



Appropriation Account 2013

Vote 27

International Co-operation

Introduction

As Accounting Officer for Vote 27, I am required each year 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 certain Official Development Assistance, including certain grants-in-aid, and for contributions to certain International Organisations involved in Development Assistance and for salaries and expenses in connection therewith.

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 €3.78 million is liable for surrender to the Exchequer.

The Statement of Accounting Policies and Principles and notes 1 to 7 form part of the account.

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 except for the following.

Depreciation

Vehicles have been depreciated on a straight line basis at a rate of 20% per annum.

Buildings are not depreciated.

Foreign Exchange Transactions

Transactions arising on convertible currencies are translated into Euro at the rate of exchange ruling at the date of settlement. At programme country mission level, transactions arising on non-convertible currencies are translated into Euro at the market rate of exchange prevailing at the beginning of that week.

Grant Refunds

Refunds of grants which were funded out of the bilateral and other co-operation fund (grant-in-aid) are returned to the fund on receipt.

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, that transactions are 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
- an Audit Committee is in place to advise me in discharging my responsibilities for the internal financial control system.

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.

Enhancing Internal Control Environment

By its nature, development assistance carries inherent risks, which I acknowledge and seek to manage and mitigate. Robust controls are in place at head office, as outlined above, which are supplemented by the following controls in Key Partner Countries.

- Each Embassy, in addition to the Ambassador, has a Head of Development with responsibility for the management of the aid programme.
- The Ambassador and Head of Development are supported, in the larger programmes, by development specialists plus locally-recruited programme advisors with qualifications in relevant areas.
- There is a robust multi-annual planning and approval process for each Country Programme, which includes the development of a Country Strategy Programme (CSP) which is evaluated and approved by an independent Programme Appraisal and Evaluation Group (PAEG), a mid-term review of the Programme, and a final evaluation of the Programme on completion of the CSP term and in advance of preparation of the new CSP.
- In addition, there is a robust annual business planning process in place at all Missions including an assessment of risks to business plan implementation and controls in place

to manage that risk. These plans and risk registers are developed in consultation with Head Office and are monitored and updated as necessary on a quarterly basis.

- Each Embassy also has a locally-based finance function, led by an appropriately qualified head of finance, who reports both to the Ambassador and to Finance at Head Office.
- A detailed Financial Procedures Manual is in place which sets out the procedures to be followed in respect of all payments, both at Head Office and by Key Partner Countries.
- In addition to the internal audit function at Head Office (Evaluation and Audit Unit), each Partner Country has its own internal audit function, led by an appropriately qualified accountant, who reports directly to the Ambassador and to the Evaluation and Audit Unit.

During 2013, I directed the Evaluation and Audit Unit to visit each of the partner countries to carry out an assessment of the internal controls and risk management systems in place for overall management of the country programmes. While the overall conclusion of the synthesis report is that systems are adequate/good across partner countries with a strong focus on accountability, a number of systemic issues were identified primarily in relation to system documentation. The recommendations in this synthesis report on the assessment of internal control and risk management systems are accepted and implementation of the recommendations is included as a priority output in the Development Cooperation Division 2014 Business Plan as well in the Business Plans from the Missions in Key Partner Countries.

Work in particular is underway to strengthen risk management systems across the Department – including the development of a risk dashboard system – which is essentially a formalised system designed to alert management very quickly to particular risks (political, economic, security etc) which could affect the delivery of the aid programme. The good practice identified in some key partner countries in developing risk profiles at organisations, programme modality and partner levels will be used to inform the work on strengthening risk management systems.

I am committed to ensuring that we continue to strengthen our systems of risk identification and management and to ongoing monitoring and audit to minimise the potential for the misuse of funds in the future.

David Cooney
Accounting Officer
Department of Foreign Affairs and Trade

28 March 2014

Comptroller and Auditor General Report for presentation to the Houses of the Oireachtas

Vote 27 International Co-operation

I have audited the appropriation account for Vote 27 International Co-operation 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 in his Department 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 27 International Co-operation 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 Foreign Affairs and Trade. The appropriation account is in agreement with the books of account.

Seamus McCarthy
Comptroller and Auditor General

8 September 2014

Vote 27 International Co-operation Appropriation Account 2013

	2013		2012
	Estimate provision	Outturn	Outturn
	€000	€000	€000
Programme expenditure			
A Work on poverty and hunger reduction	497,079	493,300	508,721
Gross expenditure	497,079	493,300	508,721
<i>Deduct</i>			
B Appropriations-in-aid	1,150	1,156	1,419
Net expenditure	495,929	492,144	507,302

Surplus for surrender

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

	2013	2012
	€	€
Surplus to be surrendered	3,784,641	5,575,080

Analysis of administration expenditure

	2013		2012
	Estimate provision	Outturn	Outturn
	€000	€000	€000
i Salaries, wages and allowances	15,821	15,370	15,927
ii Travel and subsistence	2,200	2,171	2,038
iii Training and development and incidental expenses	2,450	1,432	1,134
iv Postal and telecommunications services	1,720	1,324	1,527
v Office equipment and external IT services	1,630	1,139	1,178
vi Office premises expenses	3,205	2,838	3,355
vii Consultancy services and value for money and policy reviews	1,000	423	588
viii Foreign representation and accommodation expenses	1,600	1,174	1,174
	29,626	25,871	26,921

Notes to the Appropriation Account

1 Operating Cost Statement 2013

	2013		2012
	€000	€000	€000
Programme cost		467,429	481,800
Pay		15,370	15,927
Non pay		10,501	10,994
Gross expenditure		493,300	508,721
<i>Deduct</i>			
Appropriations-in-aid		1,156	1,419
Net expenditure		492,144	507,302
Changes in capital assets			
Purchases cash	(237)		
Disposals cash	105		
Profit on disposals	(104)		
Depreciation	296		
		60	441
Changes in net current assets			
Decrease in net closing prepayments	3,570		
Decrease in stock	1		
		3,571	33
Net programme cost		495,775	507,776

Expenditure borne on other votes and the related notional rents for this programme are disclosed in note 1 of Vote 28 – Department of Foreign Affairs and Trade.

2 Balance Sheet as at 31 December 2013

	Note	2013 €000	2012 €000
Capital assets	2.2	8,183	9,011
Current assets			
Bank and cash		7,888	4,590
Stocks	2.3	19	20
Prepayments ¹		6,819	10,238
Other debit balances	2.4	99	11
Total current assets		14,825	14,859
Less current liabilities			
Accrued expenses		330	179
Other credit balances	2.5	114	106
Net liability to the Exchequer	2.6	1,253	(74)
Bilateral and other co-operation fund (grant-in-aid)	7	6,620	4,569
Total current liabilities		8,317	4,780
Net current assets		6,508	10,079
Net assets		14,691	19,090
Represented by:			
State funding account	2.1	14,691	19,090

¹ Prepayments include €5.49 million (2013: €8.9 million) paid to the European Development Fund as part of Ireland's assessed contribution for 2014.

2.1 State Funding Account	Note	2013 €000	2012 €000
Balance at 1 January		19,090	19,564
Disbursements from the Vote			
Estimate provision	Account	495,929	
Surplus to be surrendered	Account	(3,785)	
Net vote		492,144	507,302
Fixed asset adjustment		(768)	—
Net programme cost	1	(495,775)	(507,776)
Balance at 31 December		14,691	19,090

2.2 Capital Assets

	Land and buildings	Equipment	Office equipment	Furniture and fittings	Vehicles	Total
	€000	€000	€000	€000	€000	€000
Gross assets						
Cost or valuation at 1 January 2013	8,308	1,014	733	1,686	2,155	13,896
Additions	—	14	17	6	200	237
Disposals	—	(2)	(14)	(1)	(116)	(133)
Write down of fixed assets ¹	(669)	(47)	(208)	(571)	82	(1,413)
Cost or valuation at 31 December 2013	7,639	979	528	1,120	2,321	12,587
Accumulated depreciation						
Opening balance at 1 January 2013	—	966	681	1,289	1,949	4,885
Depreciation for the year	—	24	33	76	163	296
Depreciation on disposals	—	(1)	(14)	(1)	(116)	(132)
Depreciation on fixed assets written down	—	(26)	(220)	(492)	93	(645)
Cumulative depreciation at 31 December 2013	—	963	480	872	2,089	4,404
Net assets at 31 December 2013	7,639	16	48	248	232	8,183
Net assets at 31 December 2012	8,308	48	52	397	206	9,011

¹ During the year, a review of fixed assets was carried out which identified items with a gross value of €1,413,000 and a net book value of €768,000 which either do not represent assets of the Department (e.g. repairs / renovations to rented premises) or which relate to assets which have been donated/disposed of.

2.3 Stocks

	2013	2012
at 31 December	€000	€000
Stationery	19	20

2.4 Other Debit Balances

	2013	2012
at 31 December	€000	€000
Sundry debtors	99	11

2.5 Other Credit Balances	2013	2012
at 31 December	€000	€000

Amounts due to the State

Professional Services Withholding Tax	106	68
Value Added Tax	8	38
	<u>114</u>	<u>106</u>

2.6 Net Liability to the Exchequer	2013	2012
at 31 December	€000	€000

Surplus to be surrendered	3,785	5,575
Exchequer grant undrawn	(2,532)	(5,649)
Net liability to the Exchequer	<u>1,253</u>	<u>(74)</u>

Represented by:**Debtors**

Bank and cash	7,888	4,590
Debit balances: suspense	99	11
	<u>7,987</u>	<u>4,601</u>

Creditors

Due to State	(114)	(106)
Bilateral and other co-operation fund (grant-in-aid)	(6,620)	(4,569)
	<u>(6,734)</u>	<u>(4,675)</u>
	<u>1,253</u>	<u>(74)</u>

2.7 Commitments

The commitments figure stated below are the total legally enforceable amounts payable in 2014 and relate to property rental payments abroad and other administrative commitment.

Commitments are analysed by date of expiry of contract

	2013	2012
	€000	€000
Due within 12 months	584	614
Due between 1 and 5 years	1,269	1,277
	<u>1,853</u>	<u>1,891</u>

3 Programme Expenditure by Subhead

		2013		2012
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A	Work on poverty and hunger reduction			
A.1	Administration - pay	15,821	15,370	15,927
A.2	Administration - non pay	13,805	10,501	10,994
A.3	Payment to grant-in-aid fund for bilateral and other co-operation (grant-in-aid)	337,903	337,903	357,303
A.4	Emergency humanitarian assistance	60,000	59,979	51,000
A.5	Payments to international funds for the benefit of developing countries	30,000	30,000	33,999
A.6	Contributions to United Nations and other development agencies	39,550	39,547	39,498
		<u>497,079</u>	<u>493,300</u>	<u>508,721</u>

Significant variations

The outturn for the year was €3.78 million less than provided. This was mainly due to the following:

Description	Less/ (more) than provided €000	Explanation
Administration - non pay	3,304	Savings were delivered through cost containment on all non-pay administration headings but in particular under the incidental expenditure, post and telecommunications, office supplies and consultancies subheads.

4 Receipts

4.1 Appropriations-in-aid	2013		2012
	Estimated	Realised	Realised
	€000	€000	€000
1. Appropriations-in-aid	370	390	620
2. Receipts from pension-related deductions on public service remuneration	780	766	799
Total	1,150	1,156	1,419

Explanation of significant variations

An explanation is provided 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	2012
Number of staff at year end (full time equivalents)	189	189
	2013	2012
	€000	€000
Pay	13,745	14,285
Higher, special or additional duties allowance	35	35
Other allowances	24	28
Overtime	90	61
Employer's PRSI	782	796
Total Pay	14,676	15,205

The total pay figures above exclude non-pay expenditure charged to salaries, wages and allowances. This expenditure is primarily composed of salaries and associated costs for security staff in missions.

5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2013 €	Maximum individual payment 2012 €
Higher, special or additional duties	5	1	16,585	16,469
Other allowances	12	—	6,904	6,928
Overtime	64	2	10,490	10,644

Certain individuals received extra remuneration in more than one category.

5.2 Other Remuneration

Four retired civil servants in receipt of civil service pensions were re-engaged, following a competitive procurement process where necessary, on a fee basis at a total cost of €48,646.

6 Miscellaneous Items

6.1 Contributions to United Nations and other development agencies (A.6)

	2013	2012
	€000	€000
United Nations Development Programme (UNDP)	8,980	8,900
United Nations Children's Fund (UNICEF)	8,200	8,200
United Nations High Commissioner for Refugees (UNHCR)	6,100	6,100
World Health Organisation (WHO) Programmes	1,200	1,200
United Nations Population Fund	3,200	3,181
Office of the United Nations High Commissioner for Human Rights	2,000	1,950
UNAIDS	3,000	3,000
United Nations Development Fund for Women (UNIFEM)	1,500	1,500
UN International Drugs Control Programme	—	100
UN Industrial Development Organisation	541	418
UN Relief and Works Agency for Palestine Refugees in the Near East (UNWRA)	4,000	4,000
UNEP Trust Fund	57	57
United Nations Volunteers	460	450
Others - various	309	442
	<u>39,547</u>	<u>39,498</u>

6.2 Fraud and Suspected Fraud

	2013	2012
	€000	€000
Suspected fraud – third party grant bodies	<u>50</u>	<u>70</u>

By its nature, development assistance carries inherent risks including the risk of fraud. Strong and effective controls are in place at head office and in Key Partner Countries to mitigate these risks, as set out in the Statement on Internal Financial Control. In accordance with the Department's procedures, all allegations of suspected fraud are investigated and details reported to the Office of the Comptroller and Auditor General. Where fraud does occur, every effort is made to recover the misappropriated Irish Aid funds.

During 2013, a suspected fraud was identified in a multi partner pooled funding mechanism of which the amount relating to Irish Aid's funding share is estimated at €50,000 approximately. In 2012, a suspected fraud was also identified in a multi partner pooled funding mechanism. In that case, Irish Aid's funding share was estimated at €70,000 approximately.

7 Miscellaneous Items

7.1 Bilateral and other co-operation fund (grant-in-aid) account

Account of receipts and payments during the year ended 31 December 2013

	2013	2012
	€000	€000
Balance on 1 January 2013	4,569	4,156
Grant-in-aid 2013	337,903	357,303
	342,472	361,459
Expenditure for the year	(336,103)	(356,890)
Amounts returned during the year	251	—
Balance on 31 December 2013	6,620	4,569

In addition, at 31 December 2013, unspent balances totalling €4.1 million (2012: €8.93 million) were held in bank accounts controlled by Irish Embassies and Irish Aid offices in eleven countries.

Also during 2013, grant refunds amounting to €322,000 were returned to Irish Embassies and Irish Aid offices in respect of projects where the allocated funds were not utilised in full. These refunds are held in bank accounts controlled by Irish Embassies and are available for disbursement in 2014.

During 2013, the misappropriated funding of €4.13 million which was returned by the Ugandan authorities in December 2012 was disbursed as part of the bilateral programme for Uganda and in accordance with the revised mechanisms for delivering this programme. As part of these revised procedures, during 2013 €6.1 million, which had been disbursed in 2011 to the Ministry of Education and Sports in Uganda, was returned and an agreement was entered into with an independent managing agent to deliver the programme. The returned €6.1 million was disbursed to the managing agent in 2013.