.

Planning

At the planning stage, the lead auditor shall provide a detailed audit plan documenting the audit approach for each account area to the non-lead auditor. The plan should include a summary of the risks identified at the planning stage and outline the audit response to these risks. Where an interim audit is planned, the involvement of the non-lead office shall be agreed in advance.

The lead office shall assign the engagement team and liaise with the non-lead office to agree the level number and grade of staff assistance to be provided by the non-lead office. Audit plans will be approved by the Director in each office. Consideration of any (potential) conflicts of interest should be provided to the non-lead auditor.

At least annually, the relevant senior staff, from both Offices, shall meet to discuss the audit plans for each of the audits.

Fieldwork

Audit fieldwork shall be managed by the lead auditor. Where issues arise in the course of the audit that requires an adjustment to the audit plan, such issues shall be notified to the non-lead auditor without delay.

Completion

On completion of the audit field work, the lead auditor shall prepare a summary of issues identified on audit and the suggested actions in resolution of these issues. The actions on these issues shall be agreed by the lead auditor with the non-lead auditor as the basis for clearing the financial statements for signature.

The file review and clearance process are the responsibility of the lead office. The non-lead office should be kept informed on the clearance process and the expected certification date. If significant issues, including any possible qualification or report, arise during the audit, such issues should be brought to the attention of the non-lead office in a timely manner.

The lead auditor shall prepare a draft management letter, a draft report to the audit committee (as required) and the draft letter of representation and provide copies of these documents together with the final version of the financial statements to the non-lead office for comment/review.

Following agreement on the contents of the management letter and/or a report to the audit committee, the lead office shall prepare draft audit certificates. Prior to presenting the audit certificates for signing, the Directorate in both offices shall sign off on the submission to the C&AGs.

Audit Opinion

If there are no material errors or irregularities found, the C&AGs are therefore in a position to sign an unqualified audit certificate. The format of the audit certificate will be in such form as may be agreed, between the Irish C&AG and Northern Ireland C&AG. The same format will be followed for each of the bodies with the exception of Tourism Ireland, which is an Irish company. The audit certificate for Tourism Ireland will therefore follow the format for Irish state companies audited by the Irish C&AG.

The C&AGs may qualify their opinion where there are material errors or irregularities e.g. if, in some respects the accounts do not give a true and fair view for the period of account or because the income and expenditure in the period of account has not been applied for the purposes intended by the NI Assembly/Dáil Éireann. In addition, circumstances may arise where the C&AGs may wish to insert an emphasis of matter paragraph to draw attention to issues arising on the audit that do not warrant a qualification of the audit opinion.

In such cases, the audit certificate will be in such form as may be agreed between the C&AGs.

The lead C&AG shall sign the audit certificates first. Arrangements for the signing of the audit certificates by the non-lead C&AG shall be agreed between the lead and non-lead offices on a case by case basis, depending of the availability of the C&AGs.

Communication with bodies, sponsor departments and Audit Committees

The lead auditor shall be responsible for all communications with key stakeholders, including Audit Committees. The lead will attend the Audit Committee meetings as required, and the non-lead auditor has the right to attend at their discretion. The lead should keep the non-lead informed of the outcome of Audit Committee deliberations.

Disclosures/receipt of information in relation to audits

Where information is received in relation to an audit (e.g. from a whistleblower) the office in receipt of the information shall immediately inform the other office. An agreed approach for dealing with such information will be put in place on a case by case basis.

Audit Costs and Fees

The lead office shall be responsible for agreeing the audit fee with the implementation body. The fee policy should be to seek full cost recovery. It is agreed that the fees shall be split on a 60:40 ratio between the two offices in favour of the lead office. The timing of the pay over

to the non-lead office shall be agreed between the respective finance offices. The audit fee and its apportionment between the two offices shall be reviewed on a regular basis, together with the costs incurred by each office.

Staffing

Staffing arrangements shall be agreed between the lead and non-lead offices on a case by case basis, having regard to the resources required. At least one auditor from the non-lead team should be assigned for the field work up to and including participation in the end of audit meeting.

Travel and Subsistence

Travel and subsistence costs of audit staff shall be met by their respective offices.

Value for Money Reports

Paragraph 2.7 of the Agreement provides for officers of the Irish C&AG and the Northern Ireland C&AG to have access to all records as may be required to carry out the financial audit functions or value for money examinations. The reporting on value for money issues shall be as required and agreed between the C&AGs. Assignment of the lead and non-lead office shall be agreed on a case by case basis having regard to the respective roles in the financial audits of the bodies concerned and the nature of the issues to be addressed.

Annual Review of Operational Arrangements

The two offices shall meet on an annual basis to discuss the operational environment and any matters which may impact on the audits.

The meeting will consider and jointly agree appropriate actions in relation to changes, which may occur, in relation to the following:

- the accounting framework,
- auditing standards,
- relevant legislation and
- any other matters.

Duration of agreement

This agreement shall be effective from 1 April 2016 and shall continue in force for a period of five years. Either C&AG may request a review before the end date.

Signature:

Seamus McCarthy

Seamus McCarthy
Irish Comptroller and Auditor General

Signature:

Kieran Donnelly

Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

Date:

9 March 2016