



Appropriation Account 2013

Vote 18

Shared Services

Introduction

As Secretary General of the Department of Public Expenditure and Reform, I am the Accounting Officer for Vote 18. I am required to prepare the appropriation account for the Vote, and to submit the account to the Comptroller and Auditor General for audit.

In accordance with this requirement, I have prepared the attached account of the amount expended in the year ended 31 December 2013 for the salaries and expenses of Shared Services.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2013, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €5.6 million is liable for surrender to the Exchequer.

The Statement of Accounting Policies and Principles and notes 1 to 6 form part of the account.

Establishment of the Vote

In February 2012, the Government gave a mandate for the implementation of Shared Services to support the Public Service Reform Plan (2011). In 2013, a new Vote, 18, was created to support the Civil Service Shared Services programme which is the responsibility of the Department of Public Expenditure and Reform. This dedicated Vote will also provide transparency on expenditure and the funding of shared services centres as they become operational.

In July 2013, the Government approved a Governance Policy for Shared Services. A key aspect of the policy is the intention to establish the National Shared Services Office under the Department of Public Expenditure and Reform on a non-legislative basis initially. This will be led by the Chief Executive Officer of the National Shared Services Office who will become the Accounting Officer for the Vote, once it has been established as a separate legal entity and, consistent with the approach being taken to establish the Office of Government Procurement.

Statement of Accounting Policies and Principles

The standard accounting policies and principles for the production of appropriation accounts have been applied in the preparation of the account.

Statement on Internal Financial Control

Responsibility for System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Department.

This responsibility is exercised in the context of the resources available to me and my other obligations as Secretary General. Also, any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under ongoing review.

Financial Control Environment

I confirm that a control environment containing the following elements is in place:

- financial responsibilities have been assigned at management level with corresponding accountability
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned
- formal procedures have been established for reporting significant control failures and ensuring appropriate corrective action
- there is an Audit Committee to advise me in discharging my responsibilities for the internal financial control system
- the Statement of Internal Financial Control for the Department of Finance is also relevant given that the Department of Finance provides certain services on a shared basis to Vote 18.

Administrative Controls and Management Reporting

I confirm that a framework of administrative procedures and regular management reporting is in place including segregation of duties and a system of delegation and accountability and, in particular, that

- there is an appropriate budgeting system with an annual budget which is kept under review by senior management
- there are regular reviews by senior management of periodic and annual financial reports which indicate financial performance against forecasts
- a risk management system operates within the Department
- there are systems aimed at ensuring the security of the ICT systems
- there are appropriate capital investment control guidelines and formal project management disciplines
- the Department ensures that there is an appropriate focus on good practice in purchasing and that procedures are in place to ensure compliance with all relevant guidelines.

Internal Audit and Audit Committee

I confirm that the Department has an internal audit function with appropriately trained personnel, which operates in accordance with a written charter which I have approved. Its work is informed by analysis of the financial risks to which the Department is exposed and its annual internal audit plans, approved by me, are based on this analysis. These plans aim to cover the key controls on a rolling basis over a reasonable period. The internal audit function is reviewed periodically by me and by the Audit Committee. I have put procedures in place to ensure that the reports of the internal audit function are followed up.

Robert Watt
Accounting Officer
Shared Services

27 March 2014

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 18 Shared Services

I have audited the appropriation account for Vote 18 Shared Services for the year ended 31 December 2013 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993. The account has been prepared in the form prescribed by the Minister for Public Expenditure and Reform, and in accordance with standard accounting policies and principles for appropriation accounts.

Responsibility of the Accounting Officer

In accordance with Section 22 of the Exchequer and Audit Departments Act 1866, the Accounting Officer is required to prepare the appropriation account. By law, the account must be submitted to me by 31 March following the end of the year of account.

The Accounting Officer is also responsible for the safeguarding of public funds and property under his control, for the efficiency and economy of administration by his Office and for the regularity and propriety of all transactions in the appropriation account.

Responsibility of the Comptroller and Auditor General

I am required under Section 3 of the Comptroller and Auditor General (Amendment) Act 1993 to audit the appropriation accounts of all Votes and to perform such tests as I consider appropriate for the purpose of the audit.

Upon completion of the audit of an appropriation account, I am obliged to provide a certificate stating whether, in my opinion, the account properly presents the receipts and expenditure related to the Vote. I am also required to refer to any material case in which

- a department or office has failed to apply expenditure recorded in the account for the purposes for which the appropriations made by the Oireachtas were intended, or
- transactions recorded in the account do not conform with the authority under which they purport to have been carried out.

Under Section 3 (10) of the Comptroller and Auditor General (Amendment) Act 1993, I am required to prepare each year, a report on any matters that arise from the audits of the appropriation accounts or examinations of accounting controls.

Scope of audit

An audit includes examination, on a test basis, of evidence relevant to the amounts and regularity of financial transactions included in the account and an assessment of whether the accounting provisions of the Department of Public Expenditure and Reform's *Public Financial Procedures* have been complied with.

The audit involves obtaining sufficient evidence to give reasonable assurance that the appropriation account is free from material misstatement, whether caused by fraud or other irregularity or error. I also seek to obtain evidence about the regularity of financial transactions in the course of the audit. In forming the audit opinion, the overall adequacy of the presentation of the information in the appropriation account is evaluated.

Opinion on the appropriation account

In my opinion, the appropriation account properly presents the receipts and expenditure of Vote 18 Shared Services for the year ended 31 December 2013.

I have obtained all the information and explanations I considered necessary for the purposes of my audit. In my opinion, proper books of account have been kept by the Department of Public Expenditure and Reform. The appropriation account is in agreement with the books of account.

Seamus McCarthy
Comptroller and Auditor General

8 September 2014

Vote 18 Shared Services

Appropriation Account 2013

		2013		
		Estimate provision		Outturn
		€000	€000	€000
Programme expenditure				
A	PeoplePoint			
	<i>Original</i>	11,975		
	<i>Supplementary</i>	556	12,531	11,842
B	Other shared service projects			
	<i>Original</i>	9,344		
	<i>Supplementary</i>	(555)	8,789	3,822
Gross expenditure				
	<i>Original</i>	21,319		
	<i>Supplementary</i>	1	21,320	15,664
<i>Deduct</i>				
C	Appropriations-in-aid		300	282
Net expenditure				
	<i>Original</i>	21,019		
	<i>Supplementary</i>	1	21,020	15,382

Surplus for surrender

The surplus of the amount provided over the net amount applied is liable for surrender to the Exchequer.

		2013
		€
Surplus to be surrendered		5,637,926

Analysis of administration expenditure

		2013	
		Estimate provision	Outturn
		€000	€000
i	Salaries, wages and allowances	6,504	5,050
ii	Travel and subsistence	10	2
iii	Training and development and incidental expenses	10	5
iv	Postal and telecommunications services	54	53
v	Office equipment and external IT services	81	53
vi	Office premises expenses	105	102
		6,764	5,265

Notes to the Appropriation Account

1 Operating Cost Statement 2013

	2013	
	€000	€000
Programme cost		10,399
Pay		5,050
Non pay		215
Gross expenditure		15,664
<i>Deduct</i>		
Appropriations-in-aid		282
Net expenditure		15,382
Changes in capital assets		
Purchases cash	(1,152)	
Depreciation	353	
		(799)
Changes in net current assets		
Increase in closing accruals	181	
Increase in stock	(2)	
		179
Direct expenditure		14,762
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)		675
Net programme cost		15,437

1.1 Net Allied Services Expenditure

The net allied services expenditure amount is made up of the following amounts in relation to Vote 18 borne elsewhere.

		2013
		€000
Vote 7 Finance	e	129
Vote 13 Office of Public Works		546
		<u>675</u>

'e' indicates that the number is an estimated value or an apportioned cost.

The OECD recommended that funding models for start-up of Shared Services in the public sector should initially be funded by central Government to ensure accountability for the efficient operation of the Shared Services Centre. They further recommended that thereafter, 'client' Departments be made to 'pay' for the services provided by these Shared Service Centres by inter-ministerial reallocation of the resources concerned. A detailed assessment of options was carried out and a proposal was reached that was communicated by the Secretary General to customer departments.

In 2014, following a stabilisation period, it is intended that an appropriate charge by way of budget transfer across customer departments availing of PeoplePoint services will be applied, as these departments will not be required to provide these services themselves. It is intended that the contribution across all customer departments and public service bodies availing of those services will be based on a proportionate headcount.

2 Balance Sheet as at 31 December 2013

	Note	2013 €000
Capital assets	2.2	1,421
Current assets		
Bank and cash		260
Stocks		2
Prepayments		139
Other debit balances	2.3	31
Total current assets		432
Less current liabilities		
Accrued expenses		320
Other credit balances	2.4	273
Net liability to the Exchequer	2.5	18
Total current liabilities		611
Net current assets		(179)
Net assets		1,242
Represented by:		
State funding account	2.1	1,242

2.1 State Funding Account	Note	2013 €000	2013 €000
Balance at 1 January			—
Disbursements from the Vote			
Estimate provision	Account	21,020	
Surplus to be surrendered	Account	(5,638)	
Net vote			15,382
Expenditure (cash) borne elsewhere	1		675
Non cash items – assets transferred from Department of Public Expenditure and Reform			622
Net programme cost	1		(15,437)
Balance at 31 December			1,242

2.2 Capital Assets

	IT equipment €000	Furniture and fittings €000	Office equipment €000	Total €000
Gross assets				
Cost or valuation at 1 January 2013	—	—	—	—
Additions	780	337	35	1,152
Assets transferred from Department of Public Expenditure and Reform	777	—	—	777
Cost or valuation at 31 December 2013	<u>1,557</u>	<u>337</u>	<u>35</u>	<u>1,929</u>
Accumulated Depreciation				
Opening balance at 1 January 2013	—	—	—	—
Depreciation on assets transferred from Department of Public Expenditure and Reform	155	—	—	155
Depreciation for the year	312	34	7	353
Cumulative depreciation at 31 December 2013	<u>467</u>	<u>34</u>	<u>7</u>	<u>508</u>
Net Assets at 31 December 2013	<u>1,090</u>	<u>303</u>	<u>28</u>	<u>1,421</u>

2.3 Other Debit Balances

	2013 €000
at 31 December	€000
Recoupable salaries	28
Other debit suspense items	3
	<u>31</u>

2.4 Other Credit Balances

	2013 €000
At 31 December	€000
Amounts due to the State	
Income Tax	54
Pay Related Social Insurance	56
Professional Services Withholding Tax	95
Pension contributions	16
Local Property Tax	1
Universal Social Charge	25
	<u>247</u>
Payroll deductions held in suspense	2
Other credit suspense items	24
	<u>273</u>

3 Programme Expenditure by Subhead

		2013		
		Estimate provision		Outturn
		€000	€000	€000
A	PeoplePoint			
A.1	Administration - pay		5,700	5,050
A.2	Administration - non pay		260	215
A.3	Human resources shared services project set-up			
		<i>Original</i>	6,015	
		<i>Supplementary</i>	556	
			6,571	6,577
			12,531	11,842

Significant variations

Overall, the expenditure in relation to Programme A was €688,449 lower than provided. This was mainly due to the following:

Description	Less/ (more) than provided €000	Explanation
Administration - pay	650	The variance arises because of the later than anticipated take-on of staff during the course of the year and delayed recruitment of the final tranche of staff.
Human resources shared services project set-up	(6)	The original budget was €6 million. This was increased by €556,000 in the supplementary estimate due to the negotiation by the Office of the Government Chief Information Officer of a one off cost for licencing which resulted in cost saving to the State but had the effect of accelerating spend to 2013 and re-classifying the spend as capital.

		2013		
		Estimate provision		Outturn
		€000	€000	€000
B	Other shared service projects			
B.1	Administration - pay		804	—
B.2	Administration - non pay		—	—
B.3	Payroll shared services – project set-up costs		4,345	3,559
B.4	Financial management and banking – set-up costs			
	<i>Original</i>	4,195		
	<i>Supplementary</i>	(555)	3,640	263
			<u>8,789</u>	<u>3,822</u>

Significant variations

Overall, the expenditure in relation to Programme B was €4.97 million lower than provided. The significant variations were as follows:

Description	Less/ (more) than provided €000	Explanation
Administration - pay	804	The commencement date for this project was delayed which resulted in operations staff transferring late in the year. The originating departments did not seek to recoup the costs due to late transfer of staff.
Payroll shared services – project set-up costs	786	The Government decision to proceed with the project was later than anticipated and this had a knock on effect to certain elements of cost.
Financial management and banking – set-up costs	3,377	Savings arose because the banking project did not progress beyond baselining stage.

4 Receipts

	2013	
	Estimated	Realised
	€000	€000
1. Receipts from pension-related deduction on public service remuneration	290	260
2. Miscellaneous	10	22
Total	300	282

Explanation of significant variations

An explanation is provided below in the case of each heading where the outturn varied from the amount estimated by more than €100,000, and by more than 5%. However, no outturn on this vote met these criteria in 2013.

5 Employee Numbers and Pay

	2013
Number of staff at year end (full time equivalents)	203
	2013
	€000
Pay ¹	5,781
Higher, special or additional duties allowance	4
Other allowances	2
Overtime	1
Employer's PRSI	431
Total Pay	6,219

¹ The total pay figure is inclusive of pay in subheads A.1, A.3, B.3 and B.4

5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2013 €
Higher, special or additional duties	3	—	3,808
Other allowances	5	—	1,137
Overtime	3	—	227

Certain individuals received extra remuneration in more than one category.