

Appropriation Account 2015

Vote 11

Office of the Minister for Public Expenditure and Reform

Introduction

As Accounting Officer for Vote 11, 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 2015 for the salaries and expenses of the Office of the Minister for Public Expenditure and Reform, for certain services administered by the Office of the Minister and for payment of certain grants.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2015, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €4.14 million is liable for surrender to the Exchequer.

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 with the following exceptions.

Stocks and capital assets

The Department of Finance (Vote 7), the Department of Public Expenditure and Reform (Vote 11), Shared Services (Vote 18) and the Office of Government Procurement (Vote 39) share IT consumable stocks. They are allocated on the basis of staff numbers in the respective Votes.

For efficiency and convenience reasons, spend on stationery stocks is recorded under Vote 7 and spend on IT consumable stocks is recorded under Vote 11. However, as the stocks are deemed to be shared, they are included in the operating cost notes to the Accounts of Vote 7, Vote 11, Vote 18 and Vote 39 and are allocated on the basis of staff numbers in the respective Departments.

As most capital assets are shared, the usage of capital assets is also allocated on the basis of staff numbers. Up to 31 December 2010, all capital assets had been recorded on the asset register of the Department of Finance. The asset register does not record the location of the business unit using the asset. As a result, it was not possible to split the assets between those units remaining in the Department of Finance and those transferring to the Department of Public Expenditure and Reform. In general, IT equipment assets are now recorded on the asset register of the Department of Public Expenditure and Reform and furniture and fittings and office equipment assets are now recorded on the asset register of the Department of Finance. Depreciation on assets is charged to each Department on the basis of staff numbers. Notwithstanding any of the above, the Department of Public Expenditure and Reform has at times, since it was established, purchased certain assets which were for its exclusive use and the depreciation in respect of these is not apportioned.

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.

I have fulfilled my responsibilities in relation to control arrangements for the HR and payroll shared services supplied to the Department by the National Shared Services Office for which I am also the Accounting Officer.

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
- The Statement of Internal Financial Control for the Department of Finance is also relevant given that the Department of Finance provides certain services on a shared basis to Vote 11.

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 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 Department complied with the guidelines as outlined in my annual return in respect of Circular 40/2002.

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.

Robert Watt

Accounting Officer

Department of Public Expenditure and Reform

9 March 2016

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 11 Office of the Minister for Public Expenditure and Reform

I have audited the appropriation account for Vote 11 Office of the Minister for Public Expenditure and Reform for the year ended 31 December 2015 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, and 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 by his Department and for the regularity and propriety of all transactions in the appropriation account.

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 each year, a report 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 the Department of Public Expenditure and Reform's *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 11 Office of the Minister for Public Expenditure and Reform for the year ended 31 December 2015.

I have obtained all the information and explanations I considered necessary for the purposes of my audit. In my opinion, adequate accounting records have been kept by the Department of Public Expenditure and Reform. The appropriation account is in agreement with the accounting records.

Seamus McCarthy
Comptroller and Auditor General

26 July 2016

Vote 11 Office of the Minister for Public Expenditure and Reform

Appropriation Account 2015

		2015		2014
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme expenditure				
A	Public expenditure and sectoral policy	17,735	16,688	17,037
B	Public service management and reform	26,755	24,089	19,765
Gross expenditure		44,490	40,777	36,802
<i>Deduct</i>				
C	Appropriations-in-aid	3,880	4,309	4,748
Net expenditure		40,610	36,468	32,054

Surplus for surrender

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

	2015	2014
	€	€
Surplus to be surrendered	4,142,320	3,844,458

Analysis of administration expenditure

		2015		2014
		Estimate provision	Outturn	Outturn
		€000	€000	€000
i	Salaries, wages and allowances	20,875	18,679	17,597
ii	Travel and subsistence	223	204	181
iii	Training and development and incidental expenses	836	770	652
iv	Postal and telecommunications services	329	289	233
v	Office equipment and external IT services	640	800	713
vi	Office premises expenses	339	550	359
vii	Consultancy and other services	50	23	49
		23,292	21,315	19,784

Notes to the Appropriation Account

1 Operating Cost Statement 2015

	2015		2014
	€000	€000	€000
Programme cost		19,462	17,018
Pay		18,679	17,597
Non pay		2,636	2,187
Gross expenditure		40,777	36,802
<i>Deduct</i>			
Appropriations-in-aid		4,309	4,748
Net expenditure		36,468	32,054
Changes in capital assets			
Purchases cash	(684)		
Depreciation	488		
		(196)	(144)
Changes in assets under development			
Cash payments		—	(48)
Changes in net current assets			
Decrease in closing accruals		(245)	(40)
Direct expenditure		36,027	31,822
Expenditure borne elsewhere			
Net allied services expenditure (note 1.1)		2,560	1,855
Notional rents		2,658	1,891
Net programme cost		41,245	35,568

1.1 Net Allied Services Expenditure

The net allied services expenditure amount is made up of the following amounts in relation to Vote 11 borne elsewhere.

		2015	2014
		€000	€000
Vote 7 Finance	e	262	233
Vote 9 Office of the Revenue Commissioners	e	206	94
Vote 12 Superannuation and Retired Allowances	e	817	582
Vote 13 Office of Public Works		1,247	931
Vote 18 Shared Services	e	28	15
		2,560	1,855

'e' indicates that the number is an estimated value or an apportioned cost.

2 Balance Sheet as at 31 December 2015

	Note	2015 €000	2014 €000
Capital assets	2.2	1,783	1,423
Current assets			
Bank and cash	2.4	1,185	303
Stocks	2.5	14	14
Prepayments		847	632
Other debit balances	2.6	238	545
Total current assets		2,284	1,494
Less current liabilities			
Accrued expenses		211	241
Other credit balances	2.7	1,177	702
Net liability to the Exchequer	2.8	246	146
Total current liabilities		1,634	1,089
Net current assets		650	405
Net assets		2,433	1,828
Represented by:			
State funding account	2.1	2,433	1,828

2.1 State Funding Account	Note	2015 €000	2014 €000
Balance at 1 January		1,828	1,245
Disbursements from the Vote			
Estimate provision	Account	40,610	
Surplus to be surrendered	Account	(4,142)	
Net vote		36,468	32,054
Expenditure (cash) borne elsewhere	1	2,560	1,855
Non-cash items- capital assets ^a		352	512
Non-cash items – depreciation ^a		(188)	(161)
Non cash expenditure – notional rent	1	2,658	1,891
Net programme cost	1	(41,245)	(35,568)
Balance at 31 December		2,433	1,828

^a Arising from the apportionment policy for assets shared by the Department of Finance and the Department of Public Expenditure and Reform, acquisition and depreciation figures in the balance sheet do not match those shown in the operating cost statement.

2.2 Capital Assets

	IT equipment €000	Furniture and Fittings €000	Office equipment €000	Total €000
Gross assets				
Cost or valuation at 1 January 2015	26,777	6	3	26,786
Additions	837	199	—	1,036
Cost or valuation at 31 December 2015	<u>27,614</u>	<u>205</u>	<u>3</u>	<u>27,822</u>
Accumulated depreciation				
Opening balance at 1 January 2015	25,360	1	2	25,363
Depreciation for the year	656	20	—	676
Cumulative depreciation at 31 December 2015	<u>26,016</u>	<u>21</u>	<u>2</u>	<u>26,039</u>
Net assets at 31 December 2015	<u>1,598</u>	<u>184</u>	<u>1</u>	<u>1,783</u>
Net assets at 31 December 2014	<u>1,417</u>	<u>5</u>	<u>1</u>	<u>1,423</u>

2.3 Capital Assets under Development

	In house computer applications	
	2015 €000	2014 €000
At 31 December		
Opening balance at 1 January	—	—
Cash payments for the year	—	48
Transferred to asset register	—	(48)
Amounts carried forward at 31 December	<u>—</u>	<u>—</u>

2.4 Bank and Cash

	2015 €000	2014 €000
at 31 December		
PMG balance and cash	1,160	303
Commercial bank account balance	25	—
	<u>1,185</u>	<u>303</u>

2.5 Stocks

	2015 €000	2014 €000
at 31 December		
Stationery	9	10
IT consumables	5	4
	<u>14</u>	<u>14</u>

2.6 Other Debit Balances

	2015 €000	2014 €000
at 31 December		
Recoupable travel expenditure	3	13
Recoupable travel pass scheme expenditure	153	111
Recoupable salaries	22	9
Other debit suspense items	60	412
	<u>238</u>	<u>545</u>

2.7 Other Credit Balances	2015	2014
at 31 December	€000	€000
Amounts due to the State		
Income Tax	407	283
Pay Related Social Insurance	175	112
Professional Services Withholding Tax	103	54
Value Added Tax	64	28
Pension contributions	68	43
Local Property Tax	2	2
Universal Social Charge	123	85
	<hr/>	<hr/>
	942	607
Payroll deductions held in suspense	130	94
Other credit suspense items	105	1
	<hr/>	<hr/>
	1,177	702

2.8 Net Liability to the Exchequer	2015	2014
at 31 December	€000	€000
Surplus to be surrendered	4,142	3,844
Exchequer grant undrawn	(3,896)	(3,698)
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Net liability to the Exchequer	246	146

Represented by:**Debtors**

Bank and cash	1,185	303
Debit balances: suspense	238	545
	<hr/>	<hr/>
	1,423	848

Creditors

Due to State	(942)	(607)
Credit balances: suspense	(235)	(95)
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	(1,177)	(702)

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	246	146

2.9 Commitments	2015	2014
at 31 December	€000	€000
Total of legally enforceable commitments	478	168

2.10 Matured Liabilities	2015	2014
at 31 December	€000	€000
Estimates of matured liabilities not discharged at year end	24	4

3 Programme Expenditure by Subhead

		2015		2014
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A	Public Expenditure and Sectoral Policy			
A.1	Administration - pay	7,328	7,168	7,036
A.2	Administration - non pay	909	989	793
A.3	Economic and Social Research Institute-administration and general expenses	2,575	2,847	2,600
A.4	Structural funds technical assistance and other costs	1,410	952	847
A.5	Technical assistance costs of Regional Assemblies	880	843	814
A.6	Peace Programme/ Northern Ireland INTERREG	2,500	1,873	2,832
A.7	Special EU Programmes Body	1,164	1,249	1,075
A.8	Ireland/ Wales and transnational INTERREG	769	767	418
A.9	Consultancy and other services	50	—	613
A.10	Office of the National Lottery Regulator	150	—	9
		17,735	16,688	17,037

Significant variations

Overall, the expenditure in relation to programme A was €1 million lower than provided. The significant variations were as follows:

Description	Less/(more) than provided €000	Explanation
Economic and Social Research Institute-administration and general expenses	(272)	The over spend on the ESRI arises from a pensions cashflow shortfall which must be met by this Vote under the FEMPI legislation.
Structural funds technical assistance and other costs	458	The variance arises as a result of a delay to the e-cohesion IT project. This project will allow for the electronic exchange of information between beneficiaries of EU funding and the authorities involved in the implementation of EU co-financed programmes.
Peace Programme/ Northern Ireland INTERREG	627	The 2014-2020 programmes were slower to commence spending than anticipated, resulting in an under spend.
Office of the National Lottery Regulator	150	The allocation of €150,000 for the Office of the National Lottery was provided to assist with the establishment of the Office. This was not required, as the Office became operational and self-funded in early 2015.

	2015		2014
	Estimate provision	Outturn	Outturn
	€000	€000	€000
B Public Service Management and Reform			
B.1 Administration - pay	13,547	11,511	10,561
B.2 Administration - non pay	1,508	1,647	1,393
B.3 Institute of Public Administration	2,725	2,881	2,750
B.4 Civil service arbitration and appeals procedure	40	39	27
B.5 Consultancy and other services	450	248	102
B.6 Office of the Government Chief Information Officer	4,456	4,415	2,834
B.7 Reform agenda	2,423	1,794	711
B.8 Employee Assistance Officer shared service	1,307	1,277	1,268
B.9 Statute Law revision programme	299	277	119
	26,755	24,089	19,765

Significant variations

Overall, the expenditure in relation to Programme B was €2.6 million lower than provided. The significant variations were as follows:

Description	Less/(more) than provided €000	Explanation
Administration - pay	2,036	Administrative budget pay is under profile because recruitment took place at a slower pace than was anticipated, particularly in the Office of Government Chief Information Officer and Reform and Delivery Office. The under spend was also driven by a substantial number of retirees/leavers.
Institute of Public Administration	(156)	The over spend on the IPA arises from a pensions cashflow shortfall which must be met by this Vote under the FEMPI legislation.
Consultancy and other services	202	The variance arises in respect of a provision for legal costs. The timing of the court decision was later than anticipated and final costs have not yet been settled.
Reform agenda	629	A number of factors contributed to this variance: savings were achieved by drawing down from existing consultancy contracts in place in the Reform and Delivery Office; in some cases, other departments absorbed costs that were initially expected to be borne by the Reform and Delivery Office; a number of projects did not progress as quickly as anticipated; an allocation for shared services project support was not required.

4 Receipts

4.1 Appropriations-in-aid	2015		2014
	Estimated €000	Realised €000	Realised €000
1. EU programmes	1,700	2,165	2,336
2. Pension cashflow surpluses	210	80	252
3. Miscellaneous	20	63	97
4. Receipts from pension-related deduction on public service remuneration	1,950	2,001	2,063
Total	3,880	4,309	4,748

Explanation of significant variations

An explanation is provided below in the case of each 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
EU programmes	(465)	Receipts received during 2015 were higher than anticipated, as some reimbursements from the EU Commission that were originally projected for payment in 2016 were received ahead of schedule.
Pension cashflow surpluses	130	Pension cashflow surpluses ceased in respect of ESRI and IPA during the year leading to lower than anticipated receipts.

4.2 Extra receipts payable to the Exchequer	2015 €000	2014 €000
Balance at 1 January	—	—
Receipt in respect of prior year secondment recouped	—	46
Closure of suspense account no longer in operation	—	32
Transferred to Exchequer	—	(78)
Balance at 31 December	—	—

5 Employee Numbers and Pay

	2015	2014
Number of staff at year end (full time equivalents)	313	314
	2015	2014
	€000	€000
Pay ^a	20,398	19,372
Higher, special or additional duties allowance	239	204
Redundancy	—	6
Other allowances	47	53
Overtime	40	47
Employer's PRSI	1,077	1,003
Total pay	21,801	20,685

^a The total pay figure is inclusive of pay in subheads A.1, A.4, A.6, A.7, B.1, B.7 and B.8.

Staff numbers exclude agency staff, but the pay figure represents all pay incurred by the Department.

5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2015	Maximum individual payment 2014
			€	€
Higher, special or additional duties	32	7	34,209	19,869
Other allowances	16	1	10,505	8,011
Overtime	19	1	10,372	11,071
Number of individuals who received extra remuneration in more than one category	4	3	14,421	13,975

5.2 Other Remuneration Arrangements

This account includes expenditure of €144,867 (2014: €149,157) in respect of 2 officers who were serving outside the Department for all or part of 2015 and whose salary was paid by the Department.

Under the terms of the AHCPs 1% PCW restructuring agreement, 20 officers (2014: 25) received a total of €44,296 (2014: €42,693) in respect of PCW/seniority allowances.

The pay figure includes €9,000 paid to a teacher who was formerly employed as a language teacher within the Civil Service. The payment was a result of an adjudication in favour of a loss of earnings claim brought by this individual following the reduction in the provision of language services for civil servants in 2008 and the formal withdrawing of such services following the teaching year 2011-12.

5.3 Payroll Overpayments

Overpayments at year end were €27,495 (17 cases) (2014: €4,450). Of this €1,085 (4 cases) have recovery plans in place.

6 Miscellaneous

6.1 EU Funding

The outturn shown in headings A.4, A.5, and A.6 include payments in respect of activities which are co-financed by the EU.

Heading	Description	2015		2014
		Estimate	Outturn	Outturn
		€000	€000	€000
A.4	Structural funds technical assistance and other costs	1,200	720	636
A.5	Technical assistance costs of Regional Assemblies	880	843	814
A.6	Peace Programme/Northern Ireland INTERREG	2,500	1,873	2,832
		4,580	3,436	4,282

6.2 Committees and Commissions

	Year of appointment	2015	2014
		€000	€000
Civil Service Arbitration Board	1950/51	22	10

6.3 Late Payment Interest

	2015	2014
	€000	€000
Total of interest payments	8	18

6.4 Contingent Liabilities

The Department has received a judgment in respect of an ongoing legal case. Costs have been awarded against the Department, but the amount is yet to be determined. Once the figure has been identified, the Department will be liable for that amount.

6.5 Suspected Fraud

	2015	2014
	€000	€000
Alleged misappropriation of monies	181	—

Special EU Programmes Body (SEUPB) advised the Department in 2014 that there was a risk to funds paid to a PEACE III Project which had subsequently been removed from the PEACE III Programme due to irregularities and a suspected fraud. The Department had provided funding of €181,438 to the project in 2010. Funding had been stopped by SEUPB as soon as the question of irregularity/fraud arose. SEUPB commissioned a forensic audit and subsequently referred the case to the Police Service of Northern Ireland whose investigations are ongoing. All necessary steps were taken to recoup money but it is now accepted by SEUPB that there is no prospect of recovering the monies and there is no route for legal action as the lead partner company is dissolved.

6.6 Settlement with the Revenue Commissioners

In finalisation of an audit conducted by the Revenue Commissioners, the Department in June 2015 made a settlement payment to the Commissioners of €27,801. The settlement covers the period 2012 to 2014 and relates to employer tax liability issues from two contracts for the Statute Law Revision Programme.

7 Contingency Fund

	2015	2014
	€000	€000
Balance at 1 January	1,200	1,200
Receipts	—	—
Payments	—	—
Balance at 31 December	<u>1,200</u>	<u>1,200</u>

The Contingency Fund is a non-statutory fund formed by a grant-in-aid voted in 1923. The fund is available for use to facilitate the defraying of urgent or unforeseen expenditure which is not covered by the ordinary Votes and for which it may be impracticable to seek the immediate approval of Dáil Éireann e.g. during recess.

The procedures in relation to the operation of the Fund are set out in Public Financial Procedures (Sections C.1.5 to C.1.12).

The size of the Fund is reviewed every five years. Following a review in 2014, it was decided that the Fund should remain at its existing level.

