

# **PERFORMANCE** **REPORT** **2018**

Independent  
Objective  
Constructive  
Committed to Excellence



Oifig an Ard-Reachtair Cuntas agus Ciste  
Office of the Comptroller and Auditor General

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## Introduction

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This report presents key performance information for 2018 for the Office of the Comptroller and Auditor General under six different themes using a combination of quantitative and qualitative methods to measure and report on our performance. Those themes are

- what we deliver
- the impact we have
- financial performance
- staff and resources
- building capacity
- international contribution.

The report also sets out additional information and recent trends for comparative purposes.

A strategy statement has been developed for the period 2016 to 2020 with input from stakeholders. The strategy statement and stakeholder views are published on our website ([www.audit.gov.ie](http://www.audit.gov.ie)).



## What we DELIVER

In 2018, the Office of the Comptroller and Auditor General...



completed **292** audits of financial statements (target 275)



certified **97%** of 2017 accounts within 9 months of the financial year end, when measured by value and **60%** when measured by number (the targets were **95%** and **70%** respectively)



completed **29** examinations (target 25) dealing with aspects of public service delivery and the use of public resources



attended **35** meetings of the Public Accounts Committee out of a total of **36** public meetings held



responded to **100%** (target 100%) of requests from the Minister for Finance for credit for the issue of funds from the Central Fund of the Exchequer before the credit period commenced



considered **12** matters reported to the Office under the Protected Disclosures Act 2014 or on an anonymous basis.

## The IMPACT we have

We measure the impact of our work by our interaction with audited bodies in 2018, during which we...



issued a clear audit opinion in **95%** of the financial statements noted by the Public Accounts Committee in the year



Following examinations, made **47** recommendations aimed at ensuring good practice and improved performance, of which **98%** were accepted in full or in part by the audited body



drew attention to **21** important matters in understanding the accounts of public bodies and in **76** instances to other matters deemed to be of importance to users of the accounts



contributed to **2** good practice initiatives in the areas of corporate governance and financial management



raised nearly **1,300** matters requiring attention with the management of audited bodies in post audit correspondence

and through the quality of our work, with...



all financial audits and examinations conducted in accordance with international auditing standards.

## Our FINANCIAL performance

In 2018, the Office of the Comptroller and Auditor General...



delivered an audit and examinations programme at a total cost of **€12.6 million**



collected **€6.3 million** in audit fees in line with partial cost recovery approach



employed an average of **165** staff (WTE) at a salary cost of **€9.7 million.**

## Staff and resources

In 2018, .....



**70%** of the staff assigned to financial audit were qualified accountants and the remainder were part qualified

(managers assigned to financial audits are qualified accountants)



increase of **35%** in staff assigned to examinations



The gender ratio at senior management level was **60%:40%** female:male



an average sickness absence rate of **2%**

## Building capacity

Supporting staff through education and continuous development ensures that we have the capacity necessary to carry out the work programme. In 2018.....



over **23,000** hours were devoted to training courses, professional studies and graduate training which amounted to **9%** of available time



over **€185,000** was spent supporting post graduate and professional studies, continuing development training and professional membership fees



**49** staff were pursuing professional accountancy or post graduate studies



**6** staff members completed their final examinations and qualified as professional accountants.

## Our INTERNATIONAL contribution

As the national public sector auditor for Ireland, we contributed to international obligations through...



membership of oversight boards of **2** european bodies – the audit board of the European Stability Mechanism and the audit board of Eurocontrol (European organisation for air navigation safety)



participation in selected international forums for public audit in Europe and worldwide.

## **Additional information and key trends — 2013 to 2018**

The following sections provide information on delivery, impact measures and financial performance.

## Programme delivery

### Number of accounts subject to audit

The accounts to be audited by the Comptroller and Auditor General are set by law. In a small number of cases, audits are undertaken with the agreement of the Minister for Public Expenditure and Reform.

The table shows the number of accounts for prior periods of account together with the 2018 accounts for audit – the audits are due to be completed in the following year.

	Period of account ending in					
	2013	2014	2015	2016	2017	2018
Vote accounts	39	40	39	40	41	41
Departmental funds	29	30	29	26	27	27
Financial entities	27	25	26	26	27	26
Health entities	27	28	29	28	28	28
North South bodies	7	7	7	7	7	7
Education sector <sup>a</sup>	66	47	47	48	48	48
Semi State bodies <sup>b</sup>	121	122	114	112	111	109
County Enterprise Boards <sup>c</sup>	—	35	—	—	—	—
	<b>316</b>	<b>334</b>	<b>291</b>	<b>287</b>	<b>289</b>	<b>286</b>

Note a Vocational Education Committees (up to June 2013) were amalgamated to form Education and Training Boards.

b Includes subsidiaries of State bodies.

c The final accounts of the boards covered a 16 month period ending in April 2014.

### Audits completed

The audit of the financial statements of public bodies and the presentation of those financial statements to the Oireachtas are fundamental in ensuring that there is effective accountability for the use of public funds.

The graph shows the number of audits completed in each year.

In the case of the appropriation accounts of government departments and offices, the C&AG publishes the accounts in accordance with the Comptroller and Auditor General (Amendment) Act 1993. In the case of the remaining public bodies, the responsibility for laying the audited accounts before the Oireachtas or for publishing the accounts is a matter for the relevant government department or body.



## Audit certification timeliness

### Certified accounts

The Office's key performance indicators on audit timeliness are measured by reference to value of turnover, and to the number of accounts.

The key reference date for the Office is the end of September because of the statutory requirement for the audits of central government accounts to be completed by that date. In recent years, a target of 95% by value and 70% by number has been set.

In order to advance audit timeliness overall, priority has been given to certifying significant accounts earlier. This is reflected in the increase in timeliness of certification of accounts (by value) by 6 months after the year end.

### Uncertified accounts

The number of audits remaining to be completed at the end of each year (arrears) is shown in the graph. This has fallen significantly since 2014. The C&AG publishes a report setting out those bodies where delays in reporting have occurred, and the causes of those delays. The most recent report is available on our website ([www.audit.gov.ie](http://www.audit.gov.ie))



## Examinations

The Comptroller and Auditor General carries out examinations and then reports to Dáil Éireann in accordance with law on matters relating to the management and use of public resources. Reports of the C&AG form the basis of much of the work of the Public Accounts Committee.

Examination topics are determined by the C&AG based on a number of criteria including the significance of the subject, the potential impact or contribution to improvements in public administration and the need for public accountability.

The target is for 25 reports to be published each year. Reports are either contained within the report on the accounts of the public services which is published annually, or are stand-alone special reports.

In line with the goals set out in the current strategy statement 2016 – 2020 we have increased the number of special and cross-cutting reports completed in the year. The ultimate goal is to publish 10 special reports per annum by 2020; the achievement of this goal is dependent on having sufficient examination capacity.

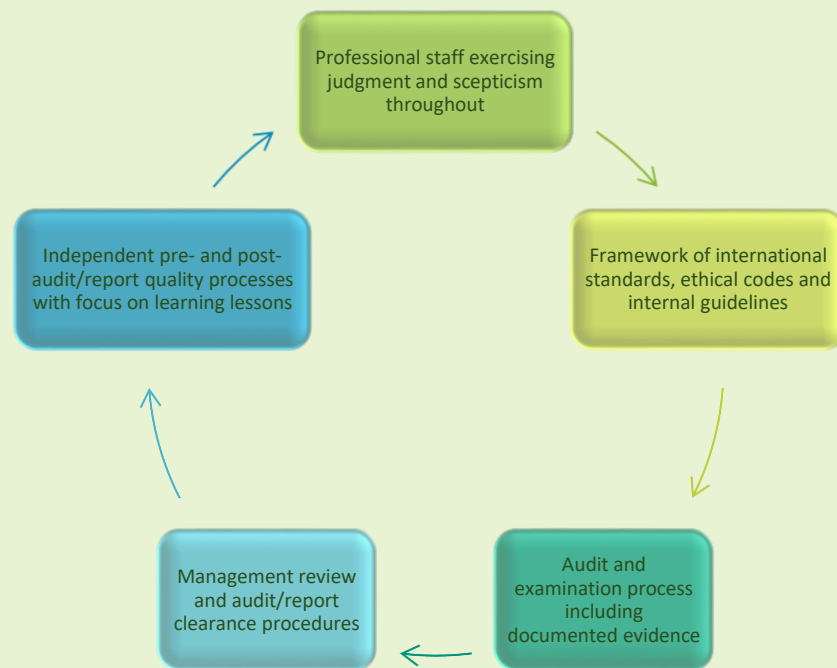


## Ensuring quality

The quality of our work is based on two key principles

- embedding quality within our culture and day-to-day practices, and
- monitoring quality and acting upon the lessons to be learned.

The quality system for both financial audit and examination work has the following key elements



We have policies and processes in place in relation to recruitment, training, continuing professional education and development, codes of conduct, and operational reviews of financial audit work and reports prior to publication.

Our quality control system for financial audit contains measures to monitor quality including reviews of

- selected audits during the course of the audit by a senior manager independent of the team
- all audits undertaken by commercial firms by a senior manager prior to certification
- a sample of audits post certification by an external reviewer every two years.

Our quality control system for examinations contains measures to monitor quality including:

- reviews of selected examinations during the course of the examination by a senior manager independent of the team prior to certification
- post project reviews and annual staff workshops (where staff can raise concerns)
- periodic review of a sample of reports by an external reviewer.

Findings from these reviews are assessed and incorporated into the training needs of the Office.

## Measuring the impact of our work

### Results of financial audits

The C&AG's audit of financial statements has two main focuses

- *accuracy and completeness* of the financial statements,
- *regularity and propriety* of the transactions recorded in the financial statements, and the adequacy of governance of the public bodies, reported on an 'exception' basis.

### Qualified audit opinion

11 sets of financial statements (4.6% of the total number of accounts) presented to the Oireachtas in 2018 received a qualified opinion. The reasons were – issues concerning the accounting for pensions (8) keeping inadequate accounting records (2) and non-recognition of heritage assets (1).

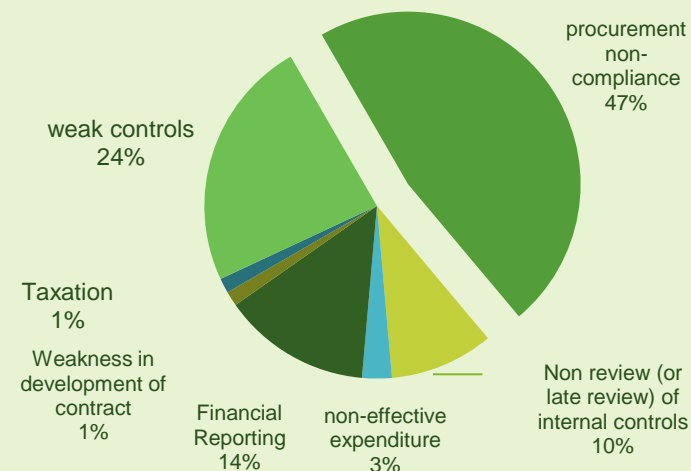
### Emphasis of matter

An audit certificate may, where appropriate, draw attention to a matter that is of importance for readers in understanding the financial statements. 19 sets of financial statements presented to the Oireachtas in 2018 received an audit report containing 21 emphasis of matter paragraphs. The matters mainly covered the manner of accounting for pensions (19) and going concern basis of accounting (2).

### Significant other matters

The C&AG reports by exception if he identifies material irregular transactions (e.g. public money not applied for the purposes intended) or where the statement on internal financial control does not reflect the audited body's compliance with the governance arrangements set out in its code of governance practice. This includes cases where there were material matters relating to the way in which public business has been conducted. There were 76 such instances in the audit reports on accounts noted by the Public Accounts Committee in 2018. The chart categorises the issues involved.

### Significant other matters noted in audit reports



#### Note

Procurement non-compliance – 'materiality' is procurement of €500,000 or more in one period of account, irrespective of the scale of procurement of the body concerned.

Non-effective expenditure includes material losses, unclear business purpose of expenditure, or payments for which no value was received (such as onerous leases of property; or losses due to fraud) (generally €100,000 or more).

### ***Matters raised with management***

In addition to published reports, audit contributes to value by issuing post audit correspondence which aims to assist bodies to enhance their internal control and management by communicating findings, recommendations, and opportunities for improvement.

The chart shows the types of issues raised with bodies in respect of the 2017 financial year (accounts certified in 2018).

In general, the matters referred to in the correspondence involve shortcomings in procedures which, if not addressed, could expose the bodies to loss, inaccurate financial reporting, non-compliance with appropriate procedures or governance norms for the public service.

**Number of issued raised with management – accounts certified in 2018**



### **Impact of recommendations on foot of examinations**

Reports contain specific recommendations for good practice and improved performance together with the responses of the audited body.

In general, audited bodies accepted the recommendations made.

The table sets out the number of recommendations made in reports together with the proportion accepted by bodies.

### **Good Practice**

Our strategy statement sets out our commitments to lead or contribution to good practice initiatives. There were two significant initiatives in 2018

#### **Code of Practice for the Governance of State Bodies**

We continued to provide guidance in relation to the revised Code for governance of State bodies. Presentation made during the year related specifically to developments in corporate governance and their role in enhancing performance.

#### **Financial Management Maturity Model**

We published a report which sets out a model which can be used to assess and identify opportunities for improvement in financial management practices in public sector organisations. Financial management is the system by which the resources of an organisation are planned, directed, monitored and controlled to enable it to achieve its goals. Good financial management is essential for the effective running of an organisation.

The model describes practices and awareness of financial management and relates them to the outcomes organisations might expect and also provides a basis for assessing financial management.

	2013	2014	2015	2016	2017	2018
Number of published recommendations	48	68	63	46	42	47
Accepted by audited bodies	90%	88%	92%	83%	93%	94%
Partially accepted by audited bodies	10%	3%	5%	13%	7%	4%

## Financial performance

The table summarises key financial data and staffing details for the last 6 years.

The Office is financed in the same manner as government departments through the annual estimates process whereby Dáil Éireann approves estimates of receipts and expenditure each year and gives statutory effect to the estimates in an annual Appropriation Act.

At the end of each financial year, each department and office is required to prepare an account, known as the appropriation account, which reports the outturn for the year compared with the amount provided by Dáil Éireann.

The Office's appropriation account is audited by an independent firm of accountants appointed by the C&AG.

Payroll costs represent over 80% of the annual cost of the Office. Pay rates are determined by the Minister for Public Expenditure and Reform. Audit fees are charged in respect of certain financial audits upon certification of the account.

Selected financial audits are outsourced. Other costs comprise training and development, professional membership fees, information technology and communications, accommodation, legal costs and consultancy work where experts are engaged to support examination work.

	2013	2014	2015	2016	2017	2018
<i>Financial costs</i>	€000	€000	€000	€000	€000	€000
<b>Total operational cost<sup>a</sup></b>	<b>10,533</b>	<b>10,513</b>	<b>11,606</b>	<b>11,165</b>	<b>11,529</b>	<b>12,632</b>
<i>of which</i>						
<i>Staff costs<sup>a b</sup></i>	<i>8,634</i>	<i>8,650</i>	<i>9,334</i>	<i>8,974</i>	<i>9,504</i>	<i>9,705</i>
<i>Travel expenses</i>	<i>439</i>	<i>415</i>	<i>452</i>	<i>517</i>	<i>549</i>	<i>626</i>
<i>Contracted audits</i>	<i>397</i>	<i>407</i>	<i>416</i>	<i>497</i>	<i>372</i>	<i>960</i>
<i>Other costs</i>	<i>1,063</i>	<i>1,041</i>	<i>1,404</i>	<i>1,177</i>	<i>1,104</i>	<i>1,341</i>
<b>Partial Cost recovery</b>						
<i>Audit fees collected<sup>c</sup></i>	<i>4,772</i>	<i>5,269</i>	<i>5,589</i>	<i>6,112</i>	<i>5,592</i>	<i>6,301</i>
<b>Net Exchequer cost</b>	<b>5,761</b>	<b>5,244</b>	<b>6,017</b>	<b>5,053</b>	<b>5,937</b>	<b>6,331</b>

Source: Extracts from audited appropriation accounts of the Office of the Comptroller and Auditor General - available on [www.audit.gov.ie](http://www.audit.gov.ie)

- Note a Staff costs are shown net of receipts from pension related deductions on salaries which are retained as appropriations-in-aid.
- b The staff costs for 2015 include 27 pay periods for most staff (53 pay periods for weekly paid staff). In other years, there were 26 pay periods (52 for weekly paid staff).
- c No fees are charged in respect of the audit of appropriation accounts and examinations carried out.

## Staff

### Staffing levels

The average number of staff employed each year based on the whole time equivalent (WTE) are shown in the table. The difference between the authorised number and the average actually employed in each year is generally due to the time lag between the date of staff departures and the completion of recruitment processes. The Public Appointments Service runs an annual graduate recruitment campaign for the Office.

Staff turnover represents all staff departures in the year as a proportion of the average number employed.

	2013	2014	2015	2016	2017	2018
<b>Staffing numbers</b>	<b>WTE</b>	<b>WTE</b>	<b>WTE</b>	<b>WTE</b>	<b>WTE</b>	<b>WTE</b>
Average employed	146	143	145	145	147	165
Authorised maximum staff complement	150	150	164	164	164	174
As a % of staff complement	97%	95%	88%	88%	90%	95%
Staff turnover rate	4%	12%	14%	15%	14%	10%
<b>Staff number equivalent of other resources employed</b>						
Staff contracted-in	6	4	7	8	9	1
Contracted audits	7	7	7	6	5	9

### Contracted services

The Office also outsources selected financial audits as a means of meeting part of the peak in audit demand and facilitating timely certification of financial statements. There is an agreement with staff unions to outsource audit work for an average of 8 whole time equivalents per year over the period 2018 to 2020. Firms are competitively procured to undertake this work.

Qualified accountants are contracted-in on an agency-basis for short periods to fill temporary gaps which arise where permanent staff depart.



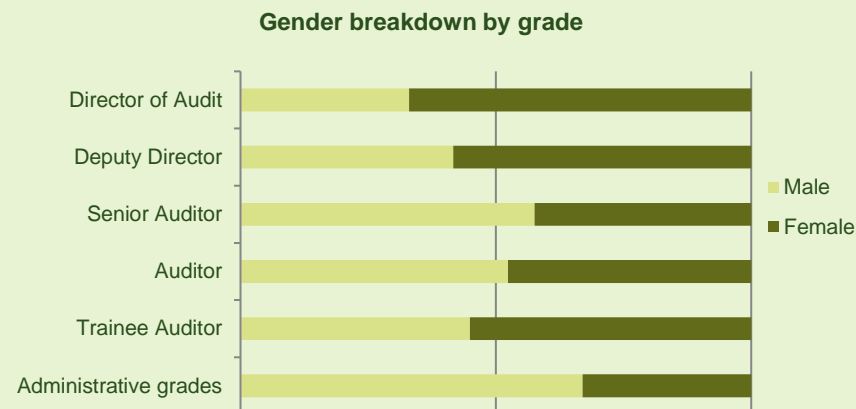
## Diversity

Our recruitment and promotion is undertaken in accordance with the Public Service Management (Recruitment and Appointments) Act 2004 and the Code of Practice issued by the Commission on Public Service Appointments. We operate under the framework of the civil service policies and procedures.

We recently developed and published our Diversity, Equality and Inclusion Statement which is available at [www.audit.gov.ie](http://www.audit.gov.ie)

The graph shows the gender breakdown at each of the main grades in the Office. There are over 10 nationalities represented across our workforce.

All staff are remunerated on the basis of incremental salary scales for each grade. All promotions are on foot of competitive processes.



## Building capacity

### *Learning and development*

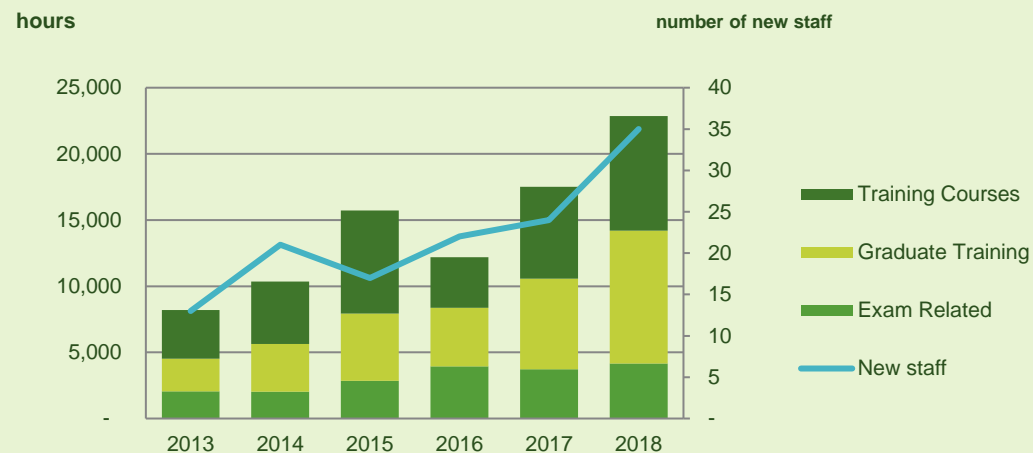
All managers on financial audits are qualified accountants – audits teams comprise a mixture of qualified and trainee accountants.

Our personnel policies and procedures are designed to ensure that we have sufficient staff with the capabilities, competence and commitment to ethical principles necessary to carry out examinations and to perform audits in accordance with professional standards.

Financial support for courses and examinations is provided to staff pursuing post graduate qualifications and staff pursuing professional accountancy qualifications.

In addition, our staff participate in various education, training and development activities the details of which are set out in the graph.

Time allocated to learning and development

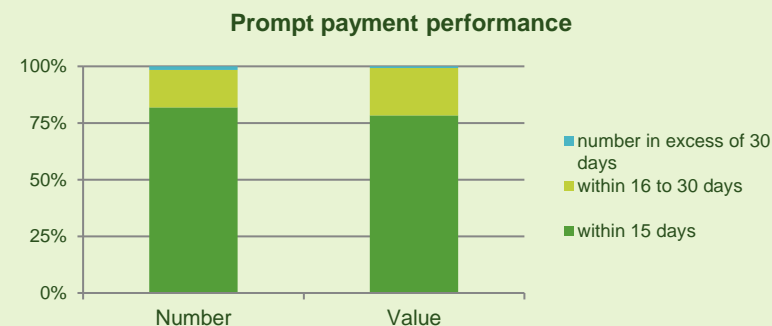


## Corporate responsibilities

### Prompt payments

Payment of invoices on time is governed by legislation which provides for the payment of interest on valid invoices which are unpaid after 30 days from the date of receipt. Furthermore, Government policy requires that public bodies pay suppliers within 15 days from receipt of the invoice. We consider an invoice received when it is complete and relates to goods and services specifically requisitioned and received.

The graph shows our performance in 2018 in relation to the timeliness of payments to suppliers. Payments to suppliers with a combined value of €17,516 were paid outside the 30 day limit, attracting interest payments of €227 and compensation payments of €690.



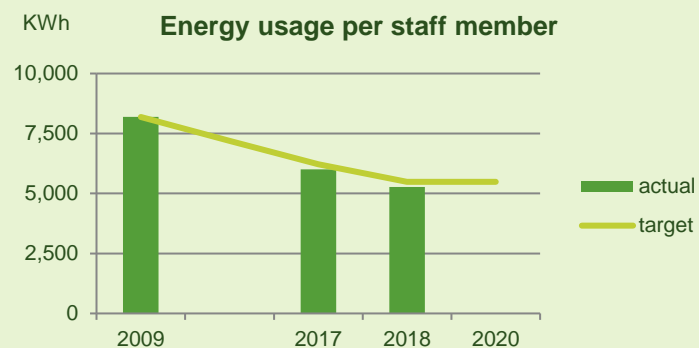
Note Late payment interest is calculated in respect of the period starting on the date after the due date and ending on the date when payment is made. Payment of interest cannot be waived by the supplier and must be included with the amount payable for the

### Energy consumption

A target to improve energy efficiency in the public sector by 33% by 2020 has been set by the Government. Our performance in meeting this target is measured relative to the number of staff employed (whole time equivalent).

The graph shows that in 2018, energy efficiency was 35% (2017:22%) better than the baseline, 4% better than the 2020 target and 12% better than target 'glidepath'.

In early 2018, we installed an energy measurement system which allows us to analyse our electricity usage in more detail and to identify areas for further energy saving opportunities.



Note The figures are shown in KWh per whole time equivalent. The Office participates in the Sustainable Energy Authority of Ireland (SEAI) online system for the purpose of reporting our energy usage. SEAI apply a conversion factor to take account of the environmental impact of different energy types. The 2018 energy figures are based on energy readings reported to the Office by the energy provider. The figures are subject to verification as part of the SEAI reporting process.

### ***Official Languages Act***

The Office's scheme under the Official Languages Act 2003 requires the simultaneous publication in English and Irish of corporate publications, and of audited appropriation accounts and the Report on the Accounts of the Public Services.

In 2018, all corporate publications were published simultaneously in both languages. In addition, the Office's new website provides easier access to Irish versions of published information. The Irish versions of the appropriation accounts were published in some cases after the English version while the Irish language version of the Report of the Accounts of the Public Services was published a number of weeks after the English version. The completion of the translations of both the appropriation accounts and report can only be finalised after all late changes have been made to the English language versions. We are working with audited bodies to address the matter.

### ***Disclosures***

The Office has adopted procedures in relation to the Protected Disclosures Act 2014 where employees can raise concerns regarding potential wrongdoing. In 2018, one former Office staff member made a series of disclosures concerning the operations of the Office. Each of the matters raised by the former staff member was examined by the Office's senior managers or by a suitably qualified independent external investigator, or was referred to the relevant external authority.

The Comptroller and Auditor General is a prescribed person under the protected disclosures legislation and disclosures about any matter relating to improper use of public funds and resources or concerning value for money in respect of entities that fall within his remit can be made to the Office.

Eleven matters that came to the attention of the reporters in the course of their employment and that related to bodies within our remit, were reported to us in 2018. Five of these were reported on an anonymous basis and included claims that the persons making the report had received the information in the course of their employment. In each case, the matters reported were referred to the relevant audit team to be taken into account, as appropriate, in the planning of future audit work.