



Appropriation Account 2014

Vote 22

Courts Service

Introduction

As Accounting Officer for Vote 22, 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 2014 for such of the salaries and expenses of the Courts Service and of the Supreme Court, the Court of Appeal, the High Court, the Special Criminal Court, the Circuit Court and the District Court and of certain other minor services as are not charged to the Central Fund.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2014, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €1.43 million is liable for surrender to the Exchequer.

The new Court of Appeal has been established and commenced sittings on 5 November 2014.

The Statement of Accounting Policies and Principles and notes 1 to 6 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

Capital assets are depreciated on a straight line basis over their estimated useful life starting in the month placed in service.

Buildings are depreciated at a rate of 2% per annum on a straight line basis.

Court buildings are valued upon vesting in the Courts Service. The valuation used is based on market values of commercial properties in the area.

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 Courts Service. This responsibility is exercised in the context of the resources available to me and my other obligations as Chief Executive Officer. 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.

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 Courts Service
- 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 Courts Service 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. The Courts Service complied with the guidelines with the exception of seven contracts to the value of €659,916. These contracts were extended beyond the original contract date without competitive procurement and an independent review was not obtained in advance of expenditure as required under Circular 40/2002. The Courts Service is in the process of putting tenders in place for these services during 2015. In addition, there was one item relating to a centrally procured draw down contract for fixed line services valued at €326,873 which was extended beyond the original contract. We understand that a new contract is being procured centrally by the Office of Government Procurement for these services during 2015. Furthermore, there were seven contracts with sole suppliers with a total value of €1,312,250 which by their nature are not subject to a competitive process.

Audit Committee

I can confirm that the Courts Service has an Audit Committee. The Committee is a sub-committee of the Board of the Courts Service. The role of the Committee is to oversee, advise and support the Board and the Chief Executive Officer/Accounting Officer by reviewing the comprehensiveness of assurances on a range of matters including the integrity of internal financial controls. The Audit Committee operates under an approved written charter and submits an annual report to the Courts Service Board. It also reviews and approves the Internal Audit annual work programme.

Internal Audit

I confirm that the Courts Service 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 Service 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.

Shared Services

I have fulfilled my responsibility in relation to the requirements of the Financial Shared Service Centre Killarney for the provision of financial shared services and I rely on a letter of assurance from the Accounting Officer of the Department of Justice and Equality for the provision of shared services to the Courts Service.

Brendan Ryan
Accounting Officer
Courts Service

31 March 2015

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 22 Courts Service

I have audited the appropriation account for Vote 22 Courts Service for the year ended 31 December 2014 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 the Courts Service 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 22 Courts Service for the year ended 31 December 2014.

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 Courts Service. The appropriation account is in agreement with the books of account.

Non-compliance with procurement rules

The Accounting Officer has disclosed in the statement on internal financial control that material instances of non-compliance with national procurement rules occurred in respect of contracts that operated in 2014.

Seamus McCarthy
Comptroller and Auditor General

27 August 2015

Vote 22 Courts Service

Appropriation Account 2014

		2014		2013
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme expenditure				
A	Manage the courts and support the judiciary			
	<i>Original</i>	104,565		
	<i>Supplementary</i>	2,188		
			106,753	105,399
				104,647
	Gross expenditure		106,753	105,399
	<i>Deduct</i>			
B	Appropriations-in-aid			
	<i>Original</i>	46,535		
	<i>Supplementary</i>	2,187		
			48,722	48,797
				46,838
	Net expenditure			
	<i>Original</i>	58,030		
	<i>Supplementary</i>	1		
			58,031	56,602
				57,809

Surplus for surrender

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

	2014	2013
	€	€
Surplus to be surrendered	1,429,334	515,170

Analysis of administration expenditure

		2014		2013
		Estimate provision		Outturn
		€000	€000	€000
i	Salaries, wages and allowances		47,679	47,139
ii	Travel and subsistence			49,012
	<i>Original</i>	2,663		
	<i>Supplementary</i>	82	2,745	2,912
iii	Training and development and incidental expenses			2,881
	<i>Original</i>	7,286		
	<i>Supplementary</i>	(899)	6,387	5,761
iv	Postal and telecommunications services			5,812
	<i>Original</i>	2,291		
	<i>Supplementary</i>	24	2,315	2,275
v	Office equipment and external IT services			2,476
	<i>Original</i>	4,381		
	<i>Supplementary</i>	1,826	6,207	6,237
vi	Office premises expenses			6,052
	<i>Original</i>	13,122		
	<i>Supplementary</i>	1,867	14,989	13,681
vii	Consultancy services and value for money and policy reviews			15,601
	<i>Original</i>	100		
	<i>Supplementary</i>	(34)	66	76
			80,388	78,081
				81,901

Notes to the Appropriation Account

1 Operating Cost Statement 2014

	2014		2013
	€000	€000	€000
Programme cost		27,318	22,746
Pay		47,139	49,012
Non pay		30,942	32,889
Gross expenditure		105,399	104,647
<i>Deduct</i>			
Appropriations-in-aid		48,797	46,838
Net expenditure		56,602	57,809
Changes in capital assets			
Purchases cash	(730)		
Loss on disposal	6		
Depreciation	6,662		
		5,938	6,742
Changes in assets under development			
Cash payments	(2,038)	(2,038)	(685)
Changes in net current assets			
Increase in closing accruals	582		
Decrease in stock	4		
		586	832
Direct expenditure		61,088	64,698
Net allied services expenditure (note 1.1)		38,260	39,005
Notional rents		3,342	3,331
Net programme cost		102,690	107,034

1.1 Net Allied Services

The net allied services expenditure amount is made up of the following estimated amounts in relation to Vote 22 borne elsewhere.

		2014	2013
		€000	€000
Vote:			
Vote 9 Office of the Revenue Commissioners	e	150	150
Vote 12 Superannuation and Retired Allowances	e	7,495	7,073
Vote 13 Office of Public Works	e	1,003	1,103
Vote 20 Garda Síochána	e	187	177
Vote 24 Justice and Equality - Financial Shared Services Centre	e	460	737
Central Fund – Judicial salaries and pensions	e	28,965	29,765
		38,260	39,005

“e” indicates that the number is an estimate value or an apportioned cost.

2 Balance Sheet as at 31 December 2014

	Note	2014 €000	2013 €000
Capital assets	2.2	215,100	198,883
Capital assets under development	2.3	1,870	2,655
		216,970	201,538
Current assets			
Bank and cash	2.4	898	2,223
Stocks	2.5	224	228
Prepayments		2,213	2,861
Accrued income		1,787	2,764
Other debit balances	2.6	2,092	1,069
Total current assets		7,214	9,145
Less current liabilities			
Accrued expenses		2,164	3,214
Other credit balances	2.7	2,460	2,768
Net liability to the Exchequer	2.8	530	524
Total current liabilities		5,154	6,506
Net current assets		2,060	2,639
Net assets		219,030	204,177
Represented by:			
State funding account	2.1	219,030	204,177

2.1 State Funding Account	Note	2014 €000	2013 €000
Balance at 1 January		204,177	220,280
Disbursements from the Vote			
Estimate provision	Account	58,031	
Surplus to be surrendered	Account	(1,429)	
Net vote		56,602	57,809
Expenditure (cash) borne elsewhere	1	38,260	39,005
Non cash expenditure – notional rent	1	3,342	3,331
Other non-cash items		21,542	(9,002)
Capital asset under development adjustment	2.3	(2,203)	(212)
Net programme cost	1	(102,690)	(107,034)
Balance at 31 December		219,030	204,177

2.2 Capital Assets

	Land and buildings €000	IT and office equipment €000	Furniture and fittings €000	Total €000
Gross Assets				
Cost or valuation at 1 January 2014	223,063	40,282	31,653	294,998
Additions	7	985	351	1,343
Adjustment ^a	26,928	—	—	26,928
Disposals	—	(1,057)	(22)	(1,079)
Cost or valuation at 31 December 2014	249,998	40,210	31,982	322,190
Accumulated depreciation				
Opening balance at 1 January 2014	30,098	37,832	28,185	96,115
Depreciation for the year	4,316	1,090	1,256	6,662
Depreciation on adjustment	5,386	—	—	5,386
Depreciation on disposals	—	(1,054)	(19)	(1,073)
Cumulative depreciation at 31 December 2014	39,800	37,868	29,422	107,090
Net assets at 31 December 2014	210,198	2,342	2,560	215,100
Net assets at 31 December 2013	192,965	2,450	3,468	198,883

Section 26 of the Courts Service Act 1998 provides for the transfer to the Courts Service of legal title in respect of certain land and buildings. Nenagh Courthouse was vested in 2014 bringing the total number of vested buildings to 41. There were no buildings valued in 2014. There are currently six buildings awaiting valuation: Washington Street, Kilkenny, Clifden, Wicklow, Tullamore and Nenagh. In the absence of a valuation and where a building has been refurbished, such buildings are capitalised at cost, until such time that a valuation is carried out.

^a The adjustment reflects the additional costs relating to the refurbishment of Washington Street courthouse.

2.3 Capital Assets under Development

at 31 December 2014

	Construction projects €000	Computer applications €000	Total €000
Amounts brought forward at 1 January 2014	2,233	422	2,655
Cash payments for the year	1,232	806	2,038
Transferred to asset register	—	(620)	(620)
Adjustment ^a	(2,203)	—	(2,203)
Balance at 31 December 2014	1,262	608	1,870

^a Waterford, Wexford and Mullingar are no longer classified as assets under development as they are now projects which form part of the Courts Service PPP bundle currently underway.

2.4 Bank and Cash	2014	2013
at 31 December	€000	€000
PMG balances and cash	(360)	102
Commercial bank accounts ^{a,b}	1,258	2,121
	<u>898</u>	<u>2,223</u>

^a The commercial bank account balance is presented separately and the comparative has been reclassified.

^b The commercial bank account balance includes €196,000 in 2014 (2013: €738,000) in respect of a commercial bank account operated by Department of Justice and Equality – Financial Shared Services.

The bank balance for the year end 2014 in the Courts Accounting System amounted to €7.5 million and is not included in Note 2.4 as the balance principally consists of non Exchequer funding relating to maintenance lodgements under Family law, bail money lodgements and poor box receipts.

The Circuit Court offices also maintain bank accounts that are not included in Note 2.4. There was a balance on these accounts of €938,043 at the end of 2014. Unclaimed bail money accounted for €220,947 of this balance with the remainder relating to civil monies for Landlord and Tenant receipts, and balances in dormant fund accounts.

2.5 Stocks	2014	2013
at 31 December	€000	€000
Stationery	172	171
Consumables	32	38
Miscellaneous	20	19
	<u>224</u>	<u>228</u>

2.6 Other Debit Balances	2014	2013
at 31 December	€000	€000
Advances to OPW	1,115	919
Payroll suspense account (Paypath)	745	—
Recoupment of salaries	86	98
Other debit suspense items	137	44
Imprests	9	8
	<u>2,092</u>	<u>1,069</u>

2.7 Other Credit Balances	2014	2013
at 31 December	€000	€000

Amounts due to the State		
Income Tax	723	715
Professional Services Withholding Tax	21	43
Value Added Tax	51	31
Pay Related Social Insurance	283	271
Court accounts	1,062	1,384
	<hr/> 2,140	<hr/> 2,444
Payroll deductions held in suspense	318	322
Other credit suspense items	2	2
	<hr/> 2,460	<hr/> 2,768

2.8 Net Liability to the Exchequer	2014	2013
at 31 December	€000	€000

Surplus to be surrendered	1,429	515
Exchequer grant undrawn	(899)	9
Net liability to the Exchequer	<hr/> 530	<hr/> 524

Represented by:**Debtors**

Bank and cash	898	2,223
Debit balances: suspense	2,092	1,069
	<hr/> 2,990	<hr/> 3,292

Creditors

Due to State	(2,140)	(2,444)
Credit balances: suspense	(320)	(324)
	<hr/> (2,460)	<hr/> (2,768)
	<hr/> 530	<hr/> 524

2.9 Commitments	2014	2013
at 31 December	€000	€000

(a) Global commitments

Total of legally enforceable commitments	39,262	41,077
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(b) Multi-annual capital commitments

	2014				2013
	Expenditure to 31 December 2013 ^a	Expenditure	Subsequent years	Total	Total
Project	€000	€000	€000	€000	€000
Refurbishment of Washington Street courthouse	8,905	1,380	14,715	25,000	25,000

^a Expenditure to the end of 2013 excludes a payment of €1.2 million made to Cork City Council in 2006 for settlement of the final account on the refurbishment of Washington Street.

(c) Capital cost of Public Private Partnership project

	2014				2013
	Expenditure to 31 December 2013	Expenditure	Legally enforceable commitments to be met in subsequent years	Total	Total
Name of PPP Project	€000	€000	€000	€000	€000
Criminal Courts Complex	33,166	4,943	138,988	177,097	177,097

2.10 Matured Liabilities

There were no matured liabilities undischarged at year end or in the previous year.

3 Programme Expenditure by Subhead

		2014		2013
		Estimate provision	Outturn	Outturn
A	Manage the Courts and Support the Judiciary	€000	€000	€000
A.1	Administration - pay		47,679	47,139
A.2	Administration – non pay			49,012
	<i>Original</i>	29,843		
	<i>Supplementary</i>	2,866	32,709	30,942
A.3	Courthouses (capital works)			32,889
	<i>Original</i>	5,880		
	<i>Supplementary</i>	(1,365)	4,515	4,456
A.4	PPP costs			2,506
	<i>Original</i>	21,163		
	<i>Supplementary</i>	687	21,850	22,862
			106,753	105,399
				104,647

Significant variations

Overall, the gross expenditure in relation to the programme was €1.35 million less than provided. This was mainly due to the following:

Description	Less/(more) than provided €000	Explanation
Administration – non pay	1,767	The supplementary estimate of €2.87 million was originally sought to fund additional requirements on a number of essential ICT projects including the implementation of the Fines Act and the establishment of the Court of Appeal. Furthermore, there were additional requirements relating to maintenance works in various courthouses, and increases in utility costs and travel and subsistence costs due to increased court sittings. As it transpired, there was a saving of €1.8 million primarily due to underspends on office premises of €1.3 million relating to a small number of courthouse maintenance projects which were not completed by year end and non payment of a lease due to a tax clearance issue.
Courthouse (capital works)	59	A number of capital projects were not completed as planned. As a result, spending in 2014 was €1.4 million less than originally provided. The budget was reduced by €1.37 million in the supplementary estimate.
PPP costs	(1,012)	The supplementary estimate of €0.69 million was originally sought to fund additional requirements including increases in the annual repayment due to indexation. The subsequent excess was due to the payment of charges relating to the November period before the end of the financial year. In general, the PPP costs are relatively fixed but there are a number of contractual provisions, including those relating to insurance and unavailability which need to be evaluated before payment can be made and as a result the precise timing of payments can vary from year to year.

4 Receipts

4.1 Appropriations-in-aid		2014		2013
		Estimated	Realised	Realised
		€000	€000	€000
1	Fees			
	<i>Original</i>	42,493		
	<i>Supplementary</i>	1,537	44,030	42,165
2	Miscellaneous			
	<i>Original</i>	1,542		
	<i>Supplementary</i>	500	2,042	1,809
3	Receipts from pension-related deduction on public service remuneration			
	<i>Original</i>	2,500		
	<i>Supplementary</i>	150	2,650	2,864
Total			48,722	48,797
				46,838

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%.

Description	Less/(more) than provided €000	Explanation
Fees	(272)	The 2014 estimate was increased by €1.5 million as a result of a supplementary estimate that was approved by the Dáil which arose due to additional fee income received as a result of a change in the Fees Orders and change in jurisdiction in 2014. Actual receipts in the year exceeded the revised budget marginally.
Miscellaneous	173	The 2014 target was increased by €500,000 as part of the supplementary estimate due to anticipated increased receipts. A small shortfall was recorded under income miscellaneous at year end.
Receipts from pension-related deduction on public service remuneration	24	The 2014 target was increased by €150,000 as a result of a supplementary estimate. The small shortfall arose due to the general difficulty in accurately forecasting staff movement, including age related retirements, early retirements, and the recruitment of staff to fill a number of these vacancies.

4.2 Extra receipts payable to the Exchequer

	2014		2013
	Estimated	Realised	Realised
	€000	€000	€000
Balance at 1 January	—	—	—
Road Traffic Act fines ^a	7,032	6,889	6,807
Other fines ^a	3,960	4,234	4,879
Other receipts ^b	—	158	88
Total transferred	(10,992)	(11,281)	(11,774)
Balance at 31 December	—	—	—

^a Fines receipts are largely outside of the control of the Courts Service and are dependent on the imposition of fines by the Courts, and enforcement by An Garda Síochána.

^b The Office of the Accountant of the Courts of Justice holds funds from the Companies Liquidation Account for seven years before they are paid over to the Department of Finance. The 2014 receipts relate to funds lodged in 2006.

4.3 Fines and fees collected on behalf of other Departments

Direct payments were made to the following departments in respect of fines and fees collected by the Court Service on their behalf in 2014.

	2014	2013
	€000	€000
Balance at 1 January	—	—
Revenue Commissioners		
Revenue fines ^a	1,885	1,761
Excise Duty ^b	5,150	5,500
Department of Communications, Energy and Natural Resources	19	97
Department of Agriculture, Fisheries and Food	216	210
Total transferred	(7,270)	(7,568)
Balance at 31 December	—	—

^a Monies collected relate to court fines imposed where the prosecutor is the Revenue Commissioner.

^b Monies collected relate to fees for certain licensing applications such as extension of opening hours and special exemption orders which are receipted by the Court Service on behalf of the Revenue Commissioners.

5 Employee Numbers and Pay

	2014	2013
Number of staff at year end (full time equivalents)	927	927

	2014	2013
	€000	€000
Pay	43,328	45,133
Higher, special or additional duties allowance	32	27
Other allowances	1,045	1,035
Overtime	236	289
Employer's PRSI	2,498	2,528
Total Pay	47,139	49,012

5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2014 €	Maximum individual payment 2013 €
Higher, special or additional duties	18	—	4,200	5,275
Other allowances	286	15	19,585	19,585
Overtime	163	5	20,861	22,108

Certain individuals received extra remuneration in more than one category.

5.2 Other Remuneration Arrangements

A total of €15,232 was paid in 2014 to two retired civil servants in receipt of a civil service pension who were engaged for a short period of time during 2013 and 2014. This amount is made up of €7,078 payroll and €8,154 travel and subsistence. The pension abatement rule was applied in accordance with section 52 of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012.

5.3 Recouped Costs

Salary costs of €796,316 were recouped from tribunals and government departments in respect of staff on secondment.

5.4 Salary overpayments

The balance of payroll overpayments outstanding at 31 December 2014 was €58,606 (2013: €85,283).

6 Miscellaneous

6.1 Compensation and Third Party Legal Costs

Total payments in respect of third party legal costs and compensation costs amounted to €379,666. These included costs associated with judicial review proceedings where the Courts Service was a party to such proceedings, and payments in respect of actions dealt with by the State Claims Agency amounting to €287,782.

	2014	2013
	€000	€000
State Claims Agency	288	103
Third party legal costs	76	74
Compensation costs	16	23
	380	200

6.2 Courts Service PPP Bundle

In July 2012, the Government announced an investment package which includes seven courthouse projects, as follows: Wexford, Mullingar, Waterford, Limerick, Cork, Letterkenny and Drogheda. These projects are being procured on a Public Private Partnership (PPP) basis and the Courts Service is working with the Department of Justice and Equality, the Office of Public Works and the National Development Finance Agency to progress these projects. It is anticipated that a contract will be in place in relation to these projects before the end of 2015.