

## **Appropriation Account 2015**

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### **Vote 39**

### **Office of Government Procurement**

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## Introduction

As Secretary General of the Department of Public Expenditure and Reform, I am the Accounting Officer for Vote 39. 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 2015 for the salaries and expenses of Office of Government Procurement.

The expenditure outturn is compared with the sums

- a) 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, and
- b) provided for capital supply services in 2015 out of unspent 2014 appropriations, under the deferred surrender arrangements established by Section 91 of the Finance Act 2004.

A surplus of €5.08 million is liable for surrender to the Exchequer.

In 2014, a new vote for the Office of Government Procurement was created which combined the budget of the National Procurement Service (NPS) and the National Public Procurement Policy Unit (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.

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:

### ***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 39) share IT consumable stocks. They are allocated on the basis of staff numbers in the respective Votes.

For efficiency and convenience reasons, spend on IT consumable stock is recorded under Vote 11. However, as the stock is deemed to be shared, it is included in the operating cost notes to the Accounts of Vote 7, Vote 11, Vote 18 and Vote 39 and is allocated on the basis of staff numbers in the respective Departments.

## 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 of 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 39.

### *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 one contract to the value of €29,000 which was listed in my annual return in respect of Circular 40/2002. The service relates to membership of a research and advisory body and the details have been included in the Circular 40/2002 return.

***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

9 March 2016

## **Comptroller and Auditor General**

### **Report for presentation to the Houses of the Oireachtas**

#### **Vote 39 Office of Government Procurement**

I have audited the appropriation account for Vote 39 Office of Government Procurement 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 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 39 Office of Government Procurement 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 Public Expenditure and Reform. The appropriation account is in agreement with the accounting records.

**Seamus McCarthy**

Comptroller and Auditor General

27 July 2016

## Vote 39 Office of Government Procurement Appropriation Account 2015

			2015	2014
			Estimate provision	Outturn
		€000	€000	€000
<b>Programme expenditure</b>				
A	Delivery of central procurement service			
	<i>Current year provision</i>	19,474		
	<i>Deferred surrender</i>	125	19,599	14,320
				6,377
	<b>Gross expenditure</b>		<b>19,599</b>	<b>14,320</b>
	<i>Deduct</i>			
B	<b>Appropriations-in-aid</b>		<b>500</b>	<b>498</b>
	<b>Net expenditure</b>			
	<i>Current year provision</i>	18,974		
	<i>Deferred surrender</i>	125		
			<b>19,099</b>	<b>13,822</b>
				<b>6,152</b>

### 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.

	2015	2014
	€	€
Surplus to be surrendered	5,276,940	6,279,345
Deferred surrender	(200,000)	(125,000)
Surplus to be surrendered	<u>5,076,940</u>	<u>6,154,345</u>

**Analysis of administration expenditure**

		<b>2015</b>		<b>2014</b>
		<b>Estimate provision</b>		<b>Outturn</b>
		<b>€000</b>	<b>€000</b>	<b>€000</b>
i	Salaries, wages and allowances		11,400	9,661
ii	Travel and subsistence		250	155
iii	Training and development and incidental expenses		500	346
iv	Postal and telecommunications services		400	98
v	Office equipment and external IT services			
	<i>Current year provision</i>	550		
	<i>Deferred surrender</i>	125	675	530
vi	Office premises expenses		944	538
			<b>14,169</b>	<b>11,328</b>
				<b>5,508</b>



## Notes to the Appropriation Account

### 1 Operating Cost Statement 2015

	2015	2014
	€000	€000
Programme cost	2,992	869
Pay	9,661	4,550
Non pay	1,667	958
<b>Gross expenditure</b>	<b>14,320</b>	<b>6,377</b>
<i>Deduct</i>		
<b>Appropriations-in-aid</b>	<b>498</b>	<b>225</b>
<b>Net expenditure</b>	<b>13,822</b>	<b>6,152</b>
<b>Changes in capital assets</b>		
Purchases cash	(521)	
Depreciation	135	(272)
<b>Changes in capital assets under development</b>		
Cash payments	(508)	
<b>Changes in net current assets</b>		
Decrease in closing accruals	(51)	
Increase in stock	(1)	
	(52)	(84)
<b>Direct expenditure</b>	<b>12,876</b>	<b>5,796</b>
<b>Expenditure borne elsewhere</b>		
Net allied services expenditure (note 1.1)	733	373
Notional rent	44	39
<b>Net programme cost</b>	<b>13,653</b>	<b>6,208</b>

#### 1.1 Net Allied Services Expenditure

The net allied services expenditure amount is made up of the following amounts in relation to Vote 39 borne elsewhere.

	2015	2014
	€000	€000
Vote 7 Finance	148	74
Vote 9 Office of the Revenue Commissioners	—	2
Vote 13 Office of Public Works	570	291
Vote 18 Shared Services	15	6
	<b>733</b>	<b>373</b>

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

**2 Balance Sheet as at 31 December 2015**

	Note	2015 €000	2014 €000
<b>Capital assets</b>	2.2	658	272
<b>Capital assets under development</b>	2.3	536	—
		<b>1,194</b>	<b>272</b>
<b>Current assets</b>			
Bank and cash	2.4	884	122
Stocks	2.5	3	2
Prepayments		337	112
Other debit balances	2.6	21	284
<b>Total current assets</b>		<b>1,245</b>	<b>520</b>
<b>Less current liabilities</b>			
Accrued expenses		204	30
Other credit balances	2.7	660	258
Net liability to the Exchequer	2.8	245	148
<b>Total current liabilities</b>		<b>1,109</b>	<b>436</b>
<b>Net current assets</b>		136	84
<b>Net assets</b>		<b>1,330</b>	<b>356</b>
<b>Represented by:</b>			
<b>State funding account</b>	2.1	<b>1,330</b>	<b>356</b>

2.1 State Funding Account	Note	2015 €000	2014 €000
Balance at 1 January		356	—
Disbursements from the Vote			
Estimate provision	Account	19,099	
Deferred surrender	Account	(200)	
Surplus to be surrendered	Account	(5,077)	
Net vote		13,822	6,152
Expenditure (cash) borne elsewhere	1	733	373
Non cash items – capital assets under development adjustment		28	
Non cash items – notional rent		44	39
Net programme cost	1	(13,653)	(6,208)
<b>Balance at 31 December</b>		<b>1,330</b>	<b>356</b>

**2.2 Capital Assets**

	IT equipment €000	Furniture and fittings €000	Office equipment €000	Total €000
<b>Gross assets</b>				
Cost or valuation at 1 January 2015	326	12	—	338
Additions	150	365	6	521
Cost or valuation at 31 December 2015	476	377	6	859
<b>Accumulated Depreciation</b>				
Opening balance at 1 January 2015	65	1	—	66
Depreciation for the year	96	38	1	135
Cumulative depreciation at 31 December 2015	161	39	1	201
<b>Net Assets at 31 December 2015</b>	<b>315</b>	<b>338</b>	<b>5</b>	<b>658</b>
<b>Net Assets at 31 December 2014</b>	<b>261</b>	<b>11</b>	<b>—</b>	<b>272</b>

**2.3 Capital assets under development as at 31 December 2015**

	In house computer applications €000
Amounts brought forward at 1 January	—
Cash payments in year	508
Adjustment <sup>a</sup>	28
<b>Amounts carried forward 31 December 2015</b>	<b>536</b>

<sup>a</sup> Adjustment for prior year expenditure. A review determined that prior year expenditure should be reclassified as assets under development. Assets under development will transfer to the assets register at the conclusion of each project.

<b>2.4 Bank and cash</b>	<b>2015</b>	<b>2014</b>
at 31 December	€000	€000
PMG balances and cash	884	122
<b>2.5 Stocks</b>	<b>2015</b>	<b>2014</b>
at 31 December	€000	€000
IT consumables	3	2
<b>2.6 Other Debit Balances</b>	<b>2015</b>	<b>2014</b>
at 31 December	€000	€000
Travel pass	—	23
OPW advances	11	48
Other debit suspense items	10	213
	21	284

<b>2.7 Other Credit Balances</b>	<b>2015</b>	<b>2014</b>
at 31 December	<b>€000</b>	<b>€000</b>

**Amounts due to the State**

Income Tax	152	84
Pay Related Social Insurance	115	55
Professional Services Withholding Tax	206	30
Pension contributions	34	17
Local Property Tax	1	1
Universal Social Charge	50	29
VAT	60	3
	<hr/>	<hr/>
	618	219
Payroll deductions held in suspense	37	20
Travel pass scheme	5	—
Other credit suspense items	—	19
	<hr/>	<hr/>
	660	258
	<hr/>	<hr/>

<b>2.8 Net Liability to the Exchequer</b>	<b>2015</b>	<b>2014</b>
at 31 December	<b>€000</b>	<b>€000</b>

Surplus to be surrendered	5,077	6,154
Deferred surrender	200	125
Exchequer grant undrawn	(5,032)	(6,131)
	<hr/>	<hr/>
Net liability to the Exchequer	245	148
	<hr/>	<hr/>

**Represented by:****Debtors**

Bank and cash	884	122
Debit balances: suspense	21	284
	<hr/>	<hr/>
	905	406

**Creditors**

Due to State	(618)	(219)
Credit balances: suspense	(42)	(39)
	<hr/>	<hr/>
	(660)	(258)
	<hr/>	<hr/>
	245	148
	<hr/>	<hr/>

<b>2.9 Commitments</b>	<b>2015</b>	<b>2014</b>
at 31 December	<b>€000</b>	<b>€000</b>

Total of legally enforceable commitments	1,665	412
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The increased commitment figure reflects the new contracts in place to support the Centralised procurement service as the Office of Government Procurement becomes fully operational.

<b>2.10 Matured Liabilities</b>	<b>2015</b>	<b>2014</b>
	<b>€000</b>	<b>€000</b>
Estimate of matured liabilities not discharged at year end	29	1

### 3 Programme Expenditure by Subhead

		<b>2015</b>		<b>2014</b>
		<b>Estimate provision</b>	<b>Outturn</b>	<b>Outturn</b>
		<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>A</b>	<b>Delivery of Central Procurement Service</b>			
A.1	Administration – pay	11,400	9,661	4,550
A.2	Administration – non pay			
	<i>Original</i>	2,644		
	<i>Deferred surrender</i>	125	2,769	1,667
A.3	Procurement consultancy and other costs	5,430	2,992	869
		<b>19,599</b>	<b>14,320</b>	<b>6,377</b>

#### Significant variations

Overall, the expenditure in relation to the programme was €5.1 million lower than provided. This was mainly due to the following:

<b>Description</b>	<b>Less/(more) than provided €000</b>	<b>Explanation</b>
Administration – pay	1,739	The delay in obtaining accommodation impacted on recruitment, which could not progress until appropriate office space was available.
Administration – non pay	1,102	The aforementioned delays had a knock on effect on this subhead.
Procurement consultancy and other costs	2,438	The procurement and subsequent implementation of external capacity support services took longer than originally planned.

## 4 Receipts

4.1 Appropriations-in-aid		2015		2014
		Estimated	Realised	Realised
		€000	€000	
1.	Receipts from pension-related deduction on public service remuneration	500	471	225
2.	Miscellaneous	—	27	—
<b>Total</b>		<b>500</b>	<b>498</b>	<b>225</b>

4.2 Extra receipts payable to the Exchequer		2015	2014
		€000	€000
Balance at 1 January		19	—
Rebate from suppliers		11	19
Transferred to the Exchequer		(30)	—
Balance at 31 December		—	19

## 5 Employee Numbers and Pay

	2015	2014
<b>Number of staff at year end</b> (full time equivalents)	186	141
	<b>2015</b>	<b>2014</b>
	<b>€000</b>	<b>€000</b>
Pay	8,900	4,252
Higher, special or additional duties allowance	11	10
Other allowances	20	17
Overtime	2	8
Employer's PRSI	728	263
<b>Total Pay</b>	<b>9,661</b>	<b>4,550</b>

### 5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2015 €	Maximum individual payment 2014 €
Higher, special or additional duties	1	1	11,403	9,714
Other allowances	3	2	12,004	9,769
Overtime	6	—	485	7,140

No staff member received additional payments in more than one category.

### 5.2 Payroll Overpayments

Overpayments at the year end were €8,275 (8 cases) (2014: €1,270). Of this, €3,945 (2 cases) have recovery plans in place.

## 6 Miscellaneous

### 6.1 Legal Costs

One litigation case has concluded and will have resulting legal costs. No estimate of the potential liability has been made.

### 6.2 Carryover to 2016

Under the provisions of Section 91 of the Finance Act 2004, €200,000 of unspent allocations in respect of the capital elements of Subhead A.2 was carried forward to 2016.

