



Appropriation Account 2014

Vote 41

Office of Government Procurement

Introduction

As Secretary General of the Department of Public Expenditure and Reform, I am the Accounting Officer for Vote 41. 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 2014 for the salaries and expenses of the Office of Government Procurement.

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 €6.15 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 new Vote

During 2013, the Government approved the Chief Procurement Officer's plan for the establishment of the Office of the Government Procurement (OGP). This included the transition of procurement resources from the National Procurement Service (NPS) and the National Public Procurement Policy Unit (NPPPU) within the Department of Public Expenditure and Reform to the OGP, along with the sourcing function of the Office of the Government Chief Information Officer.

In 2014, a new Vote for the Office of Government Procurement was created which combined the budget of the NPS and the NPPPU from the Office of Public Works and Department of Public Expenditure and Reform respectively. Some additional funding was also provided at the time.

2015 represents a transition period for this Vote – as migration to the new procurement structures continues to take place, staff are recruited and business intelligence systems are developed. In due course, it is intended that an appropriate charge (by way of budget transfer across customer departments) for procurement services will be applied, as these departments will no longer provide these services themselves. It is intended that the contribution across all customer departments and public service bodies will be based on proportionate procurement expenditure.

As indicated in the note, during the set-up and transition period the Office will be funded entirely from the Vote. The budget transfers would only follow later, when the service is fully up and running and it proves feasible to estimate the appropriate contribution from other Votes. The question of reductions on other Votes is not relevant during the transition stage.

As this is the first year of accounts, prior year comparative figures were not included.

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.

Stock policy

The Department of Finance (Vote 7), Department of Public Expenditure and Reform (Vote 11), Shared Service (Vote 18) and the Office of Government Procurement (Vote 41) share IT consumable stocks. They are allocated on the basis of staff numbers in the respective Votes.

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. A 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.

I have fulfilled my responsibilities in relation to control arrangements for HR and payroll shared services supplied to this Office by the National Shared Services Office for which I am also the Accounting Officer.

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 on 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 41.

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

Office of Government Procurement

31 August 2015

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 41 Office of Government Procurement

I have audited the appropriation account for Vote 41 Office of Government Procurement 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 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 41 Office of Government Procurement 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 Public Expenditure and Reform. The appropriation account is in agreement with the books of account.

Seamus McCarthy

Comptroller and Auditor General

31 August 2015

Vote 41 Office of Government Procurement Appropriation Account 2014

		2014	
		Estimate provision	Outturn
		€000	€000
Programme expenditure			
A	Delivery of central procurement service	12,781	6,377
Gross expenditure		12,781	6,377
<i>Deduct</i>			
B	Appropriations-in-aid	350	225
Net expenditure		12,431	6,152

Surplus for surrender

The surplus of the amount provided over the net amount applied is liable for surrender to the Exchequer. Under Section 91 of the Finance Act 2004, all or part of any unspent appropriations for capital supply services may be carried over for spending in the following year.

	2014
	€
Surplus to be surrendered	6,279,345
Deferred surrender	(125,000)
Surplus to be surrendered	<u>6,154,345</u>

Analysis of administration expenditure

		2014	
		Estimate provision	Outturn
		€000	€000
i	Salaries, wages and allowances	6,233	4,550
ii	Travel and subsistence	300	87
iii	Training and development and incidental expenses	416	150
iv	Postal and telecommunications services	350	34
v	Office equipment and external IT services	688	578
vi	Office premises expenses	444	109
		<u>8,431</u>	<u>5,508</u>

Notes to the Appropriation Account

1 Operating Cost Statement 2014

	2014	
	€000	€000
Programme cost		869
Pay		4,550
Non pay		958
Gross expenditure		6,377
<i>Deduct</i>		
Appropriations-in-aid		225
Net expenditure		6,152
Changes in capital assets		
Purchases cash	(338)	
Depreciation	66	(272)
Changes in net current assets		
Decrease in closing accruals	(82)	
Increase in stock	(2)	
		(84)
Direct expenditure		5,796
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)		373
Notional rent		39
Net programme cost		6,208

1.1 Net Allied Services Expenditure

The net allied services expenditure amount is made up of the following amounts in relation to Vote 41 borne elsewhere.

		2014
		€000
Vote 7 Finance	e	74
Vote 9 Office of the Revenue Commissioners		2
Vote 13 Office of Public Works		291
Vote 18 Shared Services	e	6
		373

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

2 Balance Sheet as at 31 December 2014

	Note	2014 €000
Capital assets	2.2	272
Current assets		
Bank and cash	2.3	122
Stocks	2.4	2
Prepayments		112
Other debit balances	2.5	284
Total current assets		520
Less current liabilities		
Accrued expenses		30
Other credit balances	2.6	258
Net Liability to the Exchequer	2.7	148
Total current liabilities		436
Net current assets		84
Net assets		356
Represented by:		
State funding account	2.1	356

2.1 State Funding Account	Note	2014 €000
Balance at 1 January		—
Disbursements from the Vote		
Estimate provision	Account	12,431
Deferred surrender		(125)
Surplus to be surrendered	Account	(6,154)
Net vote		6,152
Expenditure (cash) borne elsewhere	1	373
Non cash expenditure – notional rent		39
Net programme cost		(6,208)
Balance at 31 December		356

2.2 Capital Assets

	IT equipment	Furniture and fittings	Office equipment	Total
	€000	€000	€000	€000
Gross assets				
Cost or valuation at 1 January 2014	—	—	—	—
Additions	326	12	—	338
Cost or valuation at 31 December 2014	326	12	—	338
Accumulated depreciation				
Opening balance at 1 January 2014	—	—	—	—
Depreciation for the year	65	1	—	66
Cumulative depreciation at 31 December 2014	65	1	—	66
Net Assets at 31 December 2014	261	11	—	272

2.3 Bank and Cash

	2014
at 31 December	€000
PMG balances and cash	122

2.4 Stocks

	2014
at 31 December	€000
IT consumables	2

2.5 Other Debit Balances

	2014
at 31 December	€000
Travel pass	23
OPW advances	48
Other debit suspense items	213
	<u>284</u>

2.6 Other Credit Balances

	2014
At 31 December	€000
Amounts due to the State	
Income Tax	84
Pay Related Social Insurance	55
Professional Services Withholding Tax	30
Pension contributions	17
Local Property Tax	1
Universal Social Charge	29
VAT	3
	<u>219</u>
Payroll deductions held in suspense	20
Other credit suspense items	19
	<u>258</u>

2.7 Net Liability to the Exchequer	2014
at 31 December	€000

Surplus to be surrendered	6,154
Deferred surrender	125
Exchequer grant undrawn	(6,131)
Net liability to the Exchequer	<u>148</u>

Represented by:

Debtors

Bank and cash	122
Debit balances: suspense	284
	<u>406</u>

Creditors

Due to State	(219)
Credit balances: suspense	(39)
	<u>(258)</u>

148

2.8 Commitments	2014
at 31 December	€000

Total of legally enforceable commitments	412
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2.9 Matured Liabilities	2014
	€000

Estimate of matured liabilities not discharged at year end	1
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3 Programme Expenditure by Subhead

		2014	
		Estimate provision	Outturn
		€000	€000
A	Delivery of Central Procurement Service		
A.1	Administration - pay	6,233	4,550
A.2	Administration - non pay	2,198	958
A.3	Procurement consultancy and other costs	4,350	869
		12,781	6,377

Significant variations

Overall, the expenditure in relation to Programme A was €6.4 million lower than provided. This was mainly due to the following:

Description	Less/(more) than provided €000	Explanation
Administration - pay	1,683	The 2014 Estimate provision was based on the expectation that recruitment would progress over the course of the first six months and a full complement of 231 staff would be in place mid-2014. Recruitment was slower than anticipated with nearly two-thirds of staff (141) on board at the end of 2014.
Administration - non pay	1,240	As the process to recruit staff took considerably longer than expected, there was a consequential effect on this subhead.
Procurement consultancy and other costs	3,481	Due to delays in recruiting staff, it was not possible in 2014 to progress many new initiatives originally planned.

4 Receipts

4.1 Appropriations-in-aid

	2014	
	Estimated €000	Realised €000
1. Receipts from pension-related deduction on public service remuneration	345	225
2. Miscellaneous	5	—
Total	350	225

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
Receipts from pension-related deduction on public service remuneration	120	The variance on the pension related deduction is directly related to the delays in on-boarding of staff.

4.2 Extra receipts payable to the Exchequer

	2014 €000
Balance at 1 January	—
Rebate from suppliers	19
Transferred to Exchequer	—
Balance at 31 December	19

5 Employee Numbers and Pay

	2014
Number of staff at year end (full time equivalents)	141
	2014
	€000
Pay ^a	4,252
Higher, special or additional duties allowance	10
Other allowances	17
Overtime	8
Employer's PRSI	263
Total Pay	4,550

^a The pay figure includes salary overpayments of €1,270 arising from administrative delays. These are in the process of recoupment.

5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2014 €
Higher, special or additional duties	1	—	9,714
Other allowances	3	—	9,769
Overtime	3	—	7,140

6 Miscellaneous

6.1 Legal costs

There is litigation in progress. These actions are being defended and on that basis no estimate of the potential liability has been made.

6.2 Carryover to 2015

Under the provisions of Section 91 of the Finance Act 2004, €125,000 of unspent allocations in respect of the capital elements of Subhead A.2 was carried forward to 2015.