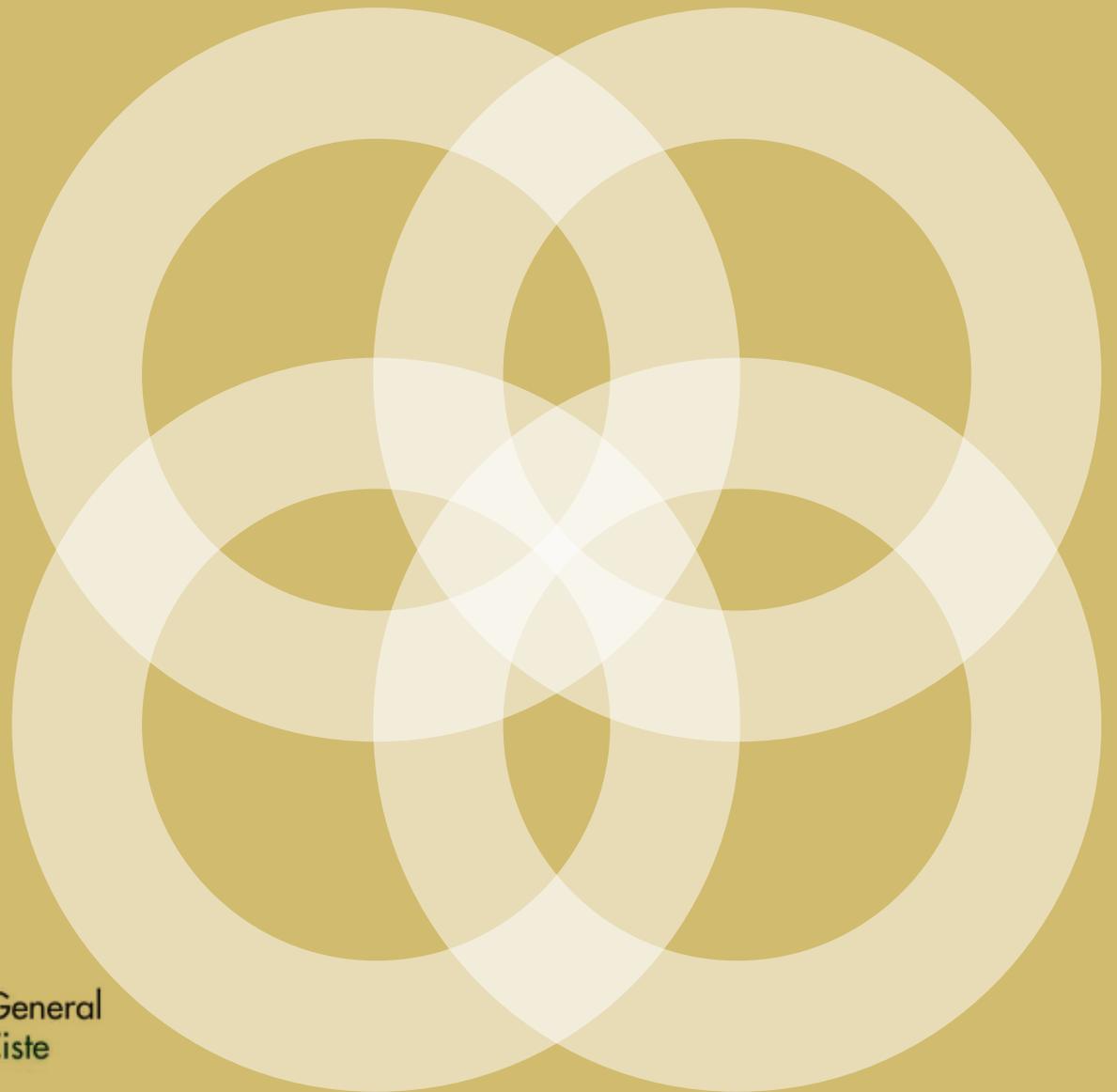


PERFORMANCE REPORT 2016

Independent
Objective
Constructive
Committed to Excellence



Office of the Comptroller and Auditor General
Oifig an Ard-Reachtair Cuntas agus Ciste



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Introduction

This report presents key performance information for 2016 for the Office of the Comptroller and Auditor General under six different themes using a combination of quantitative and qualitative methods to measure and report on our performance. Those themes are

- what we deliver
- the impact we have
- financial performance
- staff and resources
- building capacity
- international contribution.

The report also sets out additional information and recent trends for comparative purposes.

A strategy statement has been developed for the period 2016 to 2020 with input from stakeholders. The strategy statement and stakeholder views are published on our website (www.audgen.gov.ie).

What we DELIVER

In 2016, the Office of the Comptroller and Auditor General...



completed **301** audits of financial statements



certified **96%** of 2015 accounts within 9 months of the financial year end, when measured by value and **60%** when measured by number (the targets were **95%** and **70%** respectively)



reported the results of **23** examinations to Dáil Éireann including an overview report on the accounts of the public services and special reports dealing with aspects of public service delivery and the use of public resources



attended **18** meetings of the Public Accounts Committee out of a total of **22** meetings held



responded to **100%** of requests from the Minister for Finance for credit for the issue of funds from the Central Fund of the Exchequer before the credit period commenced



considered **3** matters reported to the Office under the Protected Disclosures Act 2014.

The IMPACT we have

We measure the impact of our work by our interaction with audited bodies in 2016, during which we...



made **46** recommendations in reports aimed at ensuring good practice and improved performance, of which **96%** were accepted or partially accepted by the audited body



issued a clear audit opinion in **98%** of the financial statements noted by the Public Accounts Committee in 2016



drew attention in the audit report on financial statements in around **50** cases to important matters in understanding the accounts of public bodies



drew the attention of the Oireachtas in **84** instances to other matters deemed to be of importance



raised over **750** matters requiring attention with the management of audited bodies in post-audit correspondence

and through the quality of our work, with...



all financial audits conducted in accordance with international auditing standards.

Our FINANCIAL performance

In 2016, the Office of the Comptroller and Auditor General...



delivered an audit and reporting programme at a total cost of **€1.2 million**



recovered **€6.1 million** in audit fees



employed an average of **145** staff (WTE) at a salary cost of **€8.98 million**

Staff and resources

In 2016, the Office of the Comptroller and Auditor General had.....



65% of the staff assigned to financial audit were qualified accountants and the remainder were part qualified

(managers assigned to financial audits are qualified accountants)



20 staff (WTE) with relevant qualifications assigned to reporting work.



gender balance at senior management level with **53%:47%** female: male



increased by **7%** the number of accounts delegated to senior managers for certification



an average sickness absence rate of **1.8%**



15% staff turnover.

Building capacity

Supporting staff through education and continuous development ensures that we have the capacity necessary to carry out the work programme. In 2016,



over **12,500** hours were devoted to training courses, professional studies and graduate training which amounted to **5%** of available time



over **€120,000** was spent supporting post graduate and professional studies and professional membership fees



41 staff were pursuing professional accountancy or post graduate studies



5 staff members became qualified members of professional accountancy bodies.

Our INTERNATIONAL contribution

As the national public sector auditor for Ireland, we contribute to international obligations through...



membership of oversight boards of **3** major international bodies – the audit boards of the European Stability Mechanism and the European Space Agency and the supervisory committee of OLAF (EU Anti-Fraud Agency).



secondment of experts to carry out audit work in **3** international bodies – the European Centre for Medium Range Weather Forecasting, the European Stability Mechanism and the European Space Agency



participation in selected international forums for public audit in Europe and worldwide



hosting international delegations and study visits – in 2016, we hosted **4** substantive working visits from counterpart national and public audit offices.

Additional information and key trends — 2012 to 2016

The following sections provide information on delivery, impact measures and financial performance.

Programme delivery

Number of accounts subject to audit

The accounts to be audited by the Comptroller and Auditor General are set by law. In a small number of cases, audits are undertaken with the agreement of the Minister for Public Expenditure and Reform.

The table shows the accounts for each of the prior five financial years together with the 2016 accounts for audit – the audits are due to be completed in the following year.

The rationalisation programme to reorganise, reform and reduce the number of agencies has led to a decrease in the number of accounts subject to audit. There will be 290 accounts for the 2016 financial year due for audit in 2017.

The resources required to deliver the programme have increased over time as the auditing framework has become more demanding.

	Period of account ending in					
	2011	2012	2013	2014	2015	2016
Vote accounts	42	39	39	40	39	40
Departmental funds	35	33	29	30	29	29
Financial entities	24	21	27	25	26	26
Health entities	28	27	27	28	29	28
North South bodies	7	7	7	7	7	7
Third level education	26	26	26	26	26	26
Education and Training Boards ^a	33	33	33	16	16	16
Other education entities	9	8	7	5	5	6
Semi State bodies	94	91	92	94	87	86
Subsidiaries of State bodies	31	31	29	28	28	26
County Enterprise Boards ^b	35	35	-	35	-	-
	364	351	316	334	292	290

Note a Vocational Education Committees (up to June 2013) were amalgamated to form Education and Training Boards.

b The final accounts of the boards covered a 16 month period ending in April 2014.

Audits completed

The audit of the financial statements of public bodies and the presentation of those financial statements to the Oireachtas are fundamental in ensuring that there is effective accountability for the use of public funds.

The graph shows the number of audits completed in each year.

In the case of the 40 appropriation accounts of government departments and offices, the C&AG publishes the accounts in accordance with the Comptroller and Auditor General (Amendment) Act 1993.

In the case of the remaining public bodies, the responsibility for laying the audited accounts before the Oireachtas or for publishing the accounts is a matter for the relevant government department or body.



Audit certification timeliness

Certified accounts

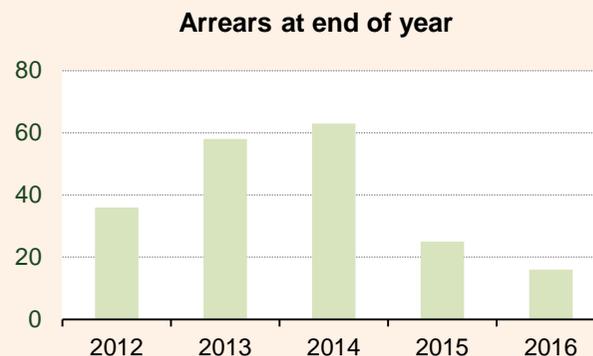
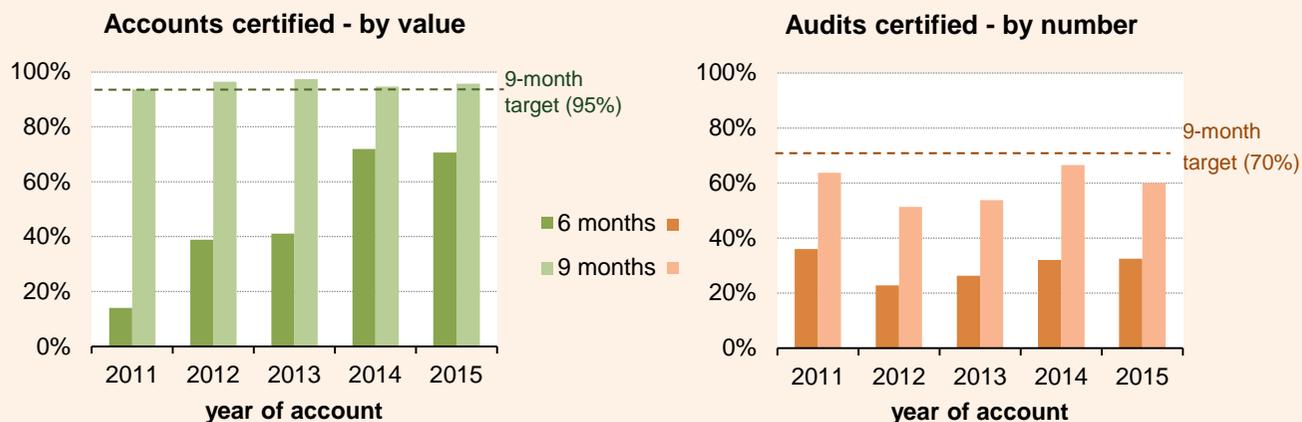
The Office's key performance indicators on audit timeliness are set out in the Revised Estimates Volume each year. These are measured by reference to value of turnover, and to the number of accounts.

Nine months after the financial year end is the key reference date because of the statutory requirement for the audits of central government accounts to be completed by the end of September. In recent years, a target of 95% by value and 70% by number has been set.

In order to advance audit timeliness overall, priority has been given to certifying significant accounts earlier. This is reflected in the increase in timeliness of certification of accounts (by value) by 6 months after the year end. This has risen from 14% for the 2011 financial year to 71% for the 2015 financial year.

Uncertified accounts

The number of audits remaining to be completed at the end of each year (arrears) is shown in the graph. This has fallen significantly since 2014. The C&AG published a report (Special Report No. 95) setting out those bodies where delays in reporting have occurred, and the causes of those delays. The report deals primarily with financial statements for periods ending in 2014



Reporting output

The Comptroller and Auditor General reports to Dáil Éireann in accordance with law on matters relating to the management and use of public resources. Reports of the C&AG form the basis of much of the work of the Public Accounts Committee.

Reporting topics are determined by the C&AG based on a number of criteria including the significance of the subject, the potential impact or contribution to improvements in public administration and the need for public accountability.

The target for the number of reports to be published is set out in the Revised Estimates Volume each year. In recent years, a target of 25 reports has been set.

The Office's strategy statement 2016 - 2020 sets out a goal of increasing the number of special and cross-cutting reports.

Official Languages Act

The Office's scheme published in accordance with the Official Languages Act 2003 requires the simultaneous publication in English and Irish of the audited appropriation accounts of government departments and offices and the Report on the Accounts of the Public Services.

In 2016, the Irish versions of the appropriation accounts were published between one and two weeks after the English version. The Report of the Accounts of the Public Services was published in Irish four weeks after the English publication. Completion of the Irish translations can only be finalised after all late changes have been made to the English language version.



Measuring the impact of our work

Results of financial audits

The C&AG's audit of financial statements has two main focuses

- *accuracy and completeness* of the financial statements,
- *regularity and propriety* of the transactions recorded in the financial statements, and the adequacy of governance of the public bodies, reported on an 'exception' basis.

Qualified audit opinion

Five sets of financial statements (2% of the total number of accounts) presented to the Oireachtas in 2016 received a qualified opinion. The reasons were: issues concerning the recognition of deferred pension funding; non-consolidation of material trust funds controller by a university; inadequate accounting records; and non-compliance with accounting standards on the presentation of corresponding amounts for the prior year.

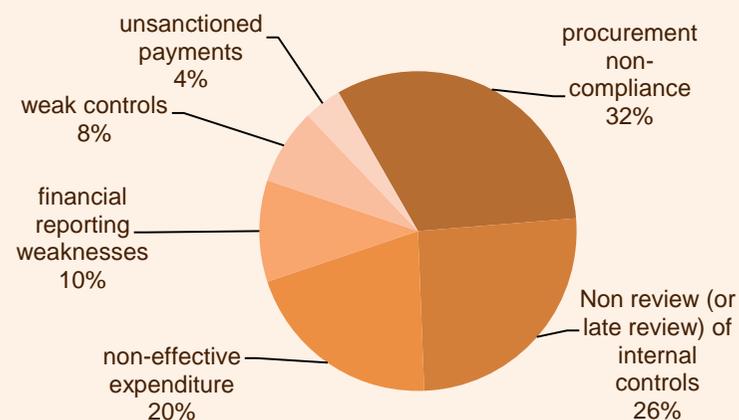
Emphasis of matter

An audit certificate may, where appropriate, draw attention to a matter that is of importance for readers in understanding the financial statements. Around 50 sets of financial statements presented to the Oireachtas in 2016 received an audit report containing such an emphasis of matter paragraph. The matters covered the manner of accounting for pensions (32); accounting for university foundation/trusts (8); going concern basis of accounting in Institutes of Technology (7) and two other cases.

Significant other matters

The C&AG reports by exception if he identifies material irregular transactions (e.g. public money not applied for the purposes intended) or where the statement on internal financial control does not reflect the audited body's compliance with the governance arrangements set out in its code of governance practice. This includes cases where there were material matters relating to the way in which public business has been conducted. There were 84 such instances in the audit reports on accounts noted by the Public Accounts Committee in 2016. The chart categorises the issues involved.

Significant other matters noted in audit reports



Note

Procurement non-compliance – 'materiality' is procurement of €500,000 or more in one period of account, irrespective of the scale of procurement of the body concerned.

Non-effective expenditures includes material losses, unclear business purpose of expenditure, or payments for which no value was received (such as onerous leases of property; or losses due to fraud) (generally €100,000 or more).

Matters raised with management

In addition to published reports, audit contributes to value by issuing post audit correspondence which aims to assist bodies to enhance their internal control and management by communicating findings, recommendations, and opportunities for improvement.

The chart shows the types of issues raised with bodies in respect of the accounts certified in 2016 and 2015 respectively. In general, the matters referred to in the correspondence involve shortcomings in procedures which, if not addressed, could expose the bodies to loss, inaccurate financial reporting, non-compliance with appropriate procedures or governance norms for the public service.

There was a substantial increase in the number of accounting issues raised in relation to accounts certified in 2016. This coincided with the introduction of a new financial framework (FRS102) for state bodies and new preliminary procedures introduced by the Office in relation to the quality of accounts submitted for audit.

Number of issued raised with management – accounts certified in 2016



Change in financial reporting framework

Around 180 financial accounts of central government bodies audited by the Comptroller and Auditor General are prepared in accordance with generally accepted accounting principles.

The financial reporting framework changed for the 2015 financial year, thus impacting on the audit programme for 2016. A new framework – Financial Reporting Standard 102 was issued by the Financial Reporting Council as the financial reporting standard applicable in the UK and Republic of Ireland for general purpose accrual accounts.

The Office took a number of steps to assist in the transition by bodies to the new framework including

- assisting bodies in their preparation for the transition through early engagement, preparation of example financial statements, publishing guidance material and hosting a briefing seminar for finance officials in those bodies
- training and issue resolution mechanisms to address any specific technical issues.

Nearly all the relevant bodies had successfully transitioned to FRS102 by the end of 2016. Seven bodies are in the process transitioning to FRS102 at that time.

Impact of report recommendations

Reports contain specific recommendations for good practice and improved performance together with the responses of the audited body.

In general, audited bodies accepted the recommendations made.

	2012	2013	2014	2015	2016
Number of published recommendations	70	48	68	63	46
Accepted by audited bodies	61%	90%	88%	92%	83%
Partially accepted by audited bodies	33%	10%	3%	5%	13%

Financial performance

The table summarises key financial data and staffing details for the last 5 years.

The Office is financed in the same manner as government departments through the annual estimates process whereby Dáil Éireann approves estimates of receipts and expenditure each year and gives giving statutory effect to the estimates in an annual Appropriation Act.

At the end of each financial year, each department and office is required to prepare an account, known as the appropriation account, which reports the outturn for the year compared with the amount provided by Dáil Éireann.

The Office's appropriation account is audited by an independent firm of accountants appointed by the C&AG.

Payroll costs represent over 80% of the annual cost of the Office. Pay rates are determined by the Minister for Public Expenditure and Reform. Audit fees are charged in respect of certain financial audits upon certification of the account.

Selected financial audits are outsourced. Other costs comprise training and development, professional membership fees, information technology and communications, accommodation, legal costs and consultancy work where experts are engaged to support reporting work.

	2012	2013	2014	2015	2016
<i>Financial costs</i>	€000	€000	€000	€000	€000
Total operational cost ^a	10,350	10,533	10,513	11,606	11,165
<i>of which</i>					
Staff costs ^{a b}	8,591	8,634	8,650	9,334	8,974
Travel expenses	444	439	415	452	517
Contracted audits	407	397	407	416	497
Other costs	908	1,063	1,041	1,404	1,177
Audit fees collected	5,327	4,772	5,269	5,589	6,112
Net Exchequer cost	5,023	5,761	5,244	6,017	5,053

Source: Extracts from audited appropriation accounts of the Office of the Comptroller and Auditor General. The Office also publishes an audited accrual account each year which is available on www.audgen.gov.ie

Note a Staff costs are shown net of receipts from pension related deductions on salaries which are retained as appropriations-in-aid.

b The staff costs for 2015 include 27 pay periods for most staff (53 pay periods for weekly paid staff). In other years, there were 26 pay periods (52 for weekly paid staff).

Staff

Staffing levels

The average number of staff employed each year based on the whole time equivalent (WTE) are shown in the table. The difference between the authorised number and the average actually employed in each year is generally due to the time lag between the date of staff departures and the completion of recruitment processes. The Public Appointments Service runs an annual graduate recruitment campaign for the Office.

Staff turnover represents all staff departures in the year as a proportion of the average number employed.

Contracted services

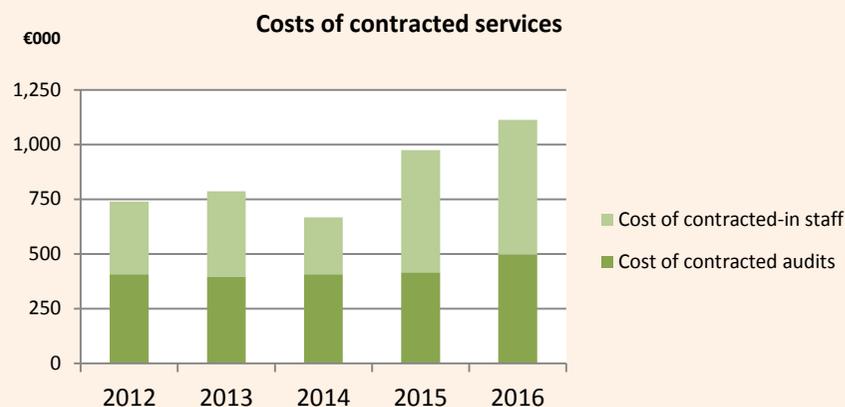
Qualified accountants are contracted-in on an agency-basis for short periods to fill temporary gaps which arise where permanent staff depart.

The Office also outsources selected financial audits as a means of meeting part of the peak in audit demand and facilitating timely certification of financial statements. There is an agreement with staff unions to outsource audit work up to an average of 6 whole time equivalents per year. Firms are competitively procured to undertake this work.

	2012	2013	2014	2015	2016
Staffing numbers	WTE	WTE	WTE	WTE	WTE
Average employed	138	146	143	145	145
Authorised maximum staff complement	150	150	150	164	164
As a % of staff complement	92%	97%	95%	88%	88%
Staff turnover rate	6%	4%	12%	14%	15%

Staff number equivalent of other resources employed

Staff contracted-in	5	6	4	7	8
Contracted audits	7	7	7	7	6



Building capacity

Learning and development

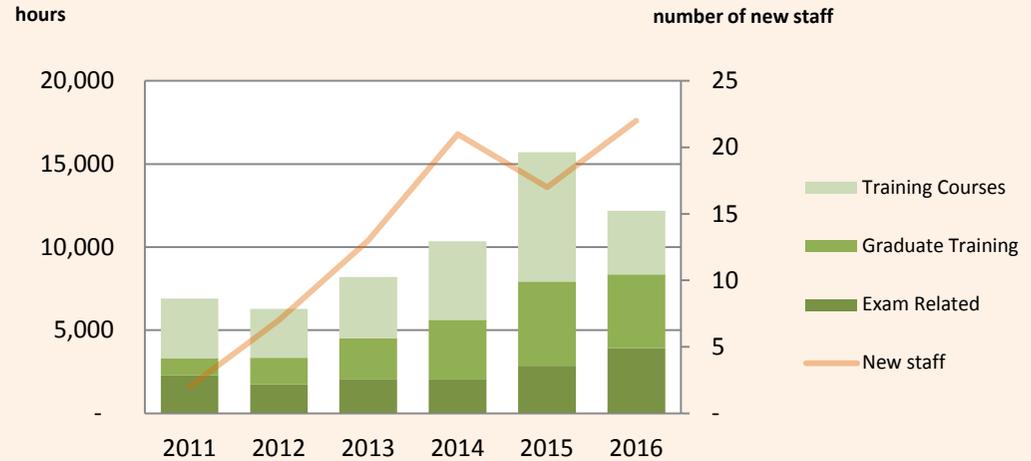
All managers on financial audits are qualified accountants – audits teams comprise a mixture of qualified and trainee accountants.

Personnel policies and procedures are designed to ensure that the Office has sufficient staff with the capabilities, competence and commitment to ethical principles necessary to carry out examinations and to perform audits in accordance with professional standards.

Financial support for courses and examinations is provided to staff pursuing post graduate qualifications and staff pursuing professional accountancy qualifications.

In addition, staff to undertake various education, training and development activities during work the details of which are set out in the graph.

Time allocated to learning and development



Strategy Implementation

The strategy statement 2016 – 2020 was developed after consultation with stakeholders. Four advisory forums were established to develop actions and ensure strong engagement and communication with staff in implementing the strategy. The areas covered by the forums are

- Staff well being
- Staff development
- Internal business improvement
- Communicating good practice to audited bodies.

Each forum is chaired by a Deputy Director and contains members of staff drawn from across the Office.

In addition, the two new units were established to deliver a number of actions under the strategy

- Business improvement unit – to improve efficiencies in auditing and develop best work practice tools
- Good practice unit - to develop good practice guides and sponsor good practice events for audited bodies.

Diversity

The Office of the Comptroller and Auditor General operates under the framework of the civil service Dignity at Work Policy, 2015.

There are around 10 nationalities represented across the workforce. The Office is in the process of developing a diversity statement which will be published.

Information Security

The Office of the Comptroller and Auditor General has been certified under the international standard for information security management ISO 27001 since 2008.

The Secretary and Director of Audit has overall responsibility for information security, and a Security Forum is in place with responsibility for the development, promotion and ongoing management of all aspects of security in the Office, and for overseeing the management of ISO 27001 certification.

The scope of the certification was updated to reflect the Office's move to a single operational location at Mayor Street Upper and incorporates the security of the computer systems, databases, information and information handling procedures in place in that premises and the off site data centre.

Implementing the standard provides the Office with an organised approach to managing and securing confidential business and client information.