



Appropriation Account 2012

Vote 27

International Co-operation

Introduction

As Accounting Officer for Vote 27, 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 2012 for certain Official Development Assistance, including certain grants-in-aid, and for contributions to certain International Organisations involved in Development Assistance and for salaries and expenses in connection therewith.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2012, including the amount that could be used as appropriations-in-aid of expenditure for the year.

The Statement of Accounting Policies and Principles and notes 1 to 7 form part of the account.

Statement of Accounting Policies and Principles

The standard accounting policies and principles for the production of appropriation accounts have been applied in the preparation of the account except for the following;

Depreciation

Vehicles have been depreciated on a straight line basis at a rate of 20% per annum.

Buildings are not depreciated.

Foreign Exchange Transactions

Transactions arising on convertible currencies are translated into Euro at the rate of exchange ruling at the date of settlement. At programme country mission level, transactions arising on non-convertible currencies are translated into Euro at the market rate of exchange prevailing at the beginning of that week.

Statement on Internal Financial Control

Responsibility for System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Department.

This responsibility is exercised in the context of the resources available to me and my other obligations as Secretary General. Also, any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under ongoing review.

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.

Administrative Controls and Management Reporting

I confirm that a framework of administrative procedures and regular management reporting is in place including segregation of duties and a system of delegation and accountability and, in particular, that

- there is an appropriate budgeting system with an annual budget which is kept under review by senior management
- there are regular reviews by senior management of periodic and annual financial reports which indicate financial performance against forecasts
- a risk management system operates within the Department
- there are systems aimed at ensuring the security of the ICT systems
- there are appropriate capital investment control guidelines and formal project management disciplines
- the Department is compliant with all relevant guidelines regarding procurement and is complying with all circulars relating to the mandatory use of framework agreements and contracts.

Internal Audit and Audit Committee

I confirm that the Department has an internal audit function with appropriately trained personnel, which operates in accordance with a written charter which I have approved. Its work is informed by analysis of the financial risks to which the Department is exposed and its annual internal audit plans, approved by me, are based on this analysis. These plans aim to cover the key controls on a rolling basis over a reasonable period. The internal audit function is reviewed periodically by me and by the Audit Committee. I have put procedures in place to ensure that the reports of the internal audit function are followed up.

Enhancing Internal Control Environment

On 19 October, 2012, the Auditor General of Uganda reported a misappropriation of €11.6 million of donor funds within the Peace, Recovery and Development Programme (PRDP). The PRDP is managed by the Office of the Prime Minister of Uganda. €4 million of this total misappropriation related to funding disbursed during 2011 from Vote 27.

On the 27 December 2012 following high level discussions instigated by the Irish Government, the Ugandan Authorities reimbursed in full the €4 million directly to the Irish Embassy in Uganda.

On publication of the Auditor General of Uganda's report, a number of key actions took place in direct response to the misappropriation of funding.

- All Irish funding through Government of Uganda systems was immediately suspended.
- A detailed investigation into the misappropriation was carried out by the Evaluation and Audit Unit of my Department.

The interim report of the unit was published on 15 November 2012. The report found

- There was a sophisticated fraud involving a high level of collusion at senior levels of the Uganda administration, which is considered exceptional and could not normally have been anticipated.
- Some weaknesses in Ugandan treasury and bank systems facilitated the fraud.
- There were some deficiencies in the application of certain controls in Irish Aid systems which reduced the likelihood of earlier detection of the fraud by my Department.
- Given the complexity of aid programmes, a more pro-active approach is required to ensure that programmes have adequate resource capacity including in circumstances where staff changes occur through regular rotation.

In addition to the suspension of funding the report recommended that the Embassy should

- examine the implementation of procedures including disbursement processes and the timeliness of tracking, so that funds disbursed to a partner government have been reflected in their published accounts, and
- ensure that communication structures between internal audit at local level in partner countries and the Department's senior management are operating and that relevant issues are brought to their attention on a timely basis.

The report also made general recommendations regarding the frequency of risk assessments across all programmes and the need for a review of the management arrangements in all programme countries.

Subsequent to the investigation by the Evaluation and Audit unit, I requested all Heads of Mission managing bilateral aid programmes to undertake a comprehensive review of the internal control, risk management and reporting systems and procedures in place at mission level and to strengthen the systems where appropriate. In addition, I have met with the Ambassadors and Heads of Mission to highlight the importance of managing risk within the aid programme.

The Evaluation and Audit Unit is currently carrying out a detailed review of the appropriateness of the internal controls and risk management systems in operation at each mission. A report on this review will be available in early September and I am committed to implementing any recommendations from this review.

I am also committed to ensuring we learn from what has occurred in Uganda and further strengthen our systems of risk identification and management as well as monitoring and audit to minimise the potential for the misuse of funds in the future.

David Cooney
Accounting Officer
Department of Foreign Affairs and Trade

25 March 2013

Comptroller and Auditor General Report for presentation to the Houses of the Oireachtas

Vote 27 International Co-operation

I have audited the appropriation account for Vote 27 International Co-operation for the year ended 31 December 2012 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993. The account has been prepared in the form prescribed by the Minister for Public Expenditure and Reform, in accordance with standard accounting policies and principles for appropriation accounts.

Responsibility of the Accounting Officer

In accordance with Section 22 of the Exchequer and Audit Departments Act 1866, the Accounting Officer is required to prepare the appropriation account. By law, the account must be submitted to me by 31 March following the end of the year of account.

The Accounting Officer is also responsible for the safeguarding of public funds and property under his control, for the efficiency and economy of administration in his Department and for the regularity and propriety of all transactions in the appropriation accounts.

Responsibility of the Comptroller and Auditor General

I am required under Section 3 of the Comptroller and Auditor General (Amendment) Act 1993 to audit the appropriation accounts of all Votes and to perform such tests as I consider appropriate for the purpose of the audit.

Upon completion of the audit of an appropriation account, I am obliged to provide a certificate stating whether, in my opinion, the account properly presents the receipts and expenditure related to the Vote. I am also required to refer to any material case in which

- a department or office has failed to apply expenditure recorded in the account for the purposes for which the appropriations made by the Oireachtas were intended, or
- transactions recorded in the account do not conform with the authority under which they purport to have been carried out.

Under Section 3 (10) of the Comptroller and Auditor General (Amendment) Act 1993, I am required to prepare a report each year on any matters that arise from the audits of the appropriation accounts or examinations of accounting controls.

Scope of audit

An audit includes examination, on a test basis, of evidence relevant to the amounts and regularity of financial transactions included in the account and an assessment of whether the accounting provisions of Public Financial Procedures have been complied with.

The audit involves obtaining sufficient evidence to give reasonable assurance that the appropriation account is free from material misstatement, whether caused by fraud or other irregularity or error. I also seek to obtain evidence about the regularity of financial transactions in the course of the audit. In forming the audit opinion, the overall adequacy of the presentation of the information in the appropriation account is evaluated.

Opinion on the appropriation account

In my opinion, the appropriation account properly presents the receipts and expenditure of Vote 27 International Co-operation for the year ended 31 December 2012.

I have obtained all the information and explanations I considered necessary for the purposes of my audit. In my opinion, proper books of account have been kept by the Department of Foreign Affairs. The appropriation account is in agreement with the books of account.

Misappropriation of aid funding

As outlined in note 7 to the account, a misappropriation of aid funding was discovered during 2012 in relation to around €4 million of funding disbursed to the Ugandan authorities in 2011. An equivalent sum was reimbursed to the Department by the Ugandan authorities in late 2012.

The Statement on Internal Financial Controls outlines the steps taken by the Department in response to discovery of the misappropriation.

Chapter 13 of my report on the 2012 accounts of the public services refers to the misappropriation of the Ugandan aid and certain other matters relating to Vote 27 which I considered it appropriate to report upon.

Seamus McCarthy
Comptroller and Auditor General

5 September 2013

Vote 27 International Co-operation Appropriation Account 2012

	2012		2011
	Estimate provision	Outturn	Outturn
	€000	€000	€000
Programme Expenditure			
A Work on poverty and hunger reduction	514,030	508,721	518,687
Gross expenditure	514,030	508,721	518,687
<i>Deduct</i>			
B Appropriations-in-aid	1,153	1,419	1,790
Net expenditure	512,877	507,302	516,897

Surplus for surrender

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

	2012	2011
	€	€
Surplus to be surrendered	5,575,080	5,980,013

Analysis of administration expenditure

	2012		2011
	Estimate provision	Outturn	Outturn
	€000	€000	€000
i Salaries, wages and allowances	16,962	15,927	16,306
ii Travel and subsistence	2,500	2,038	2,084
iii Training and development and incidental expenses	2,490	1,134	1,488
iv Postal and telecommunications services	1,835	1,527	1,563
v Office equipment and external IT services	1,840	1,178	1,207
vi Office premises expenses	3,600	3,355	3,364
vii Consultancy services and value for money and policy reviews	1,400	588	1,092
viii Foreign representation and accommodation expenses	1,600	1,174	1,099
	32,227	26,921	28,203

Notes to the Appropriation Account

1 Operating Cost Statement 2012

	2012		2011
	€000	€000	€000
Programme cost		481,800	490,484
Pay		15,927	16,306
Non pay		10,994	11,897
Gross expenditure		508,721	518,687
<i>Deduct</i>			
Appropriations-in-aid		1,419	1,790
Net expenditure		507,302	516,897
Changes in capital assets			
Purchases cash	(29)		
Disposals cash	40		
Profit on disposals	(35)		
Depreciation	465		
		441	450
Changes in net current assets			
Increase in closing accruals	38		
Increase in stock	(5)		
		33	(3,097)
Net programme cost		507,776	514,250

Expenditure borne on other votes and the related notional rents for this programme are disclosed in note 1 of Vote 28 – Department of Foreign Affairs and Trade.

2 Balance Sheet as at 31 December 2012

	Note	2012 €000	2011 €000
Capital assets	2.3	9,011	9,452
Current assets			
Bank and cash	2.4	4,590	6,350
Stocks	2.5	20	15
Prepayments ¹		10,238	10,235
Other debit balances	2.6	11	31
Net liability from the Exchequer	2.8	74	(2,061)
Total current assets		14,933	14,570
Less current liabilities			
Accrued expenses		179	138
Other credit balances	2.7	106	164
Bilateral and other co-operation fund (grant-in-aid)	7	4,569	4,156
Total current liabilities		4,854	4,458
Net current assets		10,079	10,112
Net assets		19,090	19,564
Represented by:			
State funding account	2.1	19,090	19,564

¹ Prepayments include €8.9m paid to the European Development Fund as part of Ireland's assessed contribution for 2013.

2.1 State Funding Account	Note	2012 €000	2011 €000
Balance at 1 January		19,564	16,917
Funding drawn down	2.2	507,302	516,897
Non cash expenditure – notional rent	1	—	—
Net programme cost	1	(507,776)	(514,250)
Balance at 31 December		19,090	19,564
2.2 Funding drawn down	Note	2012 €000	2011 €000
Disbursements from the Vote			
Estimate provision	Account	512,877	522,877
Surplus to be surrendered	Account	(5,575)	(5,980)
		507,302	516,897
Expenditure (cash) borne elsewhere	1	—	—
Total funding drawn down		507,302	516,897

2.3 Capital Assets

	Land and buildings	Equipment	Office equipment	Furniture and fittings	Vehicles	Total
	€000	€000	€000	€000	€000	€000
Gross assets						
Cost or valuation at 1 January 2012	8,308	1,011	721	1,685	2,297	14,022
Additions	—	13	12	4	—	29
Disposals	—	(10)	—	(3)	(142)	(155)
Cost or valuation at 31 December 2012	8,308	1,014	733	1,686	2,155	13,896
Accumulated depreciation						
Opening balance at 1 January 2012	—	857	632	1,169	1,912	4,570
Depreciation for the year	—	115	49	122	179	465
Depreciation on disposals	—	(6)	—	(2)	(142)	(150)
Cumulative depreciation at 31 December 2012	—	966	681	1,289	1,949	4,885
Net assets at 31 December 2012	8,308	48	52	397	206	9,011
Net assets at 31 December 2011	8,308	154	89	516	385	9,452

2.4 Bank and Cash

	2012	2011
	€000	€000
at 31 December		
PMG balances and cash	4,590	6,350
Orders outstanding	—	—
	4,590	6,350

2.5 Stocks

	2012	2011
	€000	€000
at 31 December		
Stationery	20	15

2.6 Other Debit Balances

	2012	2011
	€000	€000
at 31 December		
Sundry debtors	11	31

2.7 Other Credit Balances	2012	2011
at 31 December	€000	€000
Amounts due to the State		
Professional Services Withholding Tax	68	97
Value Added Tax	38	19
	<hr/>	<hr/>
	106	116
Other credit balances	—	48
	<hr/>	<hr/>
	106	164

2.8 Net Liability(from)/to the Exchequer	2012	2011
at 31 December	€000	€000
Surplus to be surrendered	5,575	5,980
Exchequer grant undrawn	(5,649)	(3,919)
	<hr/>	<hr/>
Net liability (from)/to the Exchequer	(74)	2,061

Represented by:**Debtors**

Bank and cash	4,590	6,350
Debit balances: suspense	11	31
	<hr/>	<hr/>
	4,601	6,381

Creditors

Due to State	(106)	(116)
Credit balances: suspense	—	(48)
Bilateral and other co-operation fund (grant-in-aid)	(4,569)	(4,156)
	<hr/>	<hr/>
	(4,675)	(4,320)

	<hr/>	<hr/>
	(74)	2,061

2.9 Commitments	Due within 12 months	Due between 1 and 5 years
at 31 December	€000	€000
Total of legally enforceable commitments	1,891	1,652

The total figure at 31 December 2012 for commitments likely to materialise relates to contracts under the administration subheads.

3 Programme Expenditure by Subhead

		2012		2011
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A	Working on poverty and hunger reduction			
A.1	Administration - pay	16,962	15,927	16,306
A.2	Administration - non pay	15,265	10,994	11,897
A.3	Payment to grant-in-aid fund for bilateral and other co-operation (grant-in-aid)	357,303	357,303	365,633
A.4	Emergency humanitarian assistance	51,000	51,000	50,997
A.5	Payments to international funds for the benefit of developing countries	34,000	33,999	34,354
A.6	Contributions to United Nations and other development agencies	39,500	39,498	39,500
		<u>514,030</u>	<u>508,721</u>	<u>518,687</u>

Significant variations

Overall, the gross expenditure in relation to the Programme A was €5,310,000 lower than provided. This was mainly due to the following:

Description	Less/ (more) than provided €000	Explanation
Administration – non pay	4,271	Savings were delivered through cost containment on all non pay administration headings but in particular under the travel, incidental expenditure, office supplies and consultancies subheads.

4 Receipts

4.1 Appropriations-in-aid	2012		2011
	Estimated	Realised	Realised
	€000	€000	€000
1. Appropriations-in-aid	300	620	1,018
2. Receipts from pension-related deductions on public service remuneration	853	799	772
Total	1,153	1,419	1,790

Explanation of significant variations

An explanation is provided below in the case of one receipt heading where the outturn varied from the amount estimated by more than €100,000, and by more than 5%.

Description	Less/ (more) than provided €000	Explanation
Appropriations-in-aid	(320)	The surplus arose due to higher than anticipated VAT and grant refunds and under the bilateral aid programme.

5 Employee Numbers and Pay

	2012	2011
Number of staff at year end (full time equivalents)	189	194
	2012	2011
	€000	€000
Pay	14,285	14,894
Higher, special or additional duties allowance	35	34
Other allowances	28	44
Overtime	61	37
Employer's PRSI	796	788
Total Pay	15,205	15,797

The total pay figures above exclude non-pay expenditure charged to salaries, wages and allowances. This expenditure is primarily composed of salaries and associated costs for security staff in missions.

5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2012 €	Maximum individual payment 2011 €
Higher, special or additional duties	5	2	16,469	12,345
Other Allowances	18	—	6,928	6,622
Overtime	21	1	10,644	10,612

Certain individuals received extra remuneration in more than one category.

5.2 Other Remuneration

Four retired civil servants in receipt of civil service pensions were re-engaged on a fee basis at a total cost of €64,007.

6 Miscellaneous

Contributions to UN and other development agencies (A.6)

	2012	2011
	€000	€000
United Nations Development Programme (UNDP)	8,900	8,940
United Nations Children's Fund (UNICEF)	8,200	8,200
United Nations High Commissioner for Refugees (UNHCR)	6,100	6,100
World Health Organisation (WHO) Programmes	1,200	1,200
United Nations Population Fund	3,181	3,050
Office of the United Nations High Commissioner for Human Rights	1,950	2,000
UNAIDS	3,000	3,000
United Nations Development Fund for Women (UNIFEM)	1,500	1,200
UN International Drugs Control Programme	100	100
UN Industrial Development Organisation	418	481
UN Relief and Works Agency for Palestine Refugees in the Near East (UNWRA)	4,000	4,000
UNEP Trust Fund	57	755
United Nations Volunteers	450	—
Others - various	442	474
	<u>39,498</u>	<u>39,500</u>

7 Miscellaneous Accounts

Bilateral and other co-operation fund (grant-in-aid) account Account of receipts and payments during the year ended 31 December 2012

	2012	2011
	€000	€000
Balance on 1 January 2012	4,156	4,447
Grant-in-aid 2012	357,303	365,633
	<u>361,459</u>	<u>370,080</u>
Expenditure for the year	(356,890)	(365,924)
Balance on 31 December 2012	<u>4,569</u>	<u>4,156</u>

In addition, at 31 December 2012, unspent balances totalling €8.93 million (2011: €3.98 million) were held in bank accounts controlled by Irish Embassies and Aid offices in eleven countries. Of this total €4.13 million relates to the reimbursement of the amount of the misappropriated funding to the Irish Embassy in Uganda.

In October 2012, the Auditor General of Uganda reported a misappropriation of €1.6 million of donor funds within the Peace, Recovery and Development Programme (PRDP). The PRDP was managed by the Office of the Prime Minister of Uganda. €4 million of this total misappropriation related to Irish funding disbursed during 2011 from Vote 27.

In December 2012, the Ugandan authorities reimbursed the amount of misappropriated funding in full, in Ugandan Shillings. This translated to the Euro equivalent of €4.13 million at that date.

Under public financial procedures the reimbursement of €4.13 million is available for disbursement in 2013.