

Appropriation Account 2017

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 2017 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 2017, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €2.6 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 prevailing 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 co-operation and humanitarian assistance fund are returned to the fund on receipt.

Capital assets

The carrying value of land and buildings included in capital assets are based on a valuations conducted in 2005 as adjusted by:

- improvements to land and buildings since 2005 which are reflected at cost
- land and buildings acquired since 2005 also reflected at cost.

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
- procedures for all key business processes have been documented
- there are systems in place to safeguard the assets.

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 two contracts to the value of €157,504 which were listed in my annual return in respect of Circular 40/2002. The contracts were not tendered due to the contracts relating to the provision of propriety ICT services.

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. A formal process is in place to follow up on the implementation of recommendations from the reports of the internal audit function.

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.
- In addition to the Ambassador and Head of Development, the embassy management structure includes appropriately qualified and experienced development specialists and programme managers/advisers.
- There is a rigorous multi-annual planning and approval process for each country programme, which includes the development of a Mission Strategy which covers Ireland's political, trade and development interests in each case. Each Mission Strategy is assessed at the outset through an independent external quality assurance (EQA) process prior to approval; is subject to a mid-term review process to review progress against goals and objectives; and is assessed via a final independent evaluation in advance of the next strategy cycle.
- Robust annual business planning processes are in place at all missions including identification and assessment of risks to business plan implementation and the controls in place to manage these risks. Business plans and risk registers are developed in consultation with head office, and are monitored and updated, as necessary, on a quarterly basis. Significant mission risks are reported upward to the Risk Management Committee and Management Board in line with the Department's Risk Management Policy.
- Each embassy has a locally-based finance function, led by an appropriately qualified head of finance, who reports both to the Ambassador and to the Finance Division at head office.
- A detailed financial procedures manual is in place which sets out the procedures to be followed in respect of all administration and grant-related transactions.
- Internal auditors are in place in each embassy, who report to the Ambassador, and whose internal audit work is undertaken as part of the Department's overall internal audit strategy/work plan which is managed by the Evaluation and Audit Unit. Evaluation and Audit Unit oversees the work and ensures that it is undertaken in accordance with the internationally accepted Internal Audit Standards.

In addition, in respect of head office payments for 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 for Irish Aid, 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 across the aid programme 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.

The Standard Approach to Grant Management for the aid programme has been developed and approved by the Senior Management Group in 2017. This standard is being rolled out across DCD HQ and the embassies, and should ensure consistency of approaches to grant management across the programme.

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.

Shared Services

I have fulfilled my responsibilities in relation to the requirements of the service management agreement between this Department and the National Shared Service Office for the provision of human resources and payroll 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 Department.

Capital Assets

Historically, capital funding was provided to the Department through Vote 28 Foreign Affairs and Trade and a separate capital allocation was not provided to Vote 27 International Co-operation until 2002. Consequently a number of assets were included in the Fixed Assets of Vote 28 Foreign Affairs and Trade which are attributable to Vote 27 International Co-operation. A review of these assets was undertaken in 2017, which has resulted in a transfer of assets with a net book value of €3.0 million to Vote 27 International Co-operation. This included properties with a net book value of €2.9 million in respect of Missions Addis Ababa, Dar Es Salaam, Lusaka and Pretoria. This accounting adjustment is reflected in these accounts.

In addition, the review highlighted that valuations had been carried out on certain of the Vote 27 properties in 2005. The Department cannot currently locate these 2005 valuations, but these properties have been restated to the valuation amount, resulting in an adjustment of €0.6 million, as set out in Note 2.2.

Risk and Control Framework

The Department has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing the Department and these have been identified, evaluated and graded according to their significance. The register is reviewed by the Management Board at least four times a year. These reviews inform planning and allocation of resources to ensure risks are managed to an acceptable residual level.

The risk register details the controls and actions needed to mitigate risks and assigns responsibility for operation of controls to specific staff.

Ongoing Monitoring and Review of Internal Controls

Formal procedures have been established for monitoring control processes, and control deficiencies are communicated to those responsible for taking corrective action - and to management and the Management Board - in a timely way. I confirm that key risks and related controls have been identified and processes are in place to monitor the operation of those key controls and report any identified deficiencies.

Review of Effectiveness of Internal Controls

I confirm that the Department has procedures to monitor the effectiveness of its risk management and control procedures. The department's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors and the senior management within the department responsible for the development and maintenance of the internal financial control framework.

Internal Financial Control Issues

No weaknesses in internal financial control were identified in relation to 2017 that resulted in, or may result in, a material loss.

Niall Burgess

Accounting Officer

Department of Foreign Affairs and Trade

18 September 2018

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 27 International Co-operation

Opinion on the appropriation account

I have audited the appropriation account for Vote 27 International Co-operation for the year ended 31 December 2017 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993.

In my opinion, the appropriation account

- properly presents the receipts and expenditure of Vote 27 International Co-operation for the year ended 31 December 2017
- has been prepared in the form prescribed by the Minister for Public Expenditure and Reform.

Basis of opinion

I conducted my audit of the appropriation account in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the *Preface to the Appropriation Accounts*. I am independent of the Department of Foreign Affairs and Trade and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on the statement on internal financial control, and on other matters

The Accounting Officer has presented a statement on internal financial control together with the appropriation account. My responsibilities to report in relation to the information in the statement, and on certain other matters upon which I report by exception, are described in the *Preface to the Appropriation Accounts*.

I have nothing to report in that regard.

Seamus McCarthy
Comptroller and Auditor General

21 September 2018

Vote 27 International Co-operation

Appropriation Account 2017

		2017		2016
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme expenditure				
A	Work on poverty and hunger reduction	486,614	484,280	484,822
Gross expenditure		486,614	484,280	484,822
<i>Deduct</i>				
B	Appropriations-in-aid	1,120	1,340	1,518
Net expenditure		485,494	482,940	483,304

Surplus

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

	2017	2016
	€	€
Surplus to be surrendered	2,554,142	1,977,290

Niall Burgess

Accounting Officer

Department of Foreign Affairs and Trade

18 September 2018

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2017

	2017		2016
	€000	€000	€000
Programme cost		458,314	458,315
Pay		13,857	14,437
Non pay		12,109	12,070
Gross expenditure		484,280	484,822
<i>Deduct</i>			
Appropriations-in-aid		1,340	1,518
Net expenditure		482,940	483,304
Changes in capital assets			
Purchases cash	(686)		
Disposals cash	179		
Gain on disposals	(175)		
Depreciation	400		
		(282)	(322)
Changes in net current assets			
Increase in closing accruals and prepayments	1,986		
Decrease in stock	3		
		1,989	(1,093)
Net programme cost		484,647	481,889

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.

Note 2 Statement of Financial Position as at 31 December 2017

	Note	2017	2016
		€000	€000
Capital assets	2.2	11,281	8,644
Current assets			
Bank and cash	2.3	5,729	10,778
Stocks of stationery		61	64
Prepayments		1,282	3,212
Other debit balances		120	65
Total current assets		7,192	14,119
Less current liabilities			
Accrued expenses		202	146
Other credit balances	2.4	244	686
Net Exchequer funding due	2.5	892	587
Bilateral and other co-operation fund (grant) account	7	4,713	9,570
Total current liabilities		6,051	10,989
Net current assets		1,141	3,130
Net assets		12,422	11,774
Represented by:			
State funding account	2.1	12,422	11,774

2.1 State funding account

	Note	2017	2016
		€000	€000
Balance at 1 January		11,774	10,359
Disbursements from the Vote			
Estimate provision	Account	485,494	
Surplus to be surrendered	Account	(2,554)	
Net vote		482,940	483,304
Assets transferred from Vote 28	2.2	2,982	
Fixed asset adjustment	2.2	(627)	
Net programme cost	1	(484,647)	(481,889)
Balance at 31 December		12,422	11,774

2.2 Capital assets

	Land and buildings	Equipment	Furniture and fittings	Vehicles	Total
	€000	€000	€000	€000	€000
Gross assets					
Cost or valuation at 1 January 2017	7,639	1,690	1,083	2,592	13,004
Additions	513	57	50	66	686
Disposals	(4)	(10)	(8)	(357)	(379)
Transfer from Vote 28 ¹	2,927	13	12	304	3,256
Adjustment ²	(629)	(173)	(324)	74	(1,052)
Cost or valuation at 31 December 2017	10,446	1,577	813	2,679	15,515
Accumulated depreciation					
Opening balance at 1 January 2017	—	1,406	1,002	1,952	4,360
Depreciation for the year	—	98	39	263	400
Depreciation on disposals	—	(10)	(8)	(357)	(375)
Transfer from Vote 28	—	13	8	253	274
Adjustments	—	(181)	(318)	74	(425)
Cumulative depreciation at 31 December 2017	—	1,326	723	2,185	4,234
Net assets at 31 December 2017	10,446	251	90	494	11,281
Net assets at 31 December 2016	7,639	284	81	640	8,644

¹ During the year, fixed assets with a cost of €3.26 million and a net book value of €2.98 million were transferred from Vote 28 Foreign Affairs and Trade to Vote 27 International Co-operation. These relate to assets which were historically funded out of Vote 28, or assets held in missions which are now funded by Vote 27.

² During the year, a review of fixed assets was carried out which identified items with a gross value of €0.46 million and a net book value of NIL which either do not represent assets of the Department (e.g. repairs) or which relate to assets which have been donated/disposed of. In addition, five properties were restated based on valuations which had been carried out in 2005, resulting in a reduction to the carrying value of the properties of €0.59 million.

2.3 Bank and cash

at 31 December	2017 €000	2016 €000
PMG balance	5,242	10,393
Commercial bank account balance	487	385
	5,729	10,778

2.4 Other credit balances

at 31 December	2017	2016
	€000	€000
Amounts due to the State		
Professional Services Withholding Tax	54	58
Value Added Tax	1	—
	<u>55</u>	<u>58</u>
Other credit balances	189	628
	<u>244</u>	<u>686</u>

2.5 Net Exchequer funding due

at 31 December	2017	2016
	€000	€000
Surplus to be surrendered	2,554	1,977
Exchequer grant undrawn	(1,662)	(1,390)
Net Exchequer funding due	<u>892</u>	<u>587</u>

Represented by:**Debtors**

Bank and cash	5,729	10,778
Debit balances: suspense	120	65
	<u>5,849</u>	<u>10,843</u>

Creditors

Due to State	(55)	(58)
Credit balances: suspense	(189)	(628)
Bilateral and other co-operation fund (grant) account	(4,713)	(9,570)
	<u>(4,957)</u>	<u>(10,256)</u>
	<u>892</u>	<u>587</u>

2.6 Commitments

The commitments figures stated below are the total legally enforceable amounts payable in 2018 and relate to property rental payments abroad and other administrative commitments.

	2017	2016
	€000	€000
Procurement of goods and services, including rental commitments	1,435	1,492

Note 3 Vote Expenditure by Subhead

Analysis of administration expenditure

The following note presents an analysis of the administration expenditure of the Vote and outlines the reasons for significant variations (+/- 25% and €100,000).

		2017		2016
		Estimate provision	Outturn	Outturn
		€000	€000	€000
i	Salaries, wages and allowances	15,099	13,857	14,437
ii	Travel and subsistence	1,800	1,651	1,514
iii	Training and development and incidental expenses	1,800	1,644	1,654
iv	Postal and telecommunications services	1,650	1,148	1,369
v	Office equipment and external IT services	1,420	1,217	1,391
vi	Office premises expenses	4,230	4,423	4,016
vii	Consultancy services and value for money and policy reviews	500	208	246
viii	Promotional support and accommodation	1,800	1,818	1,880
		28,299	25,966	26,507

Significant variations

i Salaries, wages and allowances

Estimate provision: €15.1 million, outturn: €13.9 million

The underspend of €1.2 million on expenditure on salaries, wages and allowances was mainly due to staff movements with replacement staff starting at the entry point of the salary scale.

iv Postal and telecommunications services

Estimate provision: €1.6 million, outturn: €1.1 million

The underspend of €0.5 million on expenditure on postal and telecommunications services was due to savings achieved on satellite and communications costs

vii Consultancy services and value for money and policy reviews

Estimate provision: €0.5 million, outturn: €0.2 million

The underspend of €0.3 million on expenditure on consultancy services and value for money and policy reviews was due to requirements for general consultancy services being lower than anticipated.

Programme A Work on poverty and hunger reduction

		2017		2016
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A.1	Administration - pay	15,099	13,857	14,437
A.2	Administration - non pay	13,200	12,109	12,070
A.3	Bilateral co-operation and humanitarian assistance	368,854	367,854	381,148
A.4	Contributions to international funds for the benefit of developing countries	52,651	53,200	40,257
A.5	Contributions to United Nations and other development agencies	36,810	37,260	36,910
		486,614	484,280	484,822

Certain amounts in the comparative figures were reclassified for consistency with current year analysis

Note 4 Receipts

4.1 Appropriations-in-aid

	2017		2016
	Estimated	Realised	
	€000	€000	€000
1. Appropriations-in-aid	450	846	981
2. Receipts from pension-related deduction on public service remuneration	670	494	537
Total	1,120	1,340	1,518

Significant variations

Overall, Appropriations-in-aid were €0.2 million more than the estimate.

Explanations for variances are set out below:

1 Appropriations-in-aid

Estimate provision: €0.4 million, outturn: €0.8 million

The additional receipts of €0.4 million arose due to higher than anticipated passport / consular fees, which are demand driven and proceeds on sale of fixed assets following a decision to replace a number of old vehicles during the year.

2 Receipts from pension-related deduction on public service remuneration

Estimate provision: €0.7 million, outturn: €0.5 million

The shortfall of €0.2 million was due to lower than expected pay cost arising from the salary profile of replacement staff.

Note 5 Employee Numbers and Pay

5.1 Employee numbers

	2017	2016
Number of staff at year end (full time equivalents)	229	204

5.2 Pay

	2017	2016
	€000	€000
Pay	12,592	13,196
Higher, special or additional duties allowance	28	12
Other allowances	22	19
Overtime	38	52
Employer's PRSI	846	865
Foreign social security and other costs	331	293
Total pay	13,857	14,437

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

5.3 Allowances and overtime payments

	Number of recipients	Recipients of €10,000 or more	Highest individual payment 2017 €	Highest individual payment 2016 €
Higher, special or additional duties	4	1	10,941	4,143
Other allowances	11	—	5,004	5,627
Overtime	21	1	12,191	10,398
Extra remuneration in more than one category	8	2	17,195	13,986

5.4 Other remuneration

Four retired civil servants in receipt of civil service pensions were re-engaged, on a fee basis, at a total cost of €32,000.

5.5 Payroll overpayments

Overpayments at the year end were €NIL (2016: €25,514 ,10 cases).

Note 6 Miscellaneous Items

6.1 Contributions to United Nations and other development agencies (A.5)

	2017	2016
	€000	€000
United Nations Development Programme (UNDP)	7,750	7,750
United Nations Children's Fund (UNICEF)	7,200	7,500
United Nations High Commissioner for Refugees (UNHCR)	7,500	7,000
World Health Organisation (WHO) Programmes	—	300
United Nations Population Fund	3,300	2,800
Office of the United Nations High Commissioner for Human Rights	2,138	2,008
UNAIDS	2,400	2,648
United Nations Development Fund for Women (UNIFEM)	1,500	1,500
UN Industrial Development Organisation	471	412
UN Relief and Works Agency for Palestine Refugees in the Near East (UNWRA)	4,000	4,000
United Nations Environment Programme Trust Fund (UNEP)	247	169
United Nations Volunteers	500	500
Others - various	254	323
	37,260	36,910

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

Account of receipts and payments during the year ended 31 December 2017

	2017	2016
	€000	€000
Balance on 1 January	9,570	5,037
Grant	367,854	315,648
	<u>377,424</u>	<u>320,685</u>
Expenditure for the year	(374,616)	(313,266)
Amounts returned during the year	<u>1,905</u>	<u>2,151</u>
Balance on 31 December	<u>4,713</u>	<u>9,570</u>

In addition, at 31 December 2017, unspent balances totalling €1.4 million (2016: €1.2 million) were held in bank accounts controlled by Irish embassies and Irish Aid offices in eight countries.