

Appropriation Account 2016

Vote 8

**Office of the Comptroller and Auditor
General**

Introduction

As Accounting Officer for Vote 8, 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 2016 for the salaries and expenses of the Office of the Comptroller and Auditor General.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2016, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €1.71 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.

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.

In addition, the following accounting policy has been adopted in respect of work in progress.

Work in progress represents the estimated recoverable value associated with audit work completed at year end in cases where an audit opinion has not been reported.

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 Office.

This responsibility is exercised in the context of the resources available to me and my other obligations as Accounting 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.

Shared Services

The payroll function transferred to the National Shared Services Office (Vote 18) on the 1 February 2016.

I have fulfilled my responsibilities in relation to the requirements of the Service Management Agreement between this Office and the National Shared Service Office for the provision of Human Resources and Payroll Processing shared services.

I rely on a letter of assurance from the Accounting Officer of the Vote for Shared Services that the appropriate controls are exercised in the provision of shared services to this Office.

Significant Financial Risk

Audit fees are charged for certain financial audits in accordance with the Comptroller and Auditor General (Amendment) Act 1993. The fees form a significant proportion of the resources of the Office and a number of procedures have been put in place to ensure that costs are recovered for relevant audits. These measures include

- an annual review of the basis on which fees are charged including a review of the recovery of costs on individual audits over time.
- systems which records audit costs, audit progress and billing information
- the monitoring of financial information including audit costs and fee recovery.

The position in regard to the financial control environment, the framework of administrative procedures, management reporting and internal audit is as follows:

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.

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 Office
- 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 Office 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 Office complied with the guidelines with the exception of one contract to the value of €70,000 listed in my annual return in respect of circular 40/2002. The Office extended the contract for front of house services at existing contract rates. A new tender competition was held for front of house services in 2017.

Internal Audit and Audit Committee

I confirm that the Office has an internal audit function 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 Office 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.

The internal audit function is provided by a private firm which uses appropriately trained personnel.

Andrew Harkness

Accounting Officer

Office of the Comptroller and Auditor General

27 March 2017

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 8 Office of the Comptroller and Auditor General

The appropriation account for Vote 8 Office of the Comptroller and Auditor General has been audited on my behalf by Mr Tommy Doherty of Mazars, Chartered Accountants and Registered Auditors under section 13 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, in accordance with standard accounting policies and principles for appropriation accounts.

On the basis of his audit and report, in my opinion, the appropriation account properly presents the receipts and expenditure of Vote 8 Office of the Comptroller and Auditor General for the year ended 31 December 2016.

Seamus Mc Carthy
Comptroller and Auditor General

28 May 2017

Opinion to the Comptroller and Auditor General in accordance with Section 13 of the Comptroller and Auditor General (Amendment) Act, 1993

As the auditor appointed under Section 13 of the Comptroller and Auditor General (Amendment) Act 1993, I have audited the Appropriation Account of the Office of the Comptroller and Auditor General for the year ended 31 December 2016.

This report is made solely to the Comptroller and Auditor General, in accordance with Section 13 of the Comptroller and Auditor General (Amendment) Act 1993. My audit work has been undertaken so that I can state to the Comptroller and Auditor General those matters I am required to state to him in my opinion and for no other purposes. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Comptroller and Auditor General, for the audit work, for this report, or for the opinions I have formed.

Respective responsibilities of the Accounting Officer and the Auditor

Under Section 22 of the Exchequer and Audit Departments Act 1866, the Accounting Officer is responsible for the preparation of the Appropriation Account. He is also responsible, inter alia, for the safeguarding of public funds and for the regularity and propriety of all transactions in the Appropriation Account.

It is my responsibility to audit the Appropriation Account in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Appropriation Account properly presents the receipts and expenditure of the Vote for the year ended 31 December 2016. I also report to you whether in my opinion proper books of account have been kept by the Office. In addition, I state whether I have obtained all the information and explanations necessary for the purpose of my audit and whether the Office's Appropriation Account is in agreement with the accounting records.

Basis of Opinion

I conducted my audit of the Appropriation Account of the Office of the Comptroller and Auditor General in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and Section 3 of the Comptroller and Auditor General (Amendment) Act 1993. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Appropriation Account, of whether the transactions recorded in the account conform with the authority under which they purport to have been carried out, and of whether the accounting provisions of Public Financial Procedures have been complied with.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary to provide me with sufficient evidence to give reasonable assurance that the Appropriation Account is free from material misstatement whether caused by fraud or other irregularity or error. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the Appropriation Account.

Opinion

In my opinion, the Appropriation Account of the Vote for the Office of the Comptroller and Auditor General properly presents the receipts and expenditure of the Vote for the year ended 31 December 2016 and there are no matters on which I need to report, pursuant to Section 3 (10) of the Comptroller and Auditor General (Amendment) Act 1993.

I have obtained all the information and explanations which I considered necessary for the purposes of my audit. In my opinion, proper accounting records have been kept by the Office of the Comptroller and Auditor General. The Appropriation Account is in agreement with the accounting records.

Tommy Doherty

For and on behalf of Mazars
Chartered Accountants and Registered Auditors
Harcourt Centre
Block 3
Harcourt Road
Dublin 2.

18 May 2017

Vote 8 Office of the Comptroller and Auditor General

Appropriation Account 2016

	2016		2015
	Estimate provision	Outturn	Outturn
	€000	€000	€000
Programme expenditure			
A Audit and reporting	12,520	11,567	12,141
Gross expenditure	12,520	11,567	12,141
<i>Deduct</i>			
B Appropriations-in-aid	5,759	6,514	6,124
Net expenditure	6,761	5,053	6,017

Surplus for surrender

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

	2016	2015
	€	€
Surplus to be surrendered	1,707,576	665,040

Analysis of administration expenditure

	2016		2015
	Estimate provision	Outturn	Outturn
	€000	€000	€000
i Salaries, wages and allowances	10,291	9,376	9,869
ii Travel and subsistence	546	517	452
iii Training and development and incidental expenses	328	390	378
iv Postal and telecommunications services	100	70	111
v Office equipment and external IT services	443	416	591
vi Office premises expenses	217	176	245
vii Consultancy services	350	59	36
viii Legal fees	45	66	43
ix Contract audit services	200	497	416
	12,520	11,567	12,141

Notes to the Appropriation Account

1 Operating Cost Statement 2016

	2016	2015
	€000	€000
Pay	9,376	9,869
Non pay	2,191	2,272
Gross expenditure	11,567	12,141
<i>Deduct</i>		
Appropriations-in-aid (Note 4)	6,514	6,124
Net expenditure	5,053	6,017
Changes in capital assets		
Purchases	(90)	
Depreciation	367	
	277	97
Changes in net current assets		
Increase in closing accruals	308	
Decrease in stock	9	
	317	(417)
Direct expenditure	5,647	5,697
Increase in value of work-in-progress	(20)	478
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	2,823	2,528
Notional rents	21	244
Net programme cost	8,471	8,947

1.1 Net Allied Services Expenditure

The net allied services expenditure amount is made up of the following amounts associated with Vote 8 services borne elsewhere.

	2016	2015
	€000	€000
Vote 9 Office of the Revenue Commissioners	30	30
Vote 12 Superannuation and Retired Allowances	1,430	1,368
Vote 13 Office of Public Works	850	615
Vote 18 National Shared Services Office	15	—
Account of the Central Fund of the Exchequer	498	515
	<u>2,823</u>	<u>2,528</u>

2 Balance Sheet as at 31 December 2016

	Note	2016 €000	2015 €000
Capital assets	2.2	1,879	2,156
Work-in-progress	2.3	484	464
		2,363	2,620
Current assets			
Stocks		6	15
Prepaid expenses		106	107
Audit fee debtors		385	1,441
Accrued audit fee income	2.5	1,301	503
Other debit balances	2.6	129	116
Net Exchequer funding due	2.8	567	1,527
Total current assets		2,494	3,709
Less current liabilities			
Bank and cash	2.4	345	1,183
Accrued expenses		125	76
Other credit balances	2.7	351	460
Total current liabilities		821	1,719
Net current assets		1,673	1,990
Net assets		4,036	4,610
Represented by:			
State funding account	2.1	4,036	4,610

2.1 State funding account	Note	2016 €000	2015 €000
Balance at 1 January		4,610	2,915
Disbursements for the Vote			
Estimate provision	Account	6,761	
Surplus to be surrendered	Account	(1,708)	
Net Vote		5,053	6,017
Fit-out costs and furniture provided by OPW			
Expenditure (cash) borne elsewhere	1	2,823	1,853
Non cash expenditure – notional rent	1	21	244
Net programme cost	1	(8,471)	(8,947)
Balance at 31 December		4,036	4,610

2.2 Capital Assets

	Office equipment	Fixtures, furniture and fittings	Total
	€000	€000	€000
Gross assets			
Cost or valuation at 1 January 2016	2,152	1,921	4,073
Additions	79	11	90
Cost or valuation at 31 December 2016	2,231	1,932	4,163
Accumulated depreciation			
Opening balance at 1 January 2016	1,719	198	1,917
Depreciation for the year	174	193	367
Cumulative depreciation at 31 December 2016	1,893	391	2,284
Net assets at 31 December 2016	338	1,541	1,879
Net assets at 31 December 2015	433	1,723	2,156

2.3 Work in Progress

Work in progress assigns a value to audit work where a fee is charged but where the audit has not yet been completed. The value of work in progress is calculated as a percentage of the agreed audit fee, based on the status of the audit at year end. The value of work in progress at year end was €484,000 (2015: €464,000).

2.4 Bank and Cash

	2016	2015
	€000	€000
at 31 December		
PMG balance	(543)	(1,228)
Commercial bank account balance	198	45
	(345)	(1,183)

2.5 Accrued Audit Fee Income

Accrued audit fee income represents audit work completed but not yet invoiced at the year end.

2.6 Other Debit Balances

	2016	2015
	€000	€000
at 31 December		
Recoupable travel expenditure and travel pass scheme	92	79
Recoupable expenditure from co-tenants	25	35
Miscellaneous salary suspense	12	2
	129	116

2.7 Other Credit Balances	2016	2015
at 31 December	€000	€000
Amounts due to the State		
Income Tax	151	151
Pay Related Social Insurance	105	103
Income Levy	39	50
Professional Services Withholding Tax	26	32
Value Added Tax	29	17
Pension contributions	—	62
Local Property Tax	1	1
	<u>351</u>	<u>416</u>
Payroll deductions held in suspense	—	40
Haddington Road payroll deduction	—	4
	<u>351</u>	<u>460</u>

2.8 Net Exchequer funding due	2016	2015
at 31 December	€000	€000
Surplus to be surrendered	1,708	665
Exchequer grant undrawn	(2,275)	(2,192)
Net liability to the Exchequer	<u>(567)</u>	<u>(1,527)</u>

Represented by:**Debtors**

Debit balances: suspense	<u>129</u>	<u>116</u>
	129	116

Creditors

Bank and cash	(345)	(1,183)
Due to State	(351)	(416)
Credit balances: suspense	—	(44)
	<u>(696)</u>	<u>(1,643)</u>
	<u>(567)</u>	<u>(1,527)</u>

2.9 Commitments	2016	2015
at 31 December	€000	€000
Total of legally enforceable commitments	34	18

3 Programme Expenditure by Subhead

		2016		2015
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A	Audit and reporting			
A.1	Administration - pay	10,291	9,376	9,869
A.2	Administration - non pay	2,229	2,191	2,272
		<u>12,520</u>	<u>11,567</u>	<u>12,141</u>

Significant variations

The overall saving on expenditure headings in the year was €953,000. The significant variations were as follows:

Salaries, wages and allowances

There was an underspend of €915,000 which arises due to a shortfall in staff versus the approved complement. The average number of staff in the year was 145. The approved staff complement is 164. Some of the shortfall was addressed through the engagement of qualified accountants on short term contracts.

Consultancy Services

There was an underspend of €291,000 in the year. The use of external expert consultants is dependent upon the nature of examinations as determined by the Comptroller and Auditor General. The nature of the examinations conducted in 2016 did not require significant external expertise.

Contract Audit Service

Additional expenditure on subhead (ix) Contract Audit Services of €297,000 to facilitate the timely certification of accounts was funded from savings on subhead (i) Salaries, wages and allowances. The virement was sanctioned by the Department of Public Expenditure and Reform.

4 Receipts

4.1 Appropriations-in-aid		2016		2015
		Estimated	Realised	Realised
		€000	€000	€000
1	Audit fees	5,275	6,112	5,589
2	Receipts from pension-related deductions on public service remuneration	484	402	535
		<u>5,759</u>	<u>6,514</u>	<u>6,124</u>

Significant variations

Income from appropriations in aid exceed budgeted target by €755,000. The significant variations were as follows:

Audit Fees

The surplus of €837,000 is due to the timing of the completion of the Office's programme of audits.

Pension Related deductions

Receipts from pension related deductions were €82,000 lower than anticipated due to the shortfall in permanent staff numbers.

5 Employee Numbers and Pay

	2016	2015
Number of staff at year end (full time equivalents)	143	139
	2016	2015
	€000	€000
Pay	8,679	9,130
Higher, special or additional duties allowances	25	58
Overtime	2	—
Employer's PRSI	670	681
Total pay	9,376	9,869

5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2016 €	Maximum individual payment 2015 €
Higher, special or additional duties	5	1	10,081	9,948
Overtime and extra attendance	1	—	1,743	295

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

5.2 Remuneration of Comptroller and Auditor General

The salary of the Comptroller and Auditor General is paid directly out of the Central Fund of the Exchequer, as provided for in Section 14 of the Comptroller and Auditor General (Amendment) Act 1993. The charge on the Central Fund in 2016 in relation to the remuneration of the Comptroller and Auditor General was €175,742 (2015: €182,500). As provided for in Article 33 of the Constitution, the Comptroller and Auditor General may not hold any other office or position of emolument.

5.3 Remuneration of the Accounting Officer

The charge to the Vote in 2016 in relation to the remuneration of the Accounting Officer was €138,546 (2015: €135,809).

5.4 Acting up allowances

One staff member received an acting up allowances for taking on the role of a higher grade. The total cost was €10,081 (2015: €37,558)

5.5 Payroll Overpayments

Payroll and human resources services are provided by the National Shared Services Office. Overpayments can occur for a number of reasons, including staff taking unpaid leave at short notice or sick leave limits being exceeded. Outstanding overpayments at the year end were €25,239, relating to 8 employees (2015: €0). Recoveries have been made in respect of €7,103 (2 employees) of the outstanding balance and arrangements to repay have been made in relation to €14,769 (4 employees). The NSSO are putting in place arrangements to recover the balance in the remaining cases.

6 Miscellaneous

Audit Committee costs amounted to €709 in 2016 (2015: €1,773).