

## **Appropriation Account 2017**

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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 2017 for the salaries and expenses of the Office of Government Procurement.

The expenditure outturn is compared with the sums

- a) 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, and
- b) provided for capital supply services in 2017 out of unspent 2016 appropriations, under the deferred surrender arrangements established by Section 91 of the Finance Act 2004.

A surplus of €6.8 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.

## Statement on Internal Financial Control

### *Responsibility for the 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 the requirements of the service management agreement between this Office and the National Shared Service Office for the provision of HR 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 Office.

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
- 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
- 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 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 Department complied with the guidelines in my annual return in respect of Circular 40/2002.

### ***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 scope of Internal audit and the Audit Committee includes the operations of the Office of Government Procurement. 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.

***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 and updated by the management board on a quarterly basis. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable 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***

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, where relevant, in a timely way. I confirm that key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies.

***Review of Effectiveness of 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.

**Robert Watt**

Accounting Officer

Office of Government Procurement

26 March 2018

## **Comptroller and Auditor General**

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

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

##### ***Opinion on the appropriation account***

I have audited the appropriation account for Vote 39 Office of Government Procurement 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 39 Office of Government Procurement 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 Office of Government Procurement 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

12 September 2018

## Vote 39 Office of Government Procurement Appropriation Account 2017

		2017		2016
		Estimate provision	Outturn	Outturn
		€000	€000	€000
<b>Programme expenditure</b>				
A	Delivery of central procurement service			
	<i>Current year provision</i>	20,435		
	<i>Deferred surrender</i>	110		
		20,545	13,586	14,424
	<b>Gross expenditure</b>	<b>20,545</b>	<b>13,586</b>	<b>14,424</b>
	<i>Deduct</i>			
B	<b>Appropriations-in-aid</b>	<b>475</b>	<b>448</b>	<b>429</b>
	<b>Net expenditure</b>	<b>20,070</b>	<b>13,138</b>	<b>13,995</b>

### Surplus

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.

	2017	2016
	€	€
Surplus	6,932,461	6,187,287
Deferred surrender	(100,000)	(110,000)
<b>Surplus to be surrendered</b>	<b>6,832,461</b>	<b>6,077,287</b>

**Robert Watt**

Accounting Officer

Office of Government Procurement

26 March 2018

## Notes to the Appropriation Account

### Note 1 Operating Cost Statement 2017

		2017	2016
	€000	€000	€000
Programme cost		1,829	3,062
Pay		10,529	10,035
Non pay		1,228	1,327
<b>Gross expenditure</b>		<b>13,586</b>	<b>14,424</b>
<i>Deduct</i>			
<b>Appropriations-in-aid</b>		<b>448</b>	<b>429</b>
<b>Net expenditure</b>		<b>13,138</b>	<b>13,995</b>
<b>Changes in capital assets</b>			
Purchases cash	(25)		
Depreciation	351	326	(308)
<b>Changes in net current assets</b>			
Increase in closing accruals	191		
Decrease in stock	3		
		194	(142)
<b>Direct expenditure</b>		<b>13,658</b>	<b>13,545</b>
<b>Expenditure borne elsewhere</b>			
Net allied services expenditure (note 1.1)		924	937
Notional rent		48	48
<b>Net programme cost</b>		<b>14,630</b>	<b>14,530</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.

		2017	2016
		€000	€000
Vote 7 Finance	e	52	116
Vote 11 Public Expenditure and Reform	e	163	—
Vote 13 Office of Public Works	e	697	793
Vote 18 National Shared Services Office	e	12	28
		<b>924</b>	<b>937</b>

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

## Note 2 Statement of Financial Position as at 31 December 2017

	Note	2017 €000	2016 €000
<b>Capital assets</b>	2.2	<b>1,041</b>	<b>1,490</b>
<b>Current assets</b>			
Bank and cash	2.3	692	553
Stocks		4	7
Prepayments		342	374
Other debit balances	2.4	99	115
<b>Total current assets</b>		<b>1,137</b>	<b>1,049</b>
<b>Less current liabilities</b>			
Accrued expenses		262	103
Other credit balances	2.5	515	467
Net Exchequer funding due	2.6	276	201
<b>Total current liabilities</b>		<b>1,053</b>	<b>771</b>
<b>Net current assets</b>		<b>84</b>	<b>278</b>
<b>Net assets</b>		<b>1,125</b>	<b>1,768</b>
<b>Represented by:</b>			
<b>State funding account</b>	2.1	<b>1,125</b>	<b>1,768</b>

### 2.1 State funding account

	Note	2017 €000	2016 €000
Balance at 1 January		1,768	1,330
Disbursements from the Vote			
Estimate provision	Account	20,070	
Deferred surrender	Account	(100)	
Surplus to be surrendered	Account	(6,832)	
Net vote		13,138	13,995
Expenditure (cash) borne elsewhere	1.1	924	937
Non cash items – capital assets adjustment		(123)	—
Non cash items – capital assets transferred to NSSO		—	(48)
Non cash items – capital assets transferred from NSSO – cost		—	36
Non cash items – notional rent		48	48
Net programme cost	1	(14,630)	(14,530)
<b>Balance at 31 December</b>		<b>1,125</b>	<b>1,768</b>



## 2.2 Capital assets

	IT equipment	Furniture and fittings	Office equipment	Total
	€000	€000	€000	€000
<b>Gross assets</b>				
Cost or valuation at 1 January 2017	1,582	431	8	2,021
Additions	20	2	3	25
Adjustment <sup>1</sup>	(22)	(129)	(1)	(151)
Cost or valuation at 31 December 2017	1,580	304	10	1,895
<b>Accumulated Depreciation</b>				
Opening balance at 1 January 2017	446	82	3	531
Depreciation for the year	321	28	2	351
Depreciation on adjustment <sup>1</sup>	—	(28)	—	(28)
Cumulative depreciation at 31 December 2017	767	82	4	853
<b>Net Assets at 31 December 2017</b>	<b>813</b>	<b>222</b>	<b>6</b>	<b>1,041</b>
<b>Net Assets at 31 December 2016</b>	<b>1,136</b>	<b>349</b>	<b>5</b>	<b>1,490</b>

<sup>1</sup> The adjustment relates to the removal of individual asset values of under €1,000 from the asset register. The assets are still in use.

## 2.3 Bank and cash

at 31 December	2017	2016
	€000	€000
PMG balances and cash	691	552
Commercial bank account	1	1
	692	553

## 2.4 Other debit balances

at 31 December	2017	2016
	€000	€000
Travel pass	90	96
OPW advances	4	15
Other debit suspense items	5	4
	99	115

## 2.5 Other credit balances

at 31 December	2017	2016
	€000	€000
<b>Amounts due to the State</b>		
Income Tax	176	159
Pay Related Social Insurance	131	123
Professional Services Withholding Tax	23	11
Pension contributions	45	40
Local Property Tax	2	2
Universal Social Charge	40	43
VAT	54	42
	<u>471</u>	<u>420</u>
Payroll deductions held in suspense	43	46
Other credit suspense items	1	1
	<u>515</u>	<u>467</u>

## 2.6 Net Exchequer funding due

at 31 December	2017	2016
	€000	€000
Surplus to be surrendered	6,832	6,077
Deferred surrender	100	110
Exchequer grant undrawn	<u>(6,656)</u>	<u>(5,986)</u>
Net Exchequer funding due	<u>276</u>	<u>201</u>

### Represented by:

#### Debtors

Bank and cash	692	553
Debit balances: suspense	99	115
	<u>791</u>	<u>668</u>

#### Creditors

Due to State	(471)	(420)
Credit balances: suspense	(44)	(47)
	<u>(515)</u>	<u>(467)</u>
	<u>276</u>	<u>201</u>

## 2.7 Commitments

at 31 December	2017	2016
	€000	€000
<b>Global Commitments</b>		
Procurement of goods and services	<u>2,593</u>	<u>3,210</u>
Total of legally enforceable commitments	<u>2,593</u>	<u>3,210</u>

**2.8 Matured liabilities**

	2017	2016
	€000	€000
Estimate of matured liabilities not discharged at year end	15	7

## 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%). Administration expenditure has been apportioned across the programmes, to present complete programme costings.

		2017		2016
		Estimate provision	Outturn	Outturn
		€000	€000	€000
i	Salaries, wages and allowances	12,470	10,529	10,035
ii	Travel and subsistence	225	202	193
iii	Training and development and incidental expenses	700	585	522
iv	Postal and telecommunications services	150	89	141
v	Office equipment and external IT services	300	206	359
vi	Office premises expenses	200	145	112
		<b>14,045</b>	<b>11,756</b>	<b>11,362</b>

#### Significant variations

##### *i Salaries, wages and allowances*

Estimate provision: €12.47 million, outturn: €10.53 million

The sanctioned allocation was calculated on the basis that full capacity (246 FTE) would be reached by the end of the year. Difficulties with staff turnover meant that full capacity was not reached.

##### *iv Postal and telecommunications services*

Estimate provision: €150,000, outturn: €89,000

Delays in the recruitment and turnover of staff have led to an underspend in administrative non pay.

##### *v Office equipment and external IT services*

Estimate provision: €300,000, outturn: €206,000

The aforementioned delays and turnover of staff have also led to an underspend in this area. The main drivers for these subheads is (a) expenditure by the OGCIO for their service provision and (b) expenditure relating to additional fit of hub offices, resulting from the on-boarding of new staff.

##### *vi Office premises expenses*

Estimate provision: €200,000, outturn: €145,000

The underspend within this subhead is largely due to the timing of utility charges from the hub offices and premise maintenance not occurring as profiled.

**Programme A Delivery of Central Procurement Services**

		<b>2017</b>		<b>2016</b>
		<b>Estimate provision</b>	<b>Outturn</b>	<b>Outturn</b>
		<b>€000</b>	<b>€000</b>	<b>€000</b>
A.1	Administration – pay	12,470	10,529	10,035
A.2	Administration – non pay	1,575	1,228	1,327
A.3	Procurement consultancy and other costs			
	<i>Current year provision</i>	6,390		
	<i>Deferred surrender</i>	110	6,500	1,829
				3,062
<b>Total</b>		<b>20,545</b>	<b>13,586</b>	<b>14,424</b>

**Significant variations**

Overall, the expenditure in relation to the programme was approximately €7 million lower than provided. €2 million of this related to underspending on administration and has already been explained. The balance of the variance (€5 million) was mainly due to the following:

*A.3 Procurement consultancy and other costs*

Estimate provision: €6.39 million, outturn: €1.829 million

This underspend is due to lower than expected costs relating to sourcing support. Delays on capital projects within the Systems and Data business unit relating to the new internal IT systems and eTenders ESPD have now been reprofiled into 2018.

## Note 4 Receipts

### 4.1 Appropriations-in-aid

	2017		2016
	Estimated	Realised	Realised
	€000	€000	€000
1. Receipts from pension-related deduction on public service remuneration	425	401	375
2. Miscellaneous	50	47	54
<b>Total</b>	<b>475</b>	<b>448</b>	<b>429</b>

### 4.2 Extra receipts payable to the Exchequer

	2017	2016
	€000	€000
Balance at 1 January	—	—
Rebates from suppliers	72	37
Transferred to the Exchequer	(72)	(37)
Balance at 31 December	—	—

## Note 5 Employee Numbers and Pay

### 5.1 Employee numbers

	2017	2016
<b>Number of staff at year end</b> (full time equivalents)	184	192

### 5.2 Pay

	2017	2016
	€000	€000
Pay	9,685	9,228
Higher, special or additional duties allowance	12	5
Other allowances	3	19
Overtime	1	1
Employer's PRSI	828	782
<b>Total Pay</b>	<b>10,529</b>	<b>10,035</b>

### 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	1	1	11,600	4,447
Other allowances	2	—	2,402	7,888
Overtime	2	—	235	576

### 5.4 Payroll overpayments

Overpayments at the year-end were €27,913 (9 cases) (2016: €28,364 (8 cases)). Of these, €3,846 (2 cases) had recovery plans in place.

## **Note 6 Miscellaneous**

### **6.1 Legal costs**

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Costs of €111,163 were paid in the matter of Copymoore et al v Commissioners of Public Works in Ireland. When the functions of the National Procurement Service were subsumed into the OGP it was agreed (between the Department of Public Expenditure and Reform and the Office of Public Works) that Department of Public Expenditure and Reform would be the appropriate body to meet any liability arising.

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### **6.2 Carryover to 2018**

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Under the provisions of Section 91 of the Finance Act 2004, €100,000 of unspent allocations in respect of the capital elements of Subhead A.3 was carried forward to 2018.

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