

Appropriation Account 2017

Vote 7

Office of the Minister for Finance

Introduction

As Accounting Officer for Vote 7, 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 the salaries and expenses of the Office of the Minister for Finance, including the Paymaster-General's Office, for certain services administered by the Office of the Minister and for payment of certain grants.

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 the unspent 2016 appropriations, under the deferred surrender arrangements established by section 91 of the Finance Act 2004.

The account has been prepared in accordance with the 2017 Revised Estimate for the Office of the Minister for Finance.

A surplus of €7.2 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 except for the following:

Stocks and capital assets

The Department of Finance (Vote 7) and the Department of Public Expenditure and Reform (Vote 11) share IT consumable stocks. They are allocated on the basis of staff numbers in the respective Votes.

For efficiency and convenience reasons, spend on stationery stocks is recorded under Vote 7 and spend on IT consumable stocks is recorded under Vote 11. However, as the stocks are deemed to be shared, they are included in the operating cost notes to the accounts of Vote 7 and Vote 11 and are allocated on the basis of staff numbers in the respective departments.

As most capital assets are shared, the usage of capital assets is also allocated on the basis of staff numbers. Up to 31 December 2010, all capital assets had been recorded on the asset register of the Department of Finance. The asset register does not record the location of the business unit using the asset. As a result, it was not possible to split the assets between those units remaining in the Department of Finance and those transferring to the Department of Public Expenditure and Reform. In general, furniture and fittings and office equipment assets are recorded on the asset register of the Department of Finance and IT equipment assets are recorded on the asset register of the Department of Public Expenditure and Reform. Depreciation on assets is charged to each department on the basis of staff numbers. Notwithstanding any of the above, the Department of Finance has purchased certain assets since 2012 which were for its exclusive use and the depreciation in respect of these is not apportioned.

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, 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 department 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 department.

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
- 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. One contract with a value of €28,110 was listed on my annual return in respect of Circular 40/2002. A brief outline of the contract is set out below:

In the absence of an Office of Government Procurement (OGP) Framework agreement, the department has engaged a translation services provider for the provision of technical translation services. The department's Procurement Officer is currently engaging with the OGP on the procurement of a foreign language translation service provider(s), while ensuring that the high quality translation of technical documents is maintained.

Significant Financial Risks

There are no significant financial risks for the Vote.

Internal Audit and Audit Committee

I confirm that the department uses the services of the Department of Public Expenditure and Reform internal audit function under the terms of a service level agreement between the two departments. The Department of Public Expenditure and Reform internal audit unit operates under a written charter which has been approved by the Secretary General of the Department of Public Expenditure and Reform. Its work is informed by analysis of the financial risks to which the department is exposed and its annual internal audit plans (which are prepared in consultation with the Audit Committee and 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.

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 Executive 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 Executive 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

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.

Derek Moran
Accounting Officer
Office of the Minister for Finance

28 March 2018

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 7 Office of the Minister for Finance

Opinion on the appropriation account

I have audited the appropriation account for Vote 7 Office of the Minister for Finance 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 7 Office of the Minister for Finance 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 Finance 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 7 Office of the Minister for Finance

Appropriation Account 2017

		2017		2016
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme expenditure				
A	Economic and fiscal policy	19,734	18,864	15,841
B	Banking and financial services policy	11,800	8,061	6,762
C	Delivery of shared services			
	<i>Current year provision</i>	9,271		
	<i>Deferred surrender</i>	227		
		9,498	7,049	8,635
Gross expenditure				
	<i>Current year provision</i>	40,805		
	<i>Deferred surrender</i>	227		
		41,032	33,974	31,238
<i>Deduct</i>				
D	Appropriations-in-aid	1,335	1,440	2,271
Net expenditure				
	<i>Current year provision</i>	39,470		
	<i>Deferred surrender</i>	227		
		39,697	32,534	28,967

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 spend in the following year.

	2017	2016
	€	€
Surplus	7,162,688	10,626,805
Deferred surrender	–	(227,000)
Surplus to be surrendered	7,162,688	10,399,805

Derek Moran

Accounting Officer
Office of the Minister for Finance

28 March 2018

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2017

	2017	2016
	€000	€000
Programme cost	13,310	9,689
Pay	17,410	16,627
Non pay	3,254	4,922
Gross expenditure	33,974	31,238
<i>Deduct</i>		
Appropriations-in-aid	1,440	2,271
Net expenditure	32,534	28,967
Changes in capital assets		
Purchases cash	(147)	
Loss on disposal	1	
Depreciation	232	
	86	(705)
Changes in net current assets		
Decrease in closing accruals	(460)	
Increase in stock	(5)	
	(465)	(149)
Direct expenditure	32,155	28,113
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	13,456	12,005
Notional rents	979	979
Net programme cost	46,590	41,097

1.1 Net Allied Services Expenditure

The net allied services expenditure amount is made up of the following amounts in relation to Vote 7 borne elsewhere, net of costs of shared services apportioned to other Votes.

	2017	2016
	€000	€000
Vote 9 Office of the Revenue Commissioners	e —	7
Vote 11 Public Expenditure and Reform	e 245	—
Vote 12 Superannuation and Retired Allowances	e 13,323	11,755
Vote 13 Office of Public Works	e 713	600
Vote 18 National Shared Services Office	e 35	32
Central Fund – Ministerial pensions	225	224
	14,541	12,618
Apportioned cost of accounting and facility support for other Votes	e (1,085)	(613)
	13,456	12,005

'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
Capital assets	2.2	543	629
Current assets			
Bank and cash	2.3	2,130	1,097
Stocks	2.4	22	17
Prepayments		337	328
Other debit balances	2.5	186	136
Accrued income		736	270
Total current assets		3,411	1,848
Less current liabilities			
Accrued expenses		352	337
Other credit balances	2.6	850	834
Net Exchequer funding due	2.7	1,466	399
Total current liabilities		2,668	1,570
Net current assets		743	278
Net assets		1,286	907
Represented by:			
State funding account	2.1	1,286	907

2.1 State funding account

	Note	2017 €000	2016 €000
Balance at 1 January		907	579
Disbursements from the Vote			
Estimate provision	Account	39,470	
Deferred surrender	Account	227	
Surplus to be surrendered	Account	(7,163)	
Net vote		32,534	28,967
Expenditure (cash) borne elsewhere	1.1	13,456	12,005
Non cash items – capital assets		—	(908)
Non cash items – depreciation		—	382
Non cash expenditure – notional rent	1	979	979
Net programme cost	1	(46,590)	(41,097)
Balance at 31 December		1,286	907

2.2 Capital assets

	IT equipment €000	Furniture and fittings €000	Office equipment €000	Total €000
Gross assets				
Cost or valuation at 1 January 2017	498	5,555	2,471	8,525
Additions	36	67	44	147
Disposals ^a	—	(4,040)	(1,983)	(6,023)
Cost or valuation at 31 December 2017	534	1,582	532	2,649
Accumulated depreciation				
Opening balance at 1 January 2017	284	5,257	2,354	7,896
Depreciation for the year	64	130	38	232
Depreciation on disposals ^a	—	(4,040)	(1,982)	(6,022)
Cumulative depreciation at 31 December 2017	348	1,347	410	2,106
Net assets at 31 December 2017	186	235	122	543
Net assets at 31 December 2016	214	298	117	629

^a As part of the fire upgrade and rewiring project undertaken in Government Buildings completed in quarter 2 2017, the Facilities Management Unit undertook a trawl of the capital assets with a view to removing assets from the asset register which it deemed to have been sent for destruction either as being obsolete or not fit for purpose.

2.3 Bank and cash

at 31 December	2017 €000	2016 €000
PMG balances and cash	2,056	1,096
Commercial bank account balance	74	1
	2,130	1,097

2.4 Stocks

at 31 December	2017 €000	2016 €000
Stationery	8	12
IT consumables	14	5
	22	17

2.5 Other debit balances

at 31 December	2017	2016
	€000	€000
Recoupable travel expenditure	56	37
Travel imprests	2	—
Recoupable travel pass scheme expenditure	114	92
Other debit suspense items	14	7
	186	136

2.6 Other credit balances

at 31 December	2017	2016
	€000	€000
Amounts due to the State		
Income Tax	308	302
Pay Related Social Insurance	191	176
Professional Services Withholding Tax	29	53
Value Added Tax	5	21
Pension contributions	68	67
Local Property Tax	2	2
Universal Social Charge	69	75
	672	696
Payroll deductions held in suspense	94	94
Other credit suspense items	74	1
Recoupable salaries	10	43
	850	834

2.7 Net Exchequer funding due

at 31 December	2017	2016
	€000	€000
Surplus to be surrendered	7,163	10,400
Deferred surrender	—	227
Exchequer grant undrawn	(5,697)	(10,228)
Net Exchequer funding due	1,466	399
Represented by:		
Debtors		
Bank and cash	2,130	1,097
Debit balances: suspense	186	136
	2,316	1,233
Creditors		
Due to State	(672)	(696)
Credit balances: suspense	(178)	(138)
	(850)	(834)
	1,466	399

2.8 Commitments

There were no legally enforceable commitments at 31 December 2017.

2.9 Matured liabilities

at 31 December	2017	2016
	€000	€000
Estimate of matured liabilities not discharged at year end	14	4

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). 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	18,000	17,410	16,627
ii	Travel and subsistence	816	672	595
iii	Training and development and incidental expenses	1,114	990	750
iv	Postal and telecommunications services	354	358	317
v	Office equipment and external IT services	1,526	783	1,279
vi	Office premises expenses	1,984	451	1,982
vii	Consultancy and other services	50	—	—
		23,844	20,664	21,550

Significant variations

v Office equipment and external IT services

Estimate provision: €1.5 million, outturn: €0.8 million

The underspend of €0.7 million on expenditure on office equipment and external IT services was due to capital projects relating to the delivery of shared services which were budgeted for but which did not take place during the year.

vi Office premises expenses

Estimate provision: €1.9 million, outturn: €0.5 million

The decrease of €1.4 million on expenditure on office premises expenses was due to planned capital projects relating to the delivery of shared services which were budgeted for but which did not take place during the year.

Programme A Economic and Fiscal Policy

		2017		2016
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A.1	Administration – pay	7,157	6,658	5,970
A.2	Administration – non pay	972	874	967
A.3	Committee and commissions	370	277	320
A.4	Consultancy and other services	1,235	1,602	727
A.5	Fuel grant	10,000	9,453	7,857
		19,734	18,864	15,841

Significant variations

Overall, the expenditure in relation to Programme A was €0.8 million lower than provided. €0.7 million of this related to administration expenditure and has already been explained and the balance of the variance of €0.1 million (net) was mainly due to the following:

A. 4 Consultancy and other services

Estimate provision: €1.2 million, outturn: €1.6 million

The increase in expenditure of €0.4 million relative to the estimate provision was due to expenditure pressures attaching to the legal costs involving an alleged State aid case. Sanctioned virement was received in relation to this increase.

A.5 Fuel grant

Estimate provision: €10 million, outturn: €9.4 million

The fuel grant was a new service first included in the Finance Vote in 2016. In the 2017 Vote a sum of €10 million was provided for the fuel grant under the Disabled Drivers and Passengers (Tax Concessions) Scheme. The Department initially estimated that an average grant of €730 would be made to approximately 13,700 claimants which would include drivers, passengers and organisations. The actual outturn of €9.453 million was paid to 13,321 claimants and the average grant was €704.

Programme B Banking and Financial Services Policy

		2017		2016
		Estimate provision	Outturn	Outturn
		€000	€000	€000
B.1	Administration – pay	5,567	5,433	5,379
B.2	Administration – non pay	927	693	654
B.3	Committees and commissions	20	11	17
B.4	Consultancy and other services	5,285	1,924	712
B.5	Office of the Financial Services Ombudsman	1	—	—
		11,800	8,061	6,762

Significant variations

Overall, the expenditure in relation to Programme B was €3.7 million lower than provided. €0.4 million of this related to administration expenditure and has already been explained and the balance of the variance of €3.3 million was mainly due to the following:

B.4 Consultancy and other services

Estimate provision: €5.3 million, outturn: €1.9 million

The shortfall in expenditure of €3.4 million relative to the estimate provision is because, due to the nature of this subhead, the work programme cannot be predicted with certainty and budgets must be set at a prudent level to allow the units to address issues as they arise. The key driver of this saving was the Shareholding and Financial Advisory Division where savings of approximately €2.2 million arose in relation to the budget for litigation and transactional activity.

Savings also arose on a number of projects in the Banking Division where a number of factors, such as the in-house completion of work, contributed to the lower outturn.

Programme C Delivery of Shared Services

		2017		2016
		Estimate provision	Outturn	Outturn
		€000	€000	€000
C.1	Administration – pay	5,276	5,319	5,279
C.2	Administration – non pay	3,945	1,687	3,300
C.3	Consultancy and other services	50	43	56
		9,271	7,049	8,635

Significant variations

Overall, the expenditure in relation to Programme C was €2.2 million lower than provided. This related to administration expenditure and has already been explained.

Note 4 Receipts

4.1 Appropriations-in-aid

	2017		2016
	Estimated	Realised	Realised
	€000	€000	€000
1 Recoupment of certain expenses in relation to the stabilisation of the banking sector	500	601	1,365
2 Miscellaneous	100	103	120
3 Receipts from pension-related deductions on public service remuneration	735	736	786
	1,335	1,440	2,271

Significant variations

Overall, appropriations-in-aid were in line with the estimate, except for:

- Recoupment of certain expenses in relation to the stabilisation of the banking sector
 Estimate provision: €0.5 million, outturn: €0.6 million
 The increase of €0.1 million was a result of the budgeted 2017 recoupments being set at a prudent level because the timing and extent of same could not be predicted with certainty at the time of preparing the estimates

4.2 Extra receipts payable to the Exchequer

	2017	2016
	€000	€000
Balance at 1 January	—	—
Collected	1	3
Transferred to the Exchequer	(1)	(3)
Balance at 31 December	—	—

Note 5 Employee Numbers and Pay

5.1 Employee numbers

	2017	2016
Number of staff at year end (full time equivalents)	<u>310</u>	<u>290</u>

5.2 Pay

	2017	2016
	€000	€000
Pay	15,633	15,183
Redundancy	72	—
Higher, special or additional duties allowance	99	98
Other allowances	273	121
Overtime	159	159
Employer's PRSI	1,174	1,066
Total pay^a	<u>17,410</u>	<u>16,627</u>

^a The total pay figure is distributed across subheads A.1, B.1 and C.1.

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	14	5	22,626	11,937
Other allowances	95	4	79,109	—
Overtime	54	6	23,268	22,069
Extra remuneration in more than one category	14	8	33,596	25,549

5.4 Other remuneration arrangements

This account includes expenditure of €157,805 in respect of 3 officers who were serving outside the Department for all or part of 2017 and whose salaries were paid by the Department.

The pay figure includes €72,357 paid out in respect of redundancy and severance payments to three staff members who were formerly employed as Ministerial staff.

5.5 Payroll overpayments

Overpayments at the year-end were €51,830 (10 cases) (2016: €37,428, 12 cases). Of this, €8,045 (4 cases) have recovery plans in place.

6 Miscellaneous

6.1 Banking system functions

The Minister for Finance delegated a number of banking system functions to the National Treasury Management Agency (NTMA) under Statutory Instrument (SI) no. 115 of 2010. This delegation was revoked with effect from 5 August 2011 under SI no. 395 of 2011 and the NTMA banking unit has since then been seconded to the Department of Finance. At the direction of the Minister, the costs of the unit, comprising staff costs and certain consultancy costs, continue to be met by the NTMA.

6.2 Committees and commissions

	2017	2016
	€000	€000
Credit Union Advisory Committee ^a	11	17
Disabled Drivers Appeals Board ^b	277	320
	288	337

^a The Committee's statutory function (under section 180 of the Credit Union Act 1997) is to advise regarding:

- improvement of the management of credit unions
- protection of the interest of members and creditors of credit unions and
- other matters relating to credit unions upon which the Minister, the Central Bank or such other persons as may be specified by the Minister, may from time to time seek by way of advice from the Committee.

^b The Disabled Drivers Medical Board of Appeals acts as an appeal body for those applicants refused a primary medical certificate by a senior medical officer in respect of the Disabled Drivers and Disabled Passengers (Tax Concessions) Scheme. The Board was established in 1989.

6.3 Contingent liabilities

There is litigation in progress regarding Irish Bank Resolution Corporation (IBRC) and Permanent TSB (PTSB). These actions are being defended and no estimate of the potential liability has been made.

Certain third party protections (in the form of warranties and indemnities) have been provided in connection with the sale of Irish Life Limited, the disposal of the Bank of Ireland contingent capital notes, the disposal of the preference shares in Bank of Ireland and the liquidation of IBRC.

6.4 Compensation and legal costs

	Number of cases	Legal cost paid by Department €000	Compensation awarded €000	Legal costs awarded €000	2017	2016
					Total	Total
					€000	€000
Claims by members of the public	1	—	—	526	526	—

Appendix A Accounts of bodies and funds under the aegis of the Department of Finance

The following table lists the bodies and funds under the aegis of the Department and where the Department has an obligation to present financial statements. It indicates, at end March 2018, the period to which the last audited financial statements relate and when they were presented to.

Body/ departmental fund	Last accounting period	Date of audit report	Date received by Minister/ Department	Date presented to the Oireachtas
Central Bank	2016	14 Mar 17	10 Apr 17	3 May 17
Credit Institutions (Eligible Liabilities Guarantee) Scheme	2016	19 Dec 17	19 Dec 17	18 Jan 18
Credit Union Fund	2016	28 Jun 17	29 Jun 17	4 Jul 17
Credit Union Restructuring Board	2016	28 Jul 17	16 Aug 17	16 Aug 17
Finance Accounts	2016	28 Jun 17	28 Jun 17	26 Jul 17
Financial Services and Pensions Ombudsman	2016	28 Sep 17	29 Sep 17	29 Nov 17
Intestate Estates Fund Account	2016	3 Oct 17	3 Oct 17	4 Oct 17
Irish Financial Services Appeals Tribunal	2016	24 Mar 17	30 Mar 17	27 Jun 17
Irish Fiscal Advisory Council	2016	30 Jun 17	17 Jul 17	20 Jul 17
Local Loans Accounts	2016	24 Nov 17	24 Nov 17	19 Dec 17
National Asset Management Agency	2016	28 Apr 17	17 May 17	1 Jun 17
National Treasury Management Agency	2016	12 May 17	25 May 17	10 Jul 17
Strategic Banking Corporation of Ireland	2016	13 Apr 17	23 May 17	6 Jun 17
Sundry Moneys Deposit Account	2016	21 Nov 17	21 Nov 17	4 Dec 17

