

Appropriation Account 2019

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 2019 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 2019, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €2.622 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.

Shared services

I have fulfilled my responsibilities in relation to the requirements of the service management agreement between this Office and the National Shared Services Office for the provision of human resources and payroll processing shared services. I rely on a letter of assurance from the Accounting Officer for the National Shared Services Office that the appropriate controls are exercised in the provision of shared services to this Office.

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.

Procurement compliance

Expenditure on goods and services including the cost of contracted-in staff amounted to a total of €2.28 million in 2019. 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.

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.

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.

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

19 March 2020

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 2019 has been audited on my behalf by Mazars, Chartered Accountants and Statutory Auditors under section 13 of the Comptroller and Auditor General (Amendment) Act 1993.

On the basis of their 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 2019, 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

29 April 2020

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 2019.

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 2019 and there are no matters on which we 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 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 Account section of our 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 our 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 we 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 information contained in 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 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 our audit work and to whom we owe our 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 Registered Auditors
Harcourt Centre
Block 3
Harcourt Road
Dublin 2

27 April 2020

Vote 8 Office of the Comptroller and Auditor General

Appropriation Account 2019

	2019		2018
	Estimate provision €000	Outturn €000	Outturn €000
Programme expenditure			
A Audit and reporting	14,638	13,799	13,059
Gross expenditure	14,638	13,799	13,059
<i>Deduct</i>			
B Appropriations-in-aid	5,981	7,764	6,728
Net expenditure	8,657	6,035	6,331

Surplus

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

	2019	2018
	€	€
Surplus to be surrendered	2,622,325	1,596,252

Colette Drinan

Accounting Officer
Office of the Comptroller and Auditor General

19 March 2020

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2019

	2019	2018
	€000	€000
Pay	10,871	10,133
Non-pay	2,928	2,926
Gross expenditure	13,799	13,059
<i>Deduct</i>		
Appropriations-in-aid	7,764	6,728
Net expenditure	6,035	6,331
Changes in capital assets		
Purchases cash	(3)	
Depreciation	206	186
Changes in net current assets		
Increase in closing accruals	560	
Increase in stock	(1)	7
Direct expenditure	6,797	6,524
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	3,255	3,117
Notional rents	22	22
Net programme cost	10,074	9,663

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.

	2019	2018
	€000	€000
Vote 9 Office of the Revenue Commissioners	30	30
Vote 12 Superannuation and Retired Allowances	1,523	1,564
Vote 13 Office of Public Works	1,056	995
Vote 18 National Shared Services Office	17	16
Vote 11 Public Expenditure and Reform	175	—
Account of the Central Fund of the Exchequer	454	512
	3,255	3,117

Note 2 Statement of Financial Position as at 31 December 2019

	Note	2019 €000	2018 €000
Capital assets	2.1	877	1,381
Current assets			
Bank and cash	2.2	68	(411)
Stocks		2	1
Prepaid expenses		202	122
Audit fees recoverable	2.3	1,841	2,509
Other debit balances	2.4	145	142
Net exchequer funding	2.6	189	640
Total current assets		<u>2,447</u>	<u>3,003</u>
Less current liabilities			
Accrued expenses		29	57
Other credit balances	2.5	402	371
Total current liabilities		<u>431</u>	<u>428</u>
Net current assets		<u>2,016</u>	<u>2,575</u>
Net assets		<u>2,893</u>	<u>3,956</u>
Represented by:			
State funding account	2.7	<u>2,893</u>	<u>3,956</u>

2.1 Capital assets

	Office equipment	Fixtures, furniture and fittings	Total
	€000	€000	€000
Gross assets			
Cost or valuation at 1 January 2019	1,526	1,932	3,458
Additions	1	2	3
Adjustment ^a	(406)	(252)	(658)
Disposal	(2)	—	(2)
Cost or valuation at 31 December 2019	1,119	1,682	2,801
Accumulated depreciation			
Opening balance at 1 January 2019	1,301	776	2,077
Depreciation for the year	38	168	206
Depreciation on adjustment ^a	(254)	(103)	(357)
Depreciation on disposals	(2)	—	(2)
Cumulative depreciation at 31 December 2019	1,083	841	1,924
Net assets at 31 December 2019	36	841	877
Net assets at 31 December 2018	225	1,156	1,381

Note ^a This adjustment relates to the removal of individual items with values of under €1,000 from the asset register. Most of these items are still in use.

2.2 Bank and cash

at 31 December	2019	2018
	€000	€000
PMG balance	(121)	(532)
Commercial bank account balance	189	121
	68	(411)

2.3 Audit fees recoverable

at 31 December	2019	2018
	€000	€000
Audit fee debtors	611	229
Accrued audit fee income	694	1,891
Work in progress	536	389
	1,841	2,509

2.4 Other debit balances

at 31 December	2019	2018
	€000	€000
Recoupable travel expenditure and travel pass scheme	125	127
Recoupable expenditure from co-tenants	20	10
Salary suspense	—	5
	145	142

2.5 Other credit balances

at 31 December	2019	2018
	€000	€000
Amounts due to the State		
Income tax	136	116
Pay related social insurance	101	86
Universal social charge	28	25
Professional services withholding tax	21	74
Value added tax	51	64
Local property tax	1	1
	338	366
Payroll deductions held in suspense	64	5
	402	371

2.6 Net Exchequer funding

at 31 December	2019	2018
	€000	€000
Surplus to be surrendered	2,622	1,596
Exchequer grant undrawn	(2,811)	(2,236)
Net exchequer funding	(189)	(640)
Represented by:		
Debtors		
Bank and cash	68	—
Debit balances: suspense	145	142
	213	142
Creditors		
Bank and cash	—	(411)
Credit balances: suspense	(402)	(371)
	(402)	(782)
	(189)	(640)

2.7 State funding account

	Note	2019	2018
		€000	€000
Balance at 1 January		3,956	4,149
Disbursements from the Vote			
Estimate provision	Account	8,657	
Surplus to be surrendered	Account	(2,622)	
Net Vote		6,035	6,331
Expenditure (cash) borne elsewhere	1.1	3,255	3,117
Non-cash items – capital asset adjustment	2.1	(301)	—
Non-cash expenditure – notional rent	1	22	22
Net programme cost	1	(10,074)	(9,663)
Balance at 31 December		2,893	3,956

2.8 Commitments

at 31 December	2019	2018
	€000	€000
Procurement of goods and services	20	92

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

		2019		2018
		Estimate provision	Outturn	Outturn
		€000	€000	€000
i	Salaries, wages and allowances	11,527	10,871	10,133
ii	Travel and subsistence	546	611	626
iii	Training and development and incidental expenses	340	491	453
iv	Postal and telecommunications services	100	50	58
v	Office equipment and external IT services	693	438	529
vi	Office premises expenses	217	178	159
vii	Consultancy services and value for money and policy reviews	50	30	7
viii	Legal fees	45	42	135
ix	Contract audit services	1,120	1,088	959
		14,638	13,799	13,059

Note The outturn includes audit committee costs totalling €2,181 (2018: €2,687).

Significant variations

Overall, the expenditure in relation to this programme was €839,000 lower than provided. Significant variations (+/- 25% and €100,000 relative to provision) are explained below.

i Salaries, wages and allowances

Estimate provision: €11.527 million; outturn: €10.871 million

The underspend of €656,000 arose due to a shortfall in the number of serving staff. The average number of staff in the year was 174 compared to a staff complement of 178.

iii Training and development and incidental expenses

Estimate provision: €340,000; outturn: €491,000

The overspend of €151,000 is mainly due to costs of cold reviews carried out during the year and higher than anticipated learning and development costs.

iv Postal and telecommunication services

Estimate provision: €100,000; outturn: €50,000

The underspend of €50,000 is mainly due to lower than anticipated cost of telephone usage.

v Office equipment and external IT services

Estimate provision: €693,000; outturn: €438,000

The estimate includes €180,000 provision for IT shared services fees that did not materialise during the year. Other savings arose as a result of lower than anticipated costs of external IT services.

vii Consultancy services and value for money policy reviews

Estimate provision: €50,000; outturn: €30,000

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 given year.

Note 4 Receipts

4.1 Appropriations-in-aid

	Estimated	2019	2018
		Realised	Realised
	€000	€000	€000
1 Audit fees, etc.	5,400	7,390	6,301
2 Receipts from additional superannuation contributions from public service remuneration ^a	581	374	427
	5,981	7,764	6,728

Note ^a The 2018 figure refers to pension related deductions. These were replaced by additional superannuation contributions from 1 January 2019.

Significant variations

Overall, income from appropriations-in-aid exceeded the budgeted level by €1.783 million. The variation is the net result of the following.

1 Audit fees, etc.

Estimate: €5.4 million; realised: €7.39 million

The additional receipts of audit fees of €1.99 million were due to earlier than anticipated completion of audits and recovery of prior years' audit fees.

2 Receipts from additional superannuation contributions from public service remuneration

Estimate: €581,000; realised: €374,000

Receipts from additional pension contributions were €207,000 lower than anticipated due to an over estimation. This over estimation also occurred for the 2020 estimate but will be rectified during the 2021 estimate process.

Note 5 Staffing and Remuneration

5.1 Employee numbers

Full time equivalents	2019	2018
Number of staff at year end	185	167

5.2 Pay

	2019	2018
	€000	€000
Pay	9,966	9,307
Higher, special or additional duties allowance	19	21
Overtime	2	3
Employer's PRSI	884	802
Total pay	10,871	10,133

5.3 Allowances and overtime payments

	Number of recipients	Recipients of €10,000 or more	Highest individual payment	
			2019	2018
			€	€
Higher, special or additional duties	3	1	10,703	10,951
Overtime	1	—	2,431	2,904

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

5.4 Other remuneration arrangements

One retired civil servant in receipt of a civil service pension was re-engaged on a fee basis at a total cost of €29,050. The payments made were consistent with the principles of the Public Service (Single Scheme and other Provisions) Act 2012.

5.5 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 2019 in relation to the remuneration of the Comptroller and Auditor General was €193,066 (2018: €185,992). 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 2019 in relation to the remuneration of the Accounting Officer was €156,429 (2018: €144,032).

5.6 Payroll overpayments

	Number of recipients	2019 €	2018 €
Overpayments	10	15,381	13,564
Recovery plans in place	2	1,405	1,953

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	
				2019 €000	2018 €000
—	—	—	—	—	10

Note In 2019 no compensation or legal costs were awarded against the Office.