

Appropriation Account 2015

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 2015 for certain Official Development Assistance, including certain grants, 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 2015, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €2 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 month.

Grant refunds

Refunds of grants which were funded out of the bilateral and other co-operation fund 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 four contracts to the value of €293,000 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, an urgent situation arising which required an immediate response, or the €25,000 threshold being inadvertently exceeded.

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 through an independent external quality assurance (EQA) process prior to approval, 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.

In addition, in respect of payments at HQ in respect of Overseas Development Assistance (including humanitarian, multilateral and civil society funding), robust business planning mechanisms are in place, including approval of the overall budget by the Interdepartmental Committee, monitoring of expenditure by the Senior Management Group on a monthly basis and robust pre and post disbursement grant management procedures.

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 2016

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 2015 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 2015.

I have obtained all the information and explanations I considered necessary for the purposes of my audit. In my opinion, adequate accounting records have been kept by the Department of Foreign Affairs and Trade. The appropriation account is in agreement with the accounting records.

Seamus McCarthy

Comptroller and Auditor General

26 September 2016

Vote 27 International Co-operation

Appropriation Account 2015

		2015		2014
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme expenditure				
A	Work on poverty and hunger reduction	476,623	475,028	475,745
	Gross expenditure	476,623	475,028	475,745
<i>Deduct</i>				
B	Appropriations-in-aid	1,150	1,557	1,183
	Net expenditure	475,473	473,471	474,562

Surplus for surrender

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

	2015	2014
	€	€
Surplus to be surrendered	2,001,715	3,450,606

Analysis of administration expenditure

		2015		2014
		Estimate provision	Outturn	Outturn
		€000	€000	€000
i	Salaries, wages and allowances	15,358	14,595	13,741
ii	Travel and subsistence	2,200	1,767	1,946
iii	Training and development and incidental expenses	1,820	1,931	1,742
iv	Postal and telecommunications services	1,860	1,405	1,163
v	Office equipment and external IT services	1,595	1,278	1,164
vi	Office premises expenses	3,225	3,908	3,233
vii	Consultancy services and value for money and policy reviews	750	265	720
viii	Foreign representation and accommodation expenses	1,500	1,564	1,164
		28,308	26,713	24,873

Notes to the Appropriation Account

1 Operating Cost Statement 2015

	2015	2014
	€000	€000
Programme cost	448,315	450,872
Pay	14,595	13,741
Non pay	12,118	11,132
Gross expenditure	475,028	475,745
<i>Deduct</i>		
Appropriations-in-aid	1,557	1,183
Net expenditure	473,471	474,562
Changes in capital assets		
Purchases cash	(359)	
Disposals cash	50	
Gain on disposals	(49)	
Depreciation	255	
	(103)	(36)
Changes in net current assets		
Decrease in closing accruals	(691)	
Increase in stock	(5)	
	(696)	5,167
Net programme cost	472,672	479,693

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 2015

	Note	2015 €000	2014 €000
Capital assets	2.2	8,322	8,219
Current assets			
Bank and cash	2.3	6,042	6,994
Stocks of stationery		32	27
Prepayments		2,215	1,523
Other debit balances	2.4	168	75
Total current assets		8,457	8,619
Less current liabilities			
Accrued expenses		210	209
Other credit balances	2.5	103	91
Net liability to the Exchequer	2.6	1,070	(2,989)
Bilateral and other co-operation fund (grant) account	7	5,037	9,967
Total current liabilities		6,420	7,278
Net current assets		2,037	1,341
Net assets		10,359	9,560
Represented by:			
State funding account	2.1	10,359	9,560

2.1 State Funding Account	Note	2015 €000	2014 €000
Balance at 1 January		9,560	14,691
Disbursements from the Vote			
Estimate provision	Account	475,473	
Surplus to be surrendered	Account	2,002	
Net vote		473,471	474,562
Net programme cost	1	(472,672)	(479,693)
Balance at 31 December		10,359	9,560

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 2015	7,639	915	501	1,066	2,483	12,604
Additions	—	88	40	16	215	359
Disposals	—	(33)	(12)	(3)	(231)	(279)
Cost or valuation at 31 December 2015	7,639	970	529	1,079	2,467	12,684
Accumulated depreciation						
Opening balance at 1 January 2015	—	898	458	908	2,121	4,385
Depreciation for the year	—	24	29	51	151	255
Depreciation on disposals	—	(33)	(12)	(2)	(231)	(278)
Cumulative depreciation at 31 December 2015	—	889	475	957	2,041	4,362
Net assets at 31 December 2015	7,639	81	54	122	426	8,322
Net assets at 31 December 2014	7,639	17	43	158	362	8,219

2.3 Bank and Cash

at 31 December

2015**2014****€000****€000**

PMG balance

5,112

6,457

Commercial bank account balance

930

537

6,042

6,994

2.4 Other Debit Balances

at 31 December

2015**2014****€000****€000**

Other debit balances

168

75

2.5 Other Credit Balances

at 31 December

2015**2014****€000****€000**

Amounts due to the State

Professional Services Withholding Tax

86

73

Value Added Tax

17

18

103

91

2.6 Net Liability to the Exchequer	2015	2014
at 31 December	€000	€000

Surplus to be surrendered	2,002	3,451
Exchequer grant undrawn	(932)	(6,440)
Net liability to the Exchequer	1,070	(2,989)

Represented by:**Debtors**

Bank and Cash	6,042	6,994
Debit balances: suspense	168	75
	6,210	7,069

Creditors

Due to State	(103)	(91)
Bilateral and other co-operation fund (grant) account	(5,037)	(9,967)
	(5,140)	(10,058)
	1,070	(2,989)

2.7 Commitments

The commitments figures stated below are the total legally enforceable amounts payable in 2016 and relate to property rental payments abroad and other administrative commitments.

Commitments are analysed by date of expiry of contract

	2015	2014
	€000	€000
Due within 12 months	948	496
Due between 1 and 5 years	867	1,063
	1,815	1,559

3 Programme Expenditure by Subhead

		2015		2014
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A	Work on poverty and hunger reduction			
A.1	Administration - pay	15,358	14,595	13,741
A.2	Administration - non pay	12,950	12,118	11,132
A.3	Payment to grant fund for bilateral and other co-operation	315,965	315,965	326,015
A.4	Emergency humanitarian assistance	58,500	58,500	57,500
A.5	Payments to international funds for the benefit of developing countries	37,460	37,460	28,473
A.6	Contributions to United Nations and other development agencies	36,390	36,390	38,884
		<u>476,623</u>	<u>475,028</u>	<u>475,745</u>

Significant variations

The outturn for the year was €1.6m less than provided. This was mainly due to the following:

Description	Less than provided €000	Explanation
A1 Administration – pay	763	Savings were delivered on the administration pay subhead mainly due to savings achieved in HQ salaries.
A2 Administration – non pay	832	Savings were delivered on the non-pay administration subheads primarily due to savings in consultancy and post & telecommunications.

4 Receipts

4.1 Appropriations-in-aid

	2015		2014
	Estimated	Realised	Realised
	€000	€000	€000
1. Appropriations-in-aid	300	841	453
2. Receipts from pension-related deductions on public service remuneration	850	716	730
Total	1,150	1,557	1,183

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%.

The outturn for the year was €0.4 million more than provided. This was mainly due to the following:

Description	(More) / Less than provided €000	Explanation
Appropriations-in-aid	(541)	Appropriations-in-aid were higher than anticipated and arose due to higher than anticipated VAT Refunds and consular fees.
Receipts from pension-related deductions on public service remuneration	134	Receipts from pension related deductions on public service remuneration was less than anticipated due to lower than expected pay cost.

5 Employee Numbers and Pay

	2015	2014
Number of staff at year end (full time equivalents)	196	181
	2015	2014
	€000	€000
Pay	12,989	12,393
Higher, special or additional duties allowance	37	33
Other allowances	19	22
Overtime	62	50
Employer's PRSI	825	795
Foreign Social Security & other costs	663	448
Total Pay	14,595	13,741

In addition, security staff costs in the missions are charged to security costs under incidental expenses.

Certain costs have been reclassified in the prior year figures for comparability purposes, however, this has no impact on the overall overrun for the year.

5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2015 €000	Maximum individual payment 2014 €000
Higher, special or additional duties	6	1	10,926	10,790
Other allowances	9	—	7,194	6,928
Overtime	41	—	9,869	10,313
Number of individuals who received extra remuneration in more than one category	4	2	11,601	10,543

5.2 Other Remuneration

2 retired civil servants in receipt of civil service pensions were re-engaged, on a fee basis, at a total cost of €7,333.

5.3 Payroll Overpayments

There were no overpayments in 2015 (2014: NIL)

6 Miscellaneous Items

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

	2015	2014
	€000	€000
United Nations Development Programme (UNDP)	7,750	8,550
United Nations Children's Fund (UNICEF)	7,200	7,900
United Nations High Commissioner for Refugees (UNHCR)	5,800	6,100
World Health Organisation (WHO) Programmes	1,000	1,150
United Nations Population Fund	2,800	3,195
Office of the United Nations High Commissioner for Human Rights	2,024	2,000
UNAIDS	2,700	2,950
United Nations Development Fund for Women (UNIFEM)	1,500	1,500
UN Industrial Development Organisation	490	368
UN Relief and Works Agency for Palestine Refugees in the Near East (UNWRA)	4,000	4,000
UNEP Trust Fund	250	252
United Nations Volunteers	595	475
Others - various	281	444
	<u>36,390</u>	<u>38,884</u>

6.2 Legal costs

				2015	2014
	Number of cases	Legal costs paid by the Department	Legal costs awarded	Compensation awarded	Total
		€000	€000	€000	€000
Claims by employees of the Vote					
Claim by staff following closure of Embassy	9	3	—	185	188
		<u>3</u>	<u>—</u>	<u>185</u>	<u>188</u>
					<u>13</u>

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

Account of receipts and payments during the year ended 31 December 2015

	2015	2014
	€000	€000
Balance on 1 January	9,967	6,620
Grant	315,965	326,015
	325,932	332,635
Expenditure for the year	(321,738)	(324,449)
Amounts returned during the year	843	1,781
Balance on 31 December	5,037	9,967

In addition, at 31 December 2015, unspent balances totalling €1.5 million (2014: €2.5 million) were held in bank accounts controlled by Irish Embassies and Irish Aid offices in eleven countries.

During 2015, grant and related refunds amounting to €431,000 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 2016.

