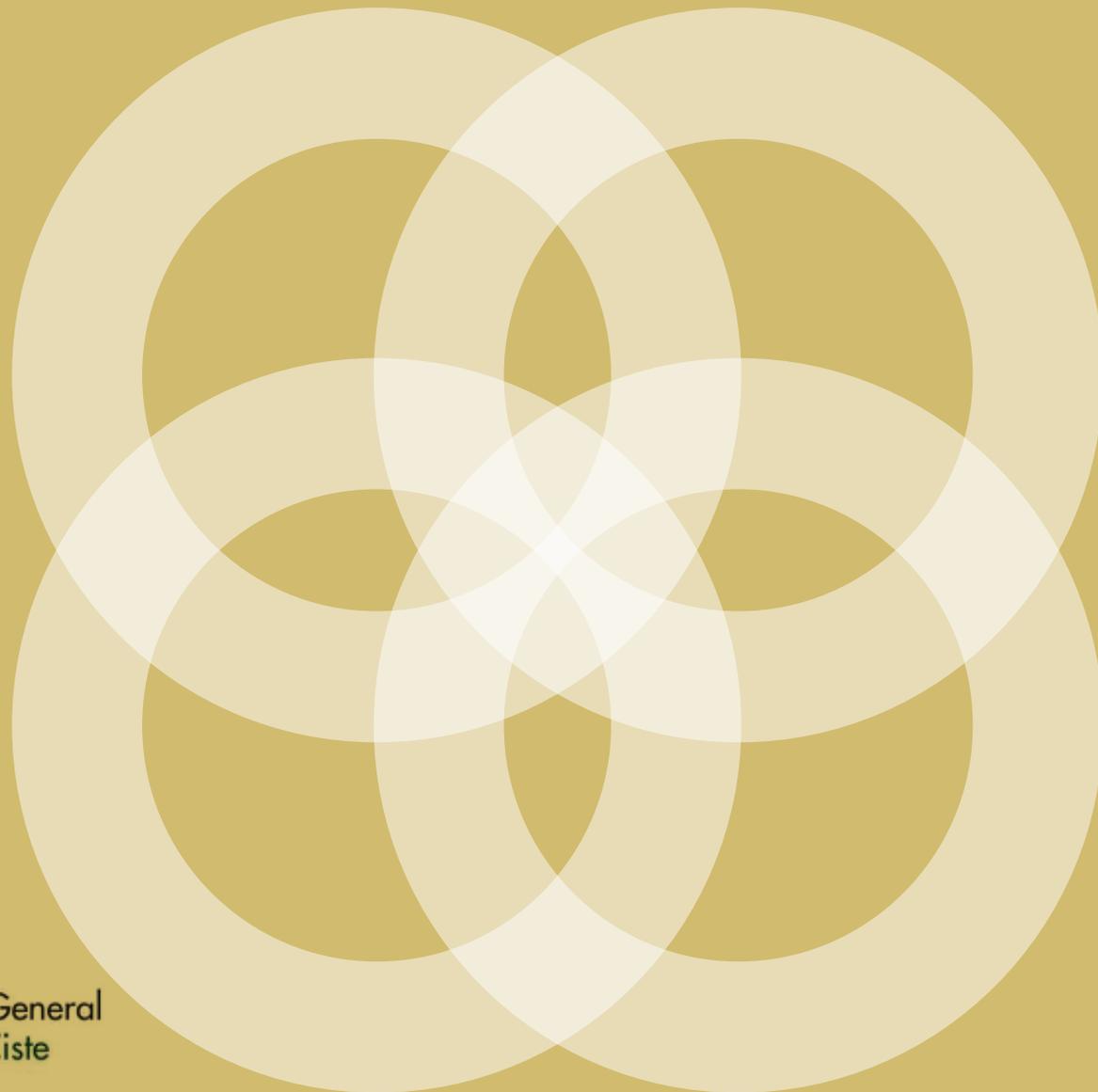


PERFORMANCE REPORT 2017

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 2017 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 2017, the Office of the Comptroller and Auditor General...



completed **290** audits of financial statements



certified **96%** of 2016 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 **26** 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 **37** meetings of the Public Accounts Committee out of a total of **37** public 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 **13** matters reported to the Office under the Protected Disclosures Act 2014 or on an anonymous basis.

The IMPACT we have

We measure the impact of our work by our interaction with audited bodies in 2017, during which we...



made **42** recommendations in reports aimed at ensuring good practice and improved performance, of which **100%** were accepted in full or in part by the audited body



issued a clear audit opinion in **99%** of the financial statements noted by the Public Accounts Committee in the year



drew attention to **47** important matters in understanding the accounts of public bodies and in **65** instances to other matters deemed to be of importance to users of the accounts



contributed to **3** good practice initiatives in the areas of corporate governance, internal audit and committees of the Education and Training Boards



raised over **900** 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 2017, the Office of the Comptroller and Auditor General...



delivered an audit and reporting programme at a total cost of **€11.5 million**



recovered **€5.6 million** in audit fees



employed an average of **147** staff (WTE) at a salary cost of **€9.5 million.**

Staff and resources

In 2017,



71% of the staff assigned to financial audit were qualified accountants and the remainder were part qualified

(managers assigned to financial audits are qualified accountants)



18 staff (WTE) with relevant qualifications were assigned to reporting work



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



increased by **9%** the number of accounts delegated to senior managers for certification



an average sickness absence rate of **2%**

A climate survey among our staff indicates



a high level of staff engagement (**75%**) and overall sense of well being (**72%**).

Building capacity

Supporting staff through education and continuous development ensures that we have the capacity necessary to carry out the work programme. In 2017.....



over **17,000** hours were devoted to training courses, professional studies and graduate training which amounted to **7%** of available time



over **€160,000** was spent supporting post graduate and professional studies, continuing development training and professional membership fees



37 staff were pursuing professional accountancy or post graduate studies



8 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** international bodies – the audit board of the European Stability Mechanism, the audit board of Eurocontrol (European organisation for air navigation safety) and the supervisory committee of OLAF (EU Anti-Fraud Agency)



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

Additional information and key trends — 2012 to 2017

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 number of accounts for prior periods of account together with the 2017 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 after the 2014 financial year. 289 accounts for period of account ending in 2017 are due for audit in 2018.

	Period of account ending in					
	2012	2013	2014	2015	2016	2017
Vote accounts	39	39	40	39	40	41
Departmental funds	33	29	30	29	26	27
Financial entities	21	27	25	26	26	27
Health entities	27	27	28	29	28	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	16	16	16	16
Other education entities	8	7	5	5	6	6
Semi State bodies ^b	122	121	122	114	112	111
County Enterprise Boards ^c	35	-	35	-	-	-
	351	316	334	291	287	289

- Note a Vocational Education Committees (up to June 2013) were amalgamated to form Education and Training Boards.
 b Includes subsidiaries of State bodies.
 c 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 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.

Audits completed in year



Ensuring quality

The quality of our work is based on two key principles

- embedding quality within our culture and day-to-day practices, and
- monitoring quality and acting upon the lessons to be learned.

We have policies and processes in place in relation to recruitment, training, continuing professional education and development, codes of conduct, and operational reviews of financial audit work and reports prior to publication.

Our quality control system for financial audit contains measures to monitor quality including reviews of

- selected audits during the course of the audit by a senior manager independent of the team
- all audits undertaken by commercial firms by a senior manager prior to certification
- a sample of audits post certification by an external reviewer every two years.

Findings from these reviews are assessed and incorporated into the training needs of the Office.

Audit certification timeliness

Certified accounts

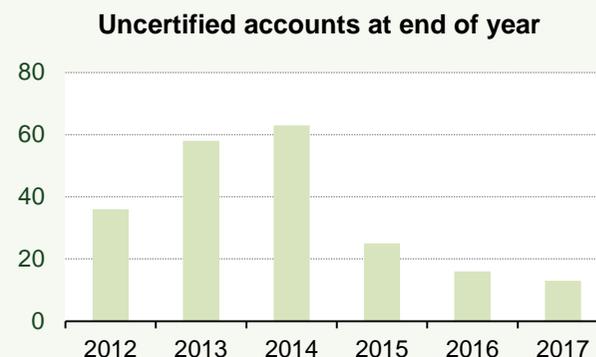
The Office's key performance indicators on audit timeliness are measured by reference to value of turnover, and to the number of accounts.

The key reference date for the Office is the end of September because of the statutory requirement for the audits of central government accounts to be completed by that date. 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.

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 publishes a report setting out those bodies where delays in reporting have occurred, and the causes of those delays. The most recent report is available on our website (www.audgen.gov.ie)



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 is for 25 reports to be published each year.

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



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

Three sets of financial statements (1% of the total number of accounts) presented to the Oireachtas in 2017 received a qualified opinion. The reasons were - issues concerning the accounting for pensions (2) and the non-recognition of heritage assets.

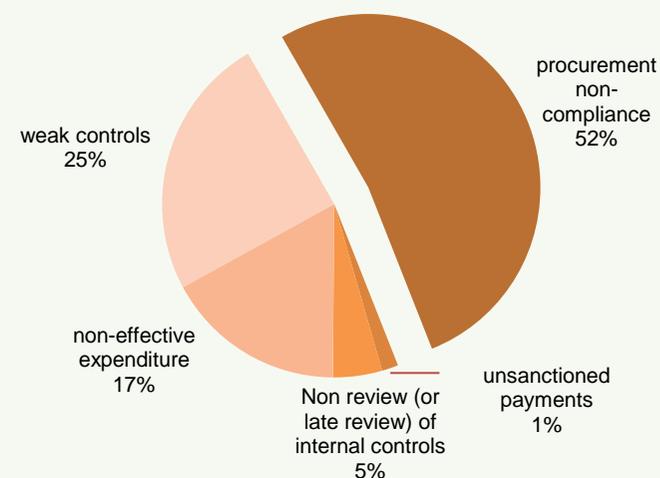
Emphasis of matter

An audit certificate may, where appropriate, draw attention to a matter that is of importance for readers in understanding the financial statements. 44 sets of financial statements presented to the Oireachtas in 2017 received an audit report containing 47 emphasis of matter paragraphs. The matters mainly covered the manner of accounting for pensions (38) and going concern basis of accounting.

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 65 such instances in the audit reports on accounts noted by the Public Accounts Committee in 2017. 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 2016 financial year (accounts certified in 2017).

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.

Number of issued raised with management – accounts certified in 2017



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.

The table sets out the number of recommendations made in reports together with the proportion accepted by bodies.

	2012	2013	2014	2015	2016	2017
Number of published recommendations	70	48	68	63	46	42
Accepted by audited bodies	61%	90%	88%	92%	83%	93%
Partially accepted by audited bodies	33%	10%	3%	5%	13%	7%

Good Practice

Our strategy statement sets out our commitments to lead or contribute to good practice initiatives. There were three significant initiatives in 2017

Education and Training Boards (ETBs)

We attended 3 workshops for audit committee and finance committee members of ETBs, to discuss good practice for these committees.

Code of Practice for the Governance of State Bodies

In 2016, the Department of Public Expenditure and Reform (DPER) published an updated Code of Practice for the Governance of State bodies. In consultation with DPER, we developed guidance in relation to the implications of the revised Code for entity's annual financial statements and annual report. The guidance was published by DPER and we presented on this at four events during 2017.

Internal audit in government departments

We undertook a comparative review of government departments, the findings of which were shared with DPER, Accounting Officers and the Heads of Internal Audit Function ("HIAF"). We also undertook follow-on engagement with HIAF on this review.

Financial performance

The table summarises key financial data and staffing details for the last 6 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 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	2017
<i>Financial costs</i>	€000	€000	€000	€000	€000	€000
Total operational cost ^a	10,350	10,533	10,513	11,606	11,165	11,529
<i>of which</i>						
Staff costs ^{a b}	8,591	8,634	8,650	9,334	8,974	9,504
Travel expenses	444	439	415	452	517	549
Contracted audits	407	397	407	416	497	372
Other costs	908	1,063	1,041	1,404	1,177	1,104
Audit fees collected	5,327	4,772	5,269	5,589	6,112	5,592
Net Exchequer cost	5,023	5,761	5,244	6,017	5,053	5,937

Source: Extracts from audited appropriation accounts of the Office of the Comptroller and Auditor General - 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.

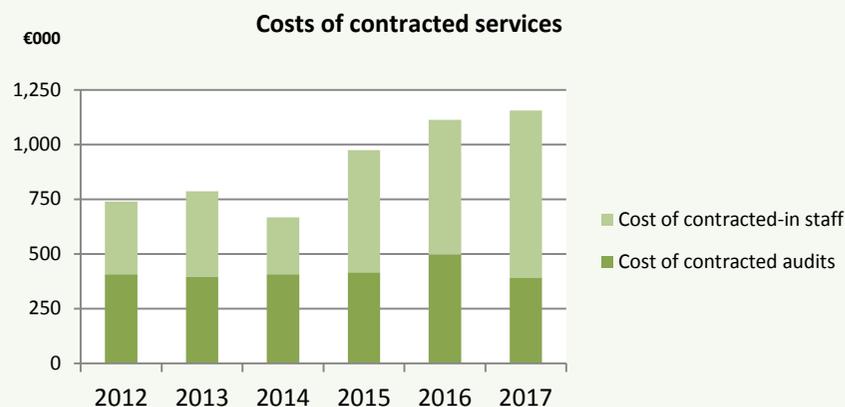
Staff turnover represents all staff departures in the year as a proportion of the average number employed.

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 for an average of 6 whole time equivalents per year, increasing to an average of 8 per year for the period 2018 to 2020. Firms are competitively procured to undertake this work.

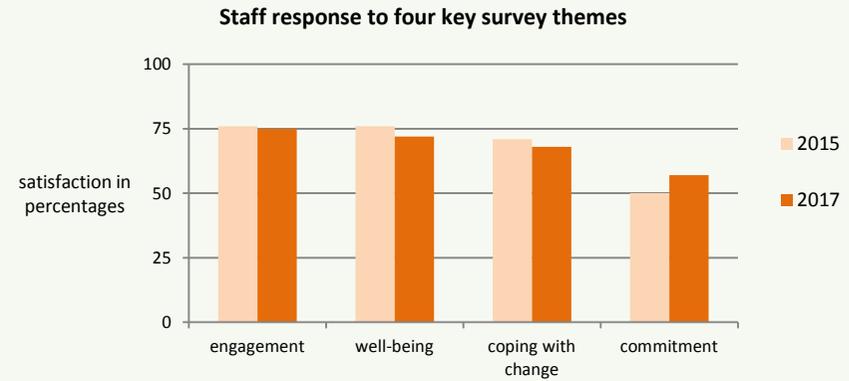
	2012	2013	2014	2015	2016	2017
Staffing numbers	WTE	WTE	WTE	WTE	WTE	WTE
Average employed	138	146	143	145	145	147
Authorised maximum staff complement	150	150	150	164	164	164
<i>As a % of staff complement</i>	<i>92%</i>	<i>97%</i>	<i>95%</i>	<i>88%</i>	<i>88%</i>	<i>90%</i>
Staff turnover rate	6%	4%	12%	14%	15%	14%
Staff number equivalent of other resources employed						
Staff contracted-in	5	6	4	7	8	9
Contracted audits	7	7	7	7	6	5



Staff climate survey

Our staff responded to a civil service climate survey which sought their views on a range of issues such as the level of engagement, commitment to the organisation, sense of well-being and coping with change. The survey enables us all to have our views heard on a variety of issues such as leadership, career support, performance standards and wellbeing.

The 2017 main survey results and comparison to the previous survey (2015) are set out in the graph.



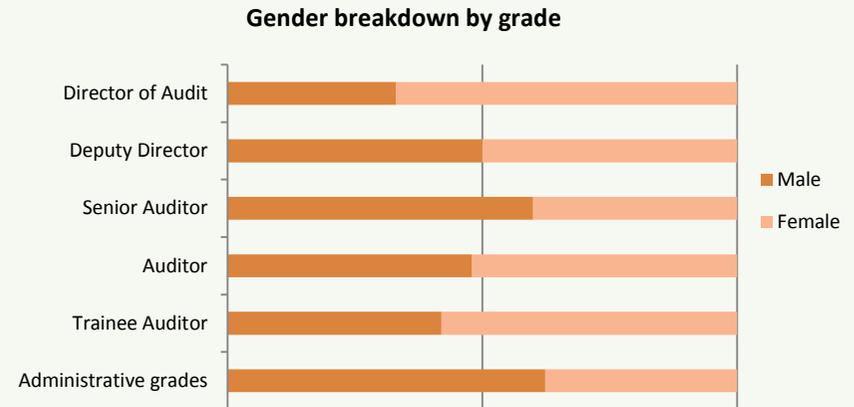
Diversity

Our recruitment and promotion is undertaken in accordance with the Public Service Management (Recruitment and Appointments) Act 2004 and the Code of Practice issued by the Commission on Public Service Appointments. We operate under the framework of the civil service policies and procedures.

We recently developed and published our Diversity, Equality and Inclusion Statement which is available at www.audgen.gov.ie

The graph shows the gender breakdown at each of the main grades in the Office. There are over 10 nationalities represented across our workforce.

All staff are remunerated on the basis of incremental salary scales for each grade. All promotions are on foot of competitive processes.



Building capacity

Learning and development

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

Our personnel policies and procedures are designed to ensure that we have 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, our staff participate in various education, training and development activities the details of which are set out in the graph.

In 2017, we reviewed our competency framework and our learning and development framework, paying particular attention to the development actions for new and recent recruits. The frameworks are published on our website (www.audgen.gov.ie)

Time allocated to learning and development



Corporate responsibilities

Prompt payments

Payment of invoices on time is governed by legislation which provides for the payment of interest on valid invoices which are unpaid after 30 days from the date of receipt. Furthermore, Government policy requires that public bodies pay suppliers within 15 days from receipt of the invoice. We consider an invoice received when it is complete and relates to goods and services specifically requisitioned and received.

Late payment interest is calculated in respect of the period starting on the date after the due date and ending on the date when payment is made. Payment of interest cannot be waived by the supplier and must be included with the amount payable for the goods or services without demand for its payment being made by the supplier.

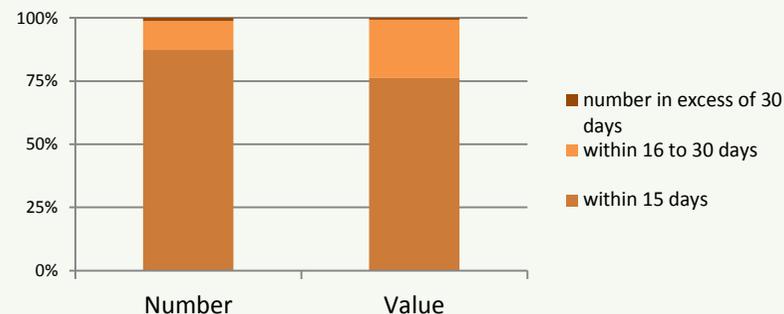
The graph shows our performance in 2017 in relation to the timeliness of payments to suppliers. Payments to suppliers with a combined value of €14,607 were paid outside of the 30 day limit, attracting interest payments of €181 and compensation payments of €540.

Official Languages Act

During 2017, we undertook a review of our scheme under the Official Languages Act 2003. The revised scheme was approved by the Minister for Culture, Heritage and the Gaeltacht. The scheme requires the simultaneous publication in English and Irish of the Office's corporate publications, and of audited appropriation accounts and the Report on the Accounts of the Public Services.

In 2017, all corporate publications were published simultaneously in both languages. The Irish versions of the appropriation accounts were published in some cases after the English version while the Irish language version of the Report of the Accounts of the Public Services was published a number of weeks after the English version. The completion of the translations of both the appropriation accounts and report can only be finalised after all late changes have been made to the English language versions. We are working with audited bodies to address the matter.

Prompt payment performance



Disclosures

The Office has adopted procedures in relation to good faith reporting and for applying the Protected Disclosures Act 2014 where employees can raise concerns regarding potential wrongdoing. No disclosures were made in 2017 by staff members or by others in relation to the work of the Office.

The Comptroller and Auditor General is a prescribed person under the protected disclosures legislation and disclosures about any matter relating to improper use of public funds and resources or concerning value for money in respect of entities that fall within his remit can be made to the Office.

Seven matters that came to the attention of the reporters in the course of their employment and that related to bodies within our remit, were reported to us in 2017. 6 additional matters were reported on an anonymous basis included claims that the persons making the report had received the information in the course of their employment. In each case, the matters reported were referred to the relevant audit team to be taken into account, as appropriate, in the planning of future audit work.

Energy consumption

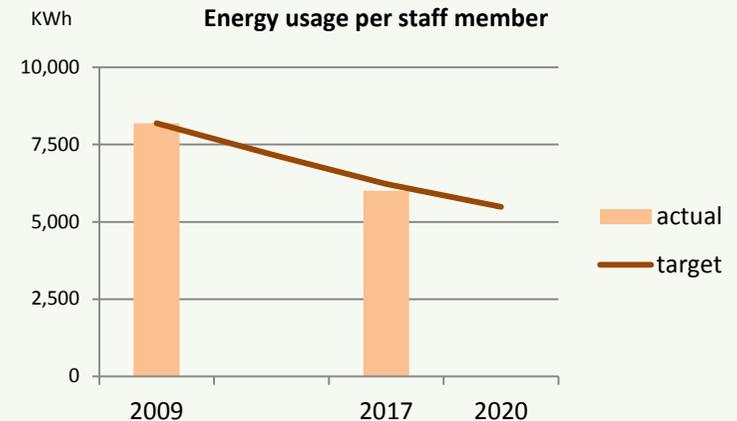
In 2009, a national target was set to improve energy efficiency by 20% by 2020. A target of 33% was set for the public sector.

The Office moved premises in late 2015 to a grade A office building which it shares with other public sector bodies. We previously occupied two buildings – a heritage building in Dublin Castle, and an office building dating from the 1970s. We also had a number of audit teams embedded within government departments.

Upon moving to the new accommodation we took the opportunity to rationalise space by increasing the number of staff in open plan areas, reducing the number of cellular rooms, reducing the number of embedded audit teams, and arranging for use of common areas and sharing of facilities with the other tenants. The new accommodation has around one third less floor space than the previous buildings. Taking account of the increased number of staff in the new location, the average space occupied per person in our premises has halved from 2009.

The Office participates in the Sustainable Energy Authority of Ireland online system for the purpose of reporting our energy usage. Performance is measured relative to the number of staff (whole time equivalent). The graph shows that by 2017, energy efficiency was 24% less than the baseline, and in line with the target 'glide path'. Further efficiencies are required to achieve the 2020 target of a 33% energy reduction.

In early 2018, we installed an energy measurement system which will allow us to analyse our electricity usage in more detail and to identify areas for further energy saving opportunities.



Note The figures are shown in KWh per whole time equivalent. SEAI apply a conversion factor to take account of the environmental impact of different energy types. The 2017 energy figures are based on energy readings reported to the Office by the energy provider. The figures are subject to verifications as part of the SEAI reporting process. Energy usage was previously reported relative to the floor space occupied and this basis has been changed to the number of staff.