

Appropriation Account 2018

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 2018 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 2018, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €1.596 million is liable for surrender to the Exchequer.

The Statement of Accounting Policies and Principles and notes 1 to 6 form part of the account.

Statement of accounting policies and principles

The standard accounting policies and principles for the production of appropriation accounts have been applied in the preparation of the account. In addition, the following accounting 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.

The percentage used is as follows

- cleared for certification 90%
- audit review stage 75%
- fieldwork complete 60%
- final audit in progress 30%
- interim audit completed 15%
- interim audit in progress 10%.

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 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 financial control environment 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.
- An Audit Committee advises 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, and
- there are systems aimed at ensuring the security of the ICT systems.

Public procurement

Expenditure on goods and services including the cost of contracted-in staff amounted to a total of €2.4 million in 2018. 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, for IT support services. The Office continued with the existing contract while considering options as part of a strategic review of the provision of IT services.

Internal audit

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.

The 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.

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, 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, as provided for in 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.

Colette Drinan
Accounting Officer
Office of the Comptroller and Auditor General

22 March 2019

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 2018 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 2018, and
- 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 McCarthy
Comptroller and Auditor General

31 May 2019

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, We have audited the appropriation account for Vote 8 Office of the Comptroller and Auditor General for the year ended 31 December 2018.

In our 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 2018 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

We conducted our audit of the appropriation account of the Office of the Comptroller and Auditor General in accordance with the International Standards on Auditing (Ireland) (ISAs (Ireland)), applicable law and Section 3 of the Comptroller and Auditor General (Amendment) Act 1993. Our responsibilities under those standards are described in the auditor's responsibilities for the audit of the appropriation accounts section of my report. We are 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 we have fulfilled my other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have obtained all the information and explanations which I considered necessary for the purposes of our audit. In our 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 on Internal Financial Control

We have reviewed the contents of the statement on internal financial control. We 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. She 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 our responsibility to audit the appropriation account in accordance with relevant legal and regulatory requirements and the ISAs. Our 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs 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 my 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. That description forms part of our auditor's report.

The purpose of our 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. Our audit work has been undertaken so that we can state to the Comptroller and Auditor General those matters we are required to state to him in our opinion and for no other purposes. To the fullest extent permitted by law we 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 we have formed.

Bernard Barron

For and on behalf of

Mazars

Chartered Accountants and Statutory Auditors
Dublin 2

31 May 2019

Vote 8 Office of the Comptroller and Auditor General

Appropriation Account 2018

| | 2018 | 2017 |
|--------------------------------|-----------------------|---------------|
| | Estimate provision | Outturn |
| | €000 | €000 |
| Programme expenditure | | |
| A Audit and reporting | 13,977 | 13,059 |
| Gross expenditure | 13,977 | 13,059 |
| <i>Deduct</i> | | |
| B Appropriations-in-aid | 6,050 | 6,728 |
| Net expenditure | 7,927 | 6,331 |

Surplus

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

| | 2018 | 2017 |
|----------------------------------|-----------|---------|
| | € | € |
| Surplus to be surrendered | 1,596,252 | 978,145 |

Colette Drinan

Accounting Officer
Office of the Comptroller and Auditor General

22 March 2019

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2018

| | 2018 | 2017 |
|--|---------------|---------------|
| | €000 | €000 |
| Pay | 10,133 | 9,898 |
| Non pay | 2,926 | 2,025 |
| Gross expenditure | 13,059 | 11,923 |
| <i>Deduct</i> | | |
| Appropriations-in-aid (Note 4) | 6,728 | 5,986 |
| Net expenditure | 6,331 | 5,937 |
| Changes in capital assets | | |
| Purchases | (195) | |
| Depreciation | 381 | |
| | 186 | 312 |
| Changes in net current assets | | |
| Increase in closing accruals | 5 | |
| Decrease in stock | 2 | |
| | 7 | (425) |
| Direct expenditure | 6,524 | 5,824 |
| Expenditure borne elsewhere | | |
| Net allied services expenditure (note 1.1) | 3,117 | 3,060 |
| Notional rents | 22 | 21 |
| Net programme cost | 9,663 | 8,905 |

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.

| | 2018 | 2017 |
|---|--------------|--------------|
| | €000 | €000 |
| Vote 9 Office of the Revenue Commissioners | 30 | 30 |
| Vote 12 Superannuation and Retired Allowances | 1,564 | 1,585 |
| Vote 13 Office of Public Works | 995 | 924 |
| Vote 18 National Shared Services Office | 16 | 19 |
| Account of the Central Fund of the Exchequer | 512 | 502 |
| | 3,117 | 3,060 |

Note 2 Statement of Financial Position as at 31 December 2018

| | Note | 2018 €000 | 2017 €000 |
|----------------------------------|------|---------------------|---------------------|
| Capital assets | 2.2 | 1,381 | 1,567 |
| Current assets | | | |
| Stocks | | 1 | 3 |
| Prepaid expenses | | 122 | 113 |
| Audit fees recoverable | 2.4 | 2,509 | 2,591 |
| Other debit balances | 2.5 | 142 | 117 |
| Net exchequer funding due | 2.7 | 640 | (328) |
| Total current assets | | <u>3,414</u> | <u>2,496</u> |
| Less current liabilities | | | |
| Bank and cash | 2.3 | 411 | (462) |
| Accrued expenses | | 57 | 125 |
| Other credit balances | 2.6 | 371 | 251 |
| Total current liabilities | | <u>839</u> | <u>(86)</u> |
| Net current assets | | <u>2,575</u> | <u>2,582</u> |
| Net assets | | <u>3,956</u> | <u>4,149</u> |
| Represented by: | | | |
| State funding account | 2.1 | <u>3,956</u> | <u>4,149</u> |

2.1 State funding account

| | Note | 2018 €000 | 2017 €000 |
|--------------------------------------|---------|---------------------|---------------------|
| Balance at 1 January | | 4,149 | 4,036 |
| Disbursements for the Vote | | | |
| Estimate provision | Account | 7,927 | |
| Surplus to be surrendered | Account | <u>(1,596)</u> | |
| Net Vote | | 6,331 | 5,937 |
| Expenditure (cash) borne elsewhere | 1.1 | 3,117 | 3,060 |
| Non-cash expenditure – notional rent | 1 | 22 | 21 |
| Net programme cost | 1 | <u>(9,663)</u> | <u>(8,905)</u> |
| Balance at 31 December | | <u>3,956</u> | <u>4,149</u> |

2.2 Capital assets

| | Office equipment | Fixtures, furniture and fittings | Total |
|---|---------------------|---|--------------|
| | €000 | €000 | €000 |
| Gross assets | | | |
| Cost or valuation at 1 January 2018 | 1,333 | 1,930 | 3,263 |
| Additions | 193 | 2 | 195 |
| Cost or valuation at 31 December 2018 | 1,526 | 1,932 | 3,458 |
| Accumulated depreciation | | | |
| Opening balance at 1 January 2018 | 1,113 | 583 | 1,696 |
| Depreciation for the year | 188 ^a | 193 | 381 |
| Cumulative depreciation at 31 December 2018 | 1,301 | 776 | 2,077 |
| Net assets at 31 December 2018 | 225 | 1,156 | 1,381 |
| Net assets at 31 December 2017 | 220 | 1,347 | 1,567 |

Note ^a The figure includes additional depreciation charged in respect of assets no longer in use by the Office but held as contingency.

2.3 Bank and cash

| at 31 December | 2018 | 2017 |
|---------------------------------|--------------|------------|
| | €000 | €000 |
| PMG balance | (532) | 280 |
| Commercial bank account balance | 121 | 182 |
| | (411) | 462 |

2.4 Audit fees recoverable

| at 31 December | 2018 | 2017 |
|--------------------------|--------------|--------------|
| | €000 | €000 |
| Audit fee debtors | 229 | 521 |
| Accrued audit fee income | 1,891 | 1,673 |
| Work in progress | 389 | 397 |
| | 2,509 | 2,591 |

2.5 Other debit balances

| at 31 December | 2018 | 2017 |
|--|------------|------------|
| | €000 | €000 |
| Recoupable travel expenditure and travel pass scheme | 127 | 97 |
| Recoupable expenditure from co-tenants | 10 | 20 |
| Salary suspense | 5 | — |
| | <u>142</u> | <u>117</u> |

2.6 Other credit balances

| at 31 December | 2018 | 2017 |
|---------------------------------------|------------|------------|
| | €000 | €000 |
| Amounts due to the State | | |
| Income Tax | 116 | 105 |
| Pay Related Social Insurance | 86 | 75 |
| Universal Social Charge | 25 | 24 |
| Professional Services Withholding Tax | 74 | 20 |
| Value Added Tax | 64 | 26 |
| Local Property Tax | 1 | 1 |
| | <u>366</u> | <u>251</u> |
| Payroll deductions held in suspense | 5 | — |
| | <u>371</u> | <u>251</u> |

2.7 Net Exchequer funding due

| at 31 December | 2018 | 2017 |
|---------------------------|--------------|--------------|
| | €000 | €000 |
| Surplus to be surrendered | 1,596 | 978 |
| Exchequer grant undrawn | (2,236) | (650) |
| Net exchequer funding due | <u>(640)</u> | <u>328</u> |
| Represented by: | | |
| Debtors | | |
| Bank and cash | — | 462 |
| Debit balances: suspense | 142 | 117 |
| | <u>142</u> | <u>579</u> |
| Creditors | | |
| Bank and cash | (411) | — |
| Credit balances: suspense | (371) | (251) |
| | <u>(782)</u> | <u>(251)</u> |
| | <u>(640)</u> | <u>328</u> |

2.8 Commitments

| at 31 December | 2018 | 2017 |
|-----------------------------------|-----------|-----------|
| | €000 | €000 |
| Procurement of goods and services | <u>92</u> | <u>28</u> |

Note 3 Vote Expenditure

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

Analysis of administration expenditure

| | 2018 | | 2017 |
|---|--------------------|---------------|---------------|
| | Estimate provision | Outturn | Outturn |
| | €000 | €000 | €000 |
| i Salaries, wages and allowances | 11,116 | 10,133 | 9,898 |
| ii Travel and subsistence | 546 | 626 | 549 |
| iii Training and development and incidental expenses | 340 | 453 | 343 |
| iv Postal and telecommunications services | 100 | 58 | 63 |
| v Office equipment and external IT services | 443 | 529 | 391 |
| vi Office premises expenses | 217 | 159 | 202 |
| vii Consultancy services and value for money and policy reviews | 350 | 7 | 59 |
| viii Legal fees | 45 | 135 | 46 |
| ix Contract audit services | 820 | 959 | 372 |
| | 13,977 | 13,059 | 11,923 |

Note The outturn includes audit committee costs totalling €2,687 (2017: €2,687).

Significant variations

Overall, the expenditure in relation to this programme was €918,000 lower than provided. Significant variations (+/- 25% and €100,000 relative to provision) are explained below.

i Salaries, wages and allowances

Estimate provision: €11.116 million; outturn: €10.133 million

The underspend of €983,000 arose due to a shortfall in the number of serving staff. The average number of staff in the year was 165 compared to a staff complement of 174.

iii Training and development and incidental expenses

Estimate provision: €340,000; outturn: €453,000

The overspend of €113,000 is mainly due to HR related costs.

vii Consultancy services and value for money policy reviews

Estimate provision: €350,000; outturn: €7,000

The estimate includes a provision for the Office to engage external assistance for value-for-money examinations, if required. It is difficult to predict what external assistance might be required in any year. Assistance acquired cost €7,000, resulting in a saving of €343,000.

ix Contract audit services

Estimate provision: €820,000; outturn: €959,000

Additional expenditure of €139,000 on this subhead was incurred to facilitate the timely certification of accounts. This was funded from savings on subhead (i) Salaries, wages and allowances. The virement was sanctioned by the Department of Public Expenditure and Reform.

Note 4 Receipts

4.1 Appropriations-in-aid

| | 2018 | | 2017 |
|---|--------------|--------------|--------------|
| | Estimated | Realised | Realised |
| | €000 | €000 | €000 |
| 1 Audit fees, etc. | 5,400 | 6,301 | 5,592 |
| 2 Receipts from pension-related deductions on public service remuneration | 650 | 427 | 394 |
| | 6,050 | 6,728 | 5,986 |

Significant variations

Overall, income from appropriations-in-aid exceeded the budgeted level by €678,000. The variation is the net result of the following

1 Audit fees, etc.

Estimate provision: €5.4 million; outturn: €6.301 million

The additional receipts of audit fees of €901,000 were due to earlier than anticipated completion of audits.

2 Receipts from pension-related deductions on public service remuneration

Estimate provision: €650,000; outturn: €427,000

Receipts from pension related deductions were €223,000 lower than anticipated due to the shortfall in permanent staff numbers.

Note 5 Staffing and Remuneration

5.1 Employee numbers(full time equivalents)

| | 2018 | 2017 |
|-----------------------------|------|------|
| Number of staff at year end | 167 | 144 |

5.2 Pay

| | 2018 | 2017 |
|---|---------------|--------------|
| | €000 | €000 |
| Salaries | 9,307 | 9,155 |
| Higher, special or additional duties allowances | 21 | 28 |
| Overtime | 3 | 1 |
| Employer's PRSI | 802 | 714 |
| Total pay | 10,133 | 9,898 |

5.3 Allowances and overtime payments

| | Number of recipients | Recipients of €10,000 or more | Highest individual payment | |
|--------------------------------------|----------------------|-------------------------------|----------------------------|--------|
| | | | 2018 | 2017 |
| | | | € | € |
| Higher, special or additional duties | 4 | 1 | 10,951 | 10,377 |
| Overtime and extra attendance | 1 | — | 2,904 | 1,104 |

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 2018 in relation to the remuneration of the Comptroller and Auditor General was €185,992 (2017: €179,130). 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 2018 in relation to the remuneration of the Accounting Officer was €144,032 (2017: €139,563).

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 €13,564 relating to 18 cases (2017: €20,101). Recovery plans are in place in five cases. Recovery of the other amounts is being pursued.

Note 6 Miscellaneous

6.1 Compensation and legal costs

| Number of cases | Legal costs paid by the Office €000 | Compensation awarded €000 | Legal costs awarded €000 | Total | |
|-----------------|--|------------------------------|-----------------------------|-------|------|
| | | | | 2018 | 2017 |
| | | | | €000 | €000 |
| 1 | 10 | — | — | 10 | — |

Note In 2018 no compensation or legal costs were awarded against the Office.