

Appropriation Account 2017

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

A surplus of €0.98 million is liable for surrender to the Exchequer.

The Statement of Accounting Policies and Principles and notes 1 to 5 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 policies have been adopted.

Accrued audit fee income

Accrued audit fee income represents audits where an opinion had been reported at the year end but the fee had not yet been invoiced.

Work in progress

Work in progress represents the estimated recoverable value associated with work undertaken on audits where a fee is chargeable but where the audit had not been completed at year end. 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.

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 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.

The position in regard to the financial control environment, the framework of administrative procedures, management reporting, internal audit and risk management 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 Office
- there are systems aimed at ensuring the security of the ICT systems.

Public Procurement

Expenditure on goods and services including contracted-in staff in 2017 amounted to a total of €2.2 million. 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 €31,000 listed in my annual return in respect of Circular 40/2002. The Office extended an existing contract for IT support services pending the completion of a strategic review of the provision of IT services. A new tender competition will be held for this service in 2018.

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

Its work is informed by analysis of the financial risks to which the Office is exposed and its annual audit plans, approved by me, are based on this analysis. These plans aim to cover the key risks 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 Office 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 Management Committee (RMC) comprising the three directors of audit oversees the risk management process. A risk register is in place which records the key risks facing the Office.

The register is regularly reviewed and updated by the RMC. The risks are graded according to their significance after taking account of mitigating controls and risks treatment actions are developed to ensure that risks are managed to an acceptable level. The results of risk management activities are reported to the Audit Committee.

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management, 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.

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 record audit costs, audit progress and billing information
- the monitoring of financial information including audit costs and fee recovery.

Shared Services

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.

Review of Effectiveness of Controls

I confirm that the Office has procedures to monitor the effectiveness of its risk management and control procedures. The Office'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 Office 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.

Andrew Harkness
Accounting Officer
Office of the Comptroller and Auditor General

29 March 2018

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 8 Office of the Comptroller and Auditor General

Opinion on the appropriation account

The appropriation account for Vote 8 Office of the Comptroller and Auditor General for the year ended 31 December 2017 has been audited on my behalf by Mr Bernard Barron of Mazars, Chartered Accountants and Statutory Auditors under section 13 of the Comptroller and Auditor General (Amendment) Act 1993.

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 2017.
- has been prepared in the form prescribed by the Minister for Public Expenditure and Reform.

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 Mc Carthy
Comptroller and Auditor General

15 June 2018

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

Report on the audit of the Appropriation Account

Opinion

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 2017.

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 2017 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.

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 (Ireland) (ISAs (Ireland)), applicable law and Section 3 of the Comptroller and Auditor General (Amendment) Act 1993. My responsibilities under those Standards are described in the Auditor's responsibilities for the audit of the Appropriation Accounts section of my report. I am independent of the entity in accordance with ethical requirements that are relevant to audits in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

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.

Statement of Internal Financial Control

I have reviewed the contents of the Statement on Internal Financial Controls. I have nothing to report in this regard.

Responsibilities of the Accounting Officer

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.

Auditor's responsibilities for the audit of 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 (Ireland). My objective is to obtain reasonable assurance about whether the Appropriation Account is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Appropriation Account.

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. A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditor's report.

The purpose of my audit work and to whom I owe my responsibilities

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.

Bernard Barron

For and on behalf of

Mazars

Chartered Accountants and Statutory Auditors
Dublin 2

31 May 2018

Vote 8 Office of the Comptroller and Auditor General

Appropriation Account 2017

	2017		2016
	Estimate provision	Outturn	Outturn
	€000	€000	€000
Programme expenditure			
A Audit and reporting	12,642	11,923	11,567
Gross expenditure	12,642	11,923	11,567
<i>Deduct</i>			
B Appropriations-in-aid	5,727	5,986	6,514
Net expenditure	6,915	5,937	5,053

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	978,145	1,707,576

Andrew Harkness

Accounting Officer
Office of the Comptroller and Auditor General

29 March 2018

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2017

	2017	2016
	€000	€000
Pay	9,898	9,376
Non pay	2,025	2,191
Gross expenditure	11,923	11,567
<i>Deduct</i>		
Appropriations-in-aid (Note 4)	5,986	6,514
Net expenditure	5,937	5,053
Changes in capital assets		
Purchases	(34)	
Depreciation	326	
Loss on disposals	20	
	312	277
Changes in net current assets		
Decrease in closing accruals	(428)	
Decrease in stock	3	
	(425)	297
Direct expenditure	5,824	5,627
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	3,060	2,823
Notional rents	21	21
Net programme cost	8,905	8,471

1.1 Net Allied Services Expenditure

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

	2017	2016
	€000	€000
Vote 9 Office of the Revenue Commissioners	30	30
Vote 12 Superannuation and Retired Allowances	1,585	1,430
Vote 13 Office of Public Works	924	850
Vote 18 National Shared Services Office	19	15
Account of the Central Fund of the Exchequer	502	498
	3,060	2,823

Note 2 Statement of Financial Position as at 31 December 2017

	Note	2017 €000	2016 €000
Capital assets	2.2	1,567	1,879
Current assets			
Bank and cash	2.3	462	(345)
Stocks		3	6
Prepaid expenses		113	106
Audit fees recoverable	2.4	2,591	2,170
Other debit balances	2.5	117	129
Total current assets		3,286	2,066
Less current liabilities			
Net exchequer funding due	2.7	328	(567)
Accrued expenses		125	125
Other credit balances	2.6	251	351
Total current liabilities		704	(91)
Net current assets		2,582	2,157
Net assets		4,149	4,036
Represented by:			
State funding account	2.1	4,149	4,036

2.1 State funding account

	Note	2017 €000	2016 €000
Balance at 1 January		4,036	4,610
Disbursements for the Vote			
Estimate provision	Account	6,915	
Surplus to be surrendered	Account	978	
Net Vote		5,937	5,053
Expenditure (cash) borne elsewhere	1.1	3,060	2,823
Non-cash expenditure – notional rent	1	21	21
Net programme cost	1	(8,905)	(8,471)
Balance at 31 December		4,149	4,036

2.2 Capital assets

	Office equipment	Fixtures, furniture and fittings	Total
	€000	€000	€000
Gross assets			
Cost or valuation at 1 January 2017	2,231	1,932	4,163
Additions	34	—	34
Disposals	(932)	(2)	(934)
Cost or valuation at 31 December 2017	1,333	1,930	3,263
Accumulated depreciation			
Opening balance at 1 January 2017	1,893	391	2,284
Depreciation for the year	133	193	326
Depreciation on disposals	(913)	(1)	(914)
Cumulative depreciation at 31 December 2017	1,113	583	1,696
Net assets at 31 December 2017	220	1,347	1,567
Net assets at 31 December 2016	338	1,541	1,879

2.3 Bank and cash

at 31 December	2017	2016
	€000	€000
PMG balance	280	(543)
Commercial bank account balance	182	198
	462	(345)

2.4 Audit fees recoverable

at 31 December	2017	2016
	€000	€000
Audit fee debtors	521	385
Accrued audit fee income	1,673	1,301
Work in progress	397	484
	2,591	2,170

2.5 Other debit balances

at 31 December	2017	2016
	€000	€000
Recoupable travel expenditure and travel pass scheme	97	92
Recoupable expenditure from co-tenants	20	25
Miscellaneous salary suspense	—	12
	<u>117</u>	<u>129</u>

2.6 Other credit balances

at 31 December	2017	2016
	€000	€000
Amounts due to the State		
Income Tax	105	151
Pay Related Social Insurance	75	105
Universal Social Charge	24	39
Professional Services Withholding Tax	20	26
Value Added Tax	26	29
Local Property Tax	1	1
	<u>251</u>	<u>351</u>

2.7 Net exchequer funding due

at 31 December	2017	2016
	€000	€000
Surplus to be surrendered	978	1,708
Exchequer grant undrawn	(650)	(2,275)
Net exchequer funding due	<u>328</u>	<u>(567)</u>
Represented by:		
Debtors		
Bank and cash	462	(345)
Debit balances: suspense	117	129
	<u>579</u>	<u>(216)</u>
Creditors		
Due to State	(251)	(351)
	<u>328</u>	<u>(567)</u>

2.8 Commitments

at 31 December	2017	2016
	€000	€000
Total of legally enforceable commitments	28	34

Note 3 Vote Expenditure by Subhead

Analysis of administration expenditure

All of the allocation for Vote 8 Office of the Comptroller and Auditor General is all classified as administration expenditure applied towards a single programme: audit and reporting.

		2017		2016
		Estimate provision	Outturn	Outturn
		€000	€000	€000
i	Salaries, wages and allowances	10,413	9,898	9,376
ii	Travel and subsistence	546	549	517
iii	Training and development and incidental expenses	328	343	390
iv	Postal and telecommunications services	100	63	70
v	Office equipment and external IT services	443	391	416
vi	Office premises expenses	217	202	176
vii	Consultancy services and value for money and policy reviews	350	59	59
viii	Legal fees	45	46	66
ix	Contract audit services	200	372	497
		12,642	11,923	11,567

Note: The outturn includes audit committee costs totalling €2,687 (2016: €709).

Overall, the expenditure in relation to this programme was €719,000 lower than originally provided. The significant variations (+/- 25% and €100,000 relative to provision) are explained below.

Significant variations

i Salaries, wages and allowances

Estimate provision: €10,413,000; outturn: €9,898,000

The underspend of €515,000 arose due to a shortfall in the number of serving staff. The average number of staff in the year was 147 compared to a staff complement of 164. Some of the shortfall was addressed through the engagement of qualified accountants on short term contracts.

vii Consultancy services and value for money policy reviews

Estimate provision: €350,000; outturn: €59,000

The estimate includes a provision for the Office to engage external assistance for examinations, if required. Assistance acquired cost €59,000, resulting in a saving of €291,000.

ix Contract audit services

Estimate provision: €200,000; outturn: €372,000

Additional expenditure of €172,000 on this subhead was incurred to facilitate the timely certification of accounts. This was funded from savings on subhead vii Consultancy services and value for money and policy reviews. The virement was sanctioned by the Department of Public Expenditure and Reform.

Note 4 Receipts

4.1 Appropriations-in-aid

		2017		2016
		Estimated	Realised	Realised
		€000	€000	€000
1	Audit fees, etc.	5,275	5,592	6,112
2	Receipts from pension-related deductions on public service remuneration	452	394	402
		5,727	5,986	6,514

Significant variations

Overall, income from appropriations- in- aid exceed the budgeted level by €259,000. The variation is the net result of the following

1 *Audit fees, etc.*

Estimate provision: €5,275,000; outturn: €5,592,000

The surplus of €317,000 is due to earlier than anticipated completion of audits.

2 *Receipts from pension-related deductions on public service remuneration*

Estimate provision: €452,000; outturn: €394,000

Receipts from pension related deductions were €58,000 lower than anticipated due to the shortfall in permanent staff numbers.

Note 5 Employee Numbers and Pay

5.1 Employee numbers

	2017	2016
Number of staff at year end (full time equivalents)	144	143

5.2 Pay

	2017	2016
	€000	€000
Salaries	9,155	8,679
Higher, special or additional duties allowances	28	25
Overtime	1	2
Employer's PRSI	714	670
Total pay	9,898	9,376

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	10,377	10,081
Overtime and extra attendance	1	—	1,104	1,743

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

5.4 Remuneration of senior management

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 2017 in relation to the remuneration of the Comptroller and Auditor General was €179,130 (2016: €175,742). As provided for in Article 33 of the Constitution, the Comptroller and Auditor General may not hold any other office or position of emolument.

Accounting Officer

The charge to the Vote in 2017 in relation to the remuneration of the Accounting Officer was €139,563 (2016: €138,546).

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 payments continuing when sick leave limits are exceeded. Outstanding overpayments at the year end were €20,101 relating to 10 employees (2016: €25,239). Recovery plans are in place in two cases. Recovery of the other amounts is being pursued.
