



Appropriation Account 2014

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 2014 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 2014, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €3.45 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. The Department complied with the guidelines with the exception of three contracts to the value of €254,000 which were listed in my annual return in respect of Circular 40/2002. The contracts were not tendered due to the contract being awarded to the sole qualified supplier, or the €25,000 threshold being inadvertently exceeded. These contracts will be reviewed by my Procurement Unit in 2015.

Significant financial risks

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 additional controls in Key Partner Countries as set out below.

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

In addition to the controls in place at head office, the following controls are operated in Key Partner Countries to mitigate the risks inherent in development assistance

- 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.

Particular emphasis has been placed on the strengthening of risk management systems at Embassy level with a focus on the identification of risks and appropriate internal controls for each element of our programmes. The risk management system is designed to alert management to changes in the perceived risk profile of any aspect of the programme so that appropriate action can be taken at the earliest opportunity.

Following on from the 2013 systems assessment review across all the Key Partner Countries significant steps have been taken to further strengthen management systems and internal controls across all aspects of the aid programme. A programme is in place for the development of programme management standards which has identified areas for improvement to programme management and these improvements are currently being implemented. This process is continuing with a view to introducing new Programme Cycle Management guidelines and accompanying revised Financial Regulations that will address the particular risks associated with aid programmes.

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.

Niall Burgess
Accounting Officer
Department of Foreign Affairs and Trade

31 March 2015

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 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 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 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 Department of Foreign Affairs and Trade. The appropriation account is in agreement with the books of account.

Seamus McCarthy
Comptroller and Auditor General

17 July 2015

Vote 27 International Co-operation

Appropriation Account 2014

		2014		2013
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme expenditure				
A	Work on poverty and hunger reduction	479,163	475,745	493,300
Gross expenditure		479,163	475,745	493,300
<i>Deduct</i>				
B	Appropriations-in-aid	1,150	1,183	1,156
Net expenditure		478,013	474,562	492,144

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	3,450,606	3,784,641

Analysis of administration expenditure

		2014		2013
		Estimate provision	Outturn	Outturn
		€000	€000	€000
i	Salaries, wages and allowances	14,898	13,741	15,370
ii	Travel and subsistence	2,300	1,946	2,171
iii	Training and development and incidental expenses	1,800	1,742	1,432
iv	Postal and telecommunications services	1,870	1,163	1,324
v	Office equipment and external IT services	1,605	1,164	1,139
vi	Office premises expenses	3,475	3,233	2,838
vii	Consultancy services and value for money and policy reviews	750	720	423
viii	Foreign representation and accommodation expenses	1,450	1,164	1,174
		28,148	24,873	25,871

Notes to the Appropriation Account

1 Operating Cost Statement 2014

	2014		2013
	€000	€000	€000
Programme cost	450,872		467,429
Pay	13,741		15,370
Non pay	11,132		10,501
Gross expenditure	475,745		493,300
<i>Deduct</i>			
Appropriations-in-aid	1,183		1,156
Net expenditure	474,562		492,144
Changes in capital assets			
Purchases cash	(310)		
Disposals cash	170		
Profit on disposals	(142)		
Depreciation	246		
		(36)	60
Changes in net current assets			
Increase in closing accruals	5,175		
Increase in stock	(8)		
		5,167	3,571
Net programme cost	479,693		495,775

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 2014

	Note	2014 €000	2013 €000
Capital assets	2.2	8,219	8,183
Current assets			
Bank and cash	2.3	6,994	7,888
Stocks of stationery		27	19
Prepayments	2.7	1,523	6,819
Other debit balances		75	99
Net Exchequer funding due	2.5	2,989	(1,253)
Total current assets		11,608	13,572
Less current liabilities			
Accrued expenses		209	330
Other credit balances	2.4	91	114
Bilateral and other co-operation fund (grant-in-aid)	7	9,967	6,620
Total current liabilities		10,267	7,064
Net current assets		1,341	6,508
Net assets		9,560	14,691
Represented by:			
State funding account	2.1	9,560	14,691

2.1 State Funding Account	Note	2014 €000	2013 €000
Balance at 1 January		14,691	19,090
Disbursements from the Vote			
Estimate provision	Account	478,013	
Surplus to be surrendered	Account	(3,451)	
Net vote		474,562	492,144
Fixed asset adjustment		—	(768)
Net programme cost	1	(479,693)	(495,775)
Balance at 31 December		9,560	14,691

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 2014	7,639	979	528	1,120	2,321	12,587
Additions	—	15	19	4	272	310
Disposals	—	(79)	(46)	(58)	(110)	(293)
Cost or valuation at 31 December 2014	7,639	915	501	1,066	2,483	12,604
Accumulated depreciation						
Opening balance at 1 January 2014	—	963	480	872	2,089	4,404
Depreciation for the year	—	13	25	66	142	246
Depreciation on disposals	—	(78)	(47)	(30)	(110)	(265)
Cumulative depreciation at 31 December 2014	—	898	458	908	2,121	4,385
Net assets at 31 December 2014	7,639	17	43	158	362	8,219
Net assets at 31 December 2013	7,639	16	48	248	232	8,183

2.3 Bank and Cash

at 31 December

2014**2013****€000****€000**

PMG balance

6,457

7,807

Commercial bank account balance

537

81

6,994

7,888

2.4 Other Credit Balances

at 31 December

2014**2013****€000****€000**

Amounts due to the State

Professional Services Withholding Tax

73

106

Value Added Tax

18

8

91

114

2.5 Net Exchequer Funding Due	2014	2013
at 31 December	€000	€000
Surplus to be surrendered	3,451	3,785
Exchequer grant undrawn	(6,440)	(2,532)
Net liability to the Exchequer	<u>(2,989)</u>	<u>1,253</u>

Represented by:**Debtors**

Bank and cash	6,994	7,888
Debit balances: suspense	75	99
	<u>7,069</u>	<u>7,987</u>

Creditors

Due to State	(91)	(114)
Bilateral and other co-operation fund (grant-in-aid)	(9,967)	(6,620)
	<u>(10,058)</u>	<u>(6,734)</u>
	<u>(2,989)</u>	<u>1,253</u>

2.6 Commitments

The commitments figures stated below are the total legally enforceable amounts payable in 2015 and relate to property rental payments abroad and other administrative commitments.

Commitments are analysed by date of expiry of contract

	2014	2013
	€000	€000
Due within 12 months	496	584
Due between 1 and 5 years	1,063	1,269
	<u>1,559</u>	<u>1,853</u>

2.7 Prepayments

In 2013, prepayments included €5.49 million paid to the European Development Fund as part of Ireland's assessed contribution for 2014.

3 Programme Expenditure by Subhead

		2014		2013
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A	Work on poverty and hunger reduction			
A.1	Administration - pay	14,898	13,741	15,370
A.2	Administration - non pay	13,250	11,132	10,501
A.3	Payment to grant-in-aid fund for bilateral and other co-operation (grant-in-aid)	326,015	326,015	337,903
A.4	Emergency humanitarian assistance	57,500	57,500	59,979
A.5	Payments to international funds for the benefit of developing countries	28,610	28,473	30,000
A.6	Contributions to United Nations and other development agencies	38,890	38,884	39,547
		479,163	475,745	493,300

Significant variations

The outturn for the year was €3.42 million less than provided. This was mainly due to the following:

Description	Less/(more) than provided €000	Explanation
Administration – pay	1,157	Savings were delivered on the administration pay subhead mainly due to savings achieved in HQ salaries
Administration – non pay	2,118	Savings were delivered across all non pay administration subheads but in particular costs were less than anticipated under the post and telecommunications, office equipment and office premises subhead headings

4 Receipts

4.1 Appropriations-in-aid

	2014		2013
	Estimated	Realised	Realised
	€000	€000	€000
1. Miscellaneous	300	453	390
2. Receipts from pension-related deductions on public service remuneration	850	730	766
Total	1,150	1,183	1,156

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%.

Description	Less/(more) than provided €000	Explanation
Miscellaneous	(153)	Appropriations-in-aid were higher than anticipated and arose due to VAT refunds and proceeds on sale of motor vehicles

5 Employee Numbers and Pay

	2014	2013
Number of staff at year end (full time equivalents)	181	189
	2014	2013
	€000	€000
Pay	12,499	13,745
Higher, special or additional duties allowance	33	35
Other allowances	22	24
Overtime	50	90
Employer's PRSI	795	782
Total Pay	13,399	14,676

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 2014 €	Maximum individual payment 2013 €
Higher, special or additional duties	6	1	10,790	16,585
Other allowances	8	—	6,928	6,904
Overtime	32	1	10,313	10,490

Certain individuals received extra remuneration in more than one category.

5.2 Other Remuneration

Two retired civil servants in receipt of civil service pensions were re-engaged, on a fee basis, at a total cost of €5,127.

5.3 Contingent Liabilities

There is a potential contingent liability at 31 December 2014 for employee-related costs in two missions. The cost of these potential obligations is subject to ongoing negotiations.

6 Miscellaneous Items

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

	2014	2013
	€000	€000
United Nations Development Programme (UNDP)	8,550	8,980
United Nations Children's Fund (UNICEF)	7,900	8,200
United Nations High Commissioner for Refugees (UNHCR)	6,100	6,100
World Health Organisation (WHO) Programmes	1,150	1,200
United Nations Population Fund	3,195	3,200
Office of the United Nations High Commissioner for Human Rights	2,000	2,000
UNAIDS	2,950	3,000
United Nations Development Fund for Women (UNIFEM)	1,500	1,500
UN Industrial Development Organisation	368	541
UN Relief and Works Agency for Palestine Refugees in the Near East (UNWRA)	4,000	4,000
UNEP Trust Fund	252	57
United Nations Volunteers	475	460
Others - various	444	309
	<u>38,884</u>	<u>39,547</u>

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

Account of receipts and payments during the year ended 31 December 2014

	2014	2013
	€000	€000
Balance on 1 January 2014	6,620	4,569
Grant-in-aid 2014	326,015	337,903
	332,635	342,472
Expenditure for the year	(324,449)	(336,103)
Amounts returned during the year	1,781	251
Balance on 31 December 2014	9,967	6,620

In addition, at 31 December 2014, unspent balances totalling €2.5 million (2013: €4.1 million) were held in bank accounts controlled by Irish Embassies and Irish Aid offices in eleven countries.

During 2014, grant refunds amounting to €474,000 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 2015.