



Financial Reporting in the Public Sector

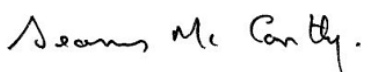
Report of the Comptroller and Auditor General

Financial Reporting in the Public Sector

Timely production of audited financial statements is an important element of an effective system of accountability for public finances. I have carried out a review of the timeliness of financial reporting by public bodies in respect of 2014. In accordance with the provisions of Section 11 of the Comptroller and Auditor General (Amendment) Act 1993, I have prepared this report on the findings of my examination.

This report was prepared on the basis of information, documentation and explanations obtained from the public bodies referred to in the report. The draft report was sent to the Department of Public Expenditure and Reform and the Department of Education and Skills. Relevant extracts were sent to the other public bodies referred to. Where appropriate, comments received from the Departments and the public bodies were incorporated in the final version of the report.

I hereby submit my report for presentation to Dáil Éireann in accordance with Section 11 of the Act.



Seamus McCarthy
Comptroller and Auditor General

30 November 2016

Contents

	Page
Summary	7
Financial Reporting in the Public Sector	
1 Introduction	13
2 Preparation and Audit of Financial Statements	15
3 Accounts in Arrears	21
4 Presentation of Accounts to the Oireachtas	33

Summary

Summary

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. This report reviews the timeliness of public sector financial reporting, including the timeliness of presentation of audited financial statements to the Oireachtas. It identifies those bodies where delays in reporting have occurred, and the causes of those delays.

The report deals primarily with financial statements for periods ending in 2014. For the 2014 year of account, the Comptroller and Auditor General was responsible for the audit of the annual financial statements of almost 300 public bodies and funds in the central government sector with an aggregate turnover of just over €193 billion.

Production of financial statements and audit completion

For most public bodies, financial statements should be presented for audit within two to three months of the end of the accounting period. The appropriation accounts of Government departments were all produced within the required timeframe. In contrast, two thirds of other bodies did not produce financial statements until three months or more after the end of the accounting period. Four public bodies had not produced 2014 financial statements for audit by the end of 2015. *

Overall, the audits of 66% of 2014 financial statements had been completed by the end of September 2015, accounting for 95% of the turnover value subject to audit.

Accounts in arrears

There were 25 sets of financial statements in respect of prior years that had not been certified by the end of 2015.

The education and training boards had a particularly high level of arrears, with the 2013/2014 financial statements for nine of the 16 boards not certified at the end of 2015. Organisational change in the sector was a key factor in the delays. In 2013, the education and training boards replaced vocational education committees. They also took over responsibility for further education and training. Their first period of account was the 18 months to the end of 2014. By the end of November 2016, all but two of the 2013/2014 financial statements had been certified.

There have been ongoing delays in the production of financial statements and the finalisation of audits of universities. A number of factors have contributed to this, including the Higher Education Authority's requirement for the universities to prepare annual financial statements in two formats¹ and the fact that, in most cases, the governing authorities of universities have chosen to appoint commercial auditors to carry out an audit of the financial statements in addition to the statutory audit carried out by the Comptroller and Auditor General.

* **Correction:** the originally published report incorrectly stated the number of public bodies as six. The correct number is now shown. See paragraph 2.4.

¹ In addition to consolidated financial statements, the Higher Education Authority requires funding statements to ensure direct accountability for Exchequer funding received by universities.

Presentation of accounts to the Oireachtas

Most financial statements audited by the Comptroller and Auditor General are required by law to be laid before the Oireachtas. The general requirement is that the audited financial statements should be presented within three months of certification. Almost 60% of the 2014 financial statements (certified in 2015) were presented on time. The balance were presented late or had not been presented. The examination found that at 31 May 2016, there were six bodies whose financial statements had never been presented to the Oireachtas. Three of these have since been presented.

Financial Reporting in the Public Sector

1 Introduction

- 1.1** Timely preparation and publication of audited financial statements is a key element in public accountability and in providing effective oversight of public bodies. The audit of the financial statements of public sector bodies plays an important role in providing assurance that public funds and resources have been used in accordance with the law, managed to good effect and properly accounted for. In addition, audits identify issues which can assist public bodies in improving financial management, governance and propriety in the conduct of public business.
- 1.2** This report focuses on the timeliness of public sector financial reporting. It identifies those bodies where delays have occurred in reporting, and the causes of such delays. The report deals primarily with financial statements for periods ending in 2014.
- 1.3** For the 2014 year of account, the Comptroller and Auditor General was responsible for the audit of the annual financial statements of almost 300 public bodies and funds in the central government sector.¹ These include government departments, departmental funds and a range of semi state bodies (Figure 1.1).

Figure 1.1 Public bodies audited by the Comptroller and Auditor General^a

	Number of entities	2014 turnover ^b €m
Central Government		
- Finance accounts	1	56.2
- Appropriation accounts	40	33.1
- Departmental funds	29	64.9
State bodies		
- Semi-state agencies	152	18.6
- HSE and health agencies	28	15.3
- Third level education bodies	26	2.8
- Education and training boards	16	2.1
North/South bodies	7	0.3
Total	299	193.3

Source: Office of the Comptroller and Auditor General

Note: a Excludes cessation accounts of 35 county enterprise boards (period end 14 April 2014) with a combined turnover of €42 million which were certified during 2014.

b Turnover is generally measured on the basis of gross expenditure. However, where the main aim of the body/fund is the collection of revenues, the gross revenue figure is used.

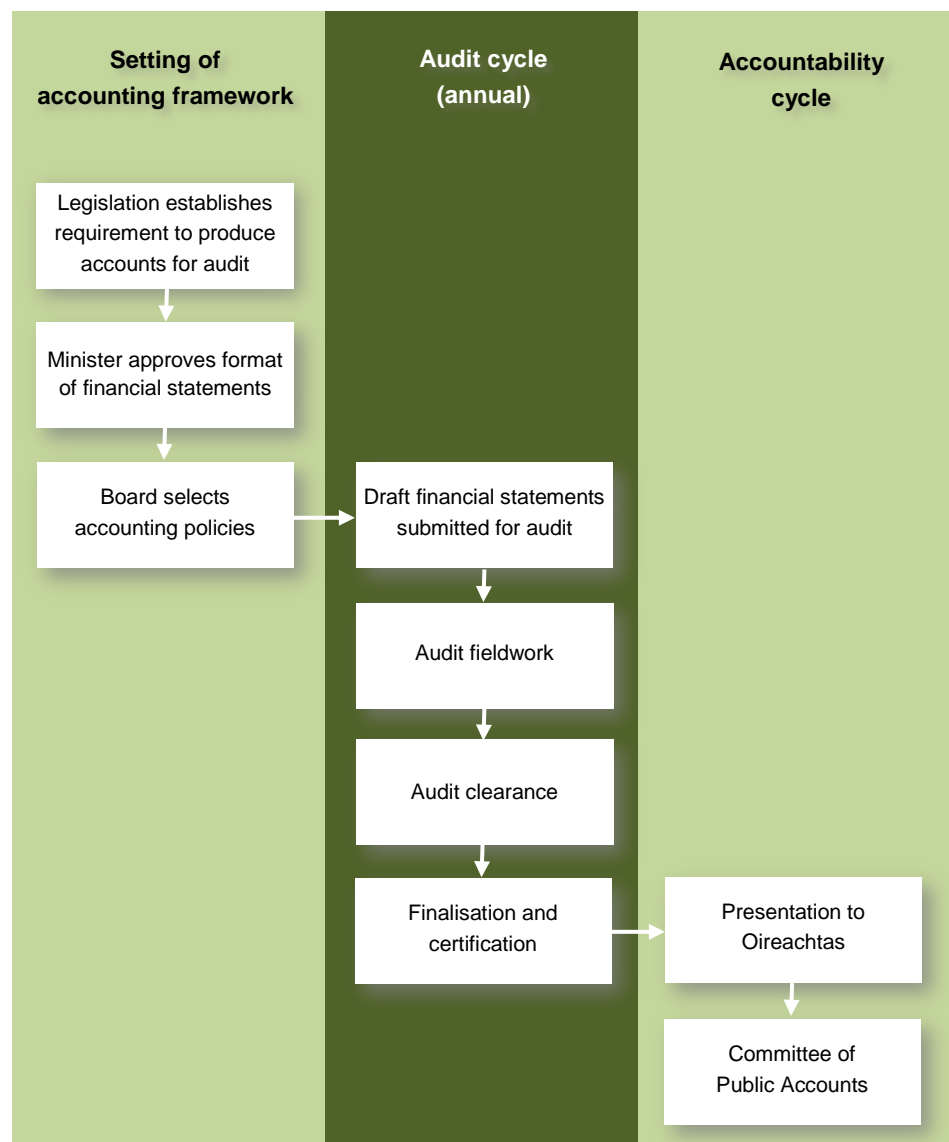
¹ Includes periods of account ending at any date during 2014. Most public bodies account on a calendar year basis. Some bodies (especially in the education sector) account on a 12-month period that does not coincide with a calendar year.

- 1.4** Chapter 2 reviews the timeliness of the preparation of financial statements for audit and the completion of those audits for all bodies within my audit remit. Chapter 3 examines the cause of delays for accounts which had not been certified by the end of 2015. Chapter 4 reviews the timeliness of presentation of audited financial statements to the Houses of the Oireachtas.

2 Preparation and Audit of Financial Statements

- 2.1 The process of producing audited financial statements for presentation to the Houses of the Oireachtas involves interaction between the audited entity, the Office of the Comptroller and Auditor General and the overseeing Government department. Figure 2.1 outlines the accounting and audit process.

Figure 2.1 Overview of public sector financial audit and reporting



Source: Office of the Comptroller and Auditor General

Time targets for audited financial statements

- 2.2** Time targets for the production by public bodies of financial statements for audit and for the publication of audited financial statements have evolved in a piecemeal way, with the result that different targets apply to different categories of body. For some bodies, targets have been specified in legislation. For others, targets arise from standards set out in codes of governance practice. For some bodies, no targets exist. Figure 2.2 summarises the current requirements for each category of public body.

Figure 2.2 Targets for production and audit of financial statements

Category	Source of target	Target for production of draft financial statements (months after end of period of account)	Target for publication of audited financial statements (months after end of period of account)
Finance accounts	C&AG (Amendment) Act 1993	6 months	9 months
Appropriation accounts	C&AG (Amendment) Act 1993	3 months	9 months
Departmental funds	Various	Various (and in some cases, none)	Various (and in some cases, none)
State bodies	Code of Practice for the Governance of State Bodies (2016)	2 months	6 months
Universities	Universities Act 1997 and C&AG 2015 order	6 months (reducing to 4 months for 2016/17)	None ^a
Institutes of technology	Institutes of Technology Acts 1992 to 2006 and C&AG 2015 order	6 months (reducing to 3 months for 2016/17)	None ^a
Education and training boards	Education and Training Board Act 2013	3 months	None ^a

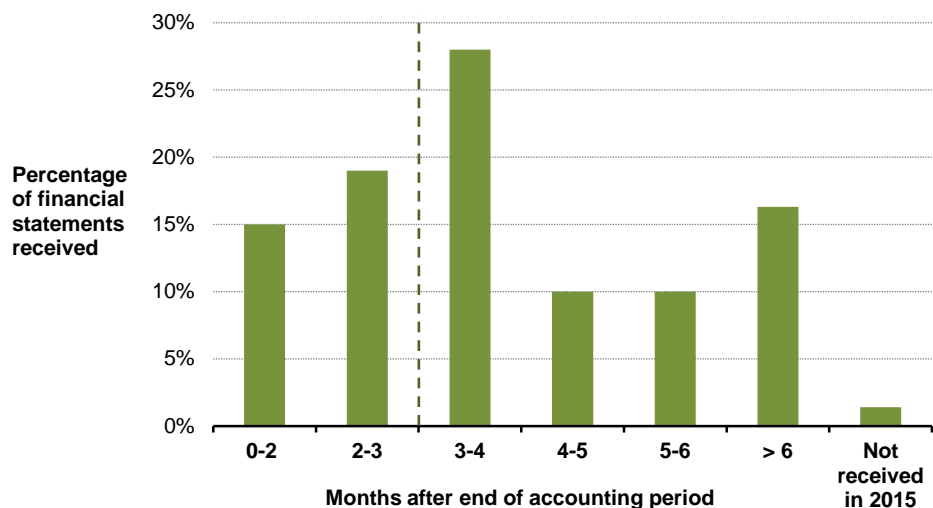
Source: Office of the Comptroller and Auditor General

Note: a Financial statements should be presented to the Houses of the Oireachtas 3-4 months after audit completion (see chapter 4).

Production of financial statements for audit

- 2.3** Public bodies are required to ensure that arrangements are in place to record all transactions, to produce accurate accounts, and to facilitate a prompt and efficient audit. The responsibility for the preparation of appropriation accounts and the financial statements of departmental funds rests with the accounting officer of each department. In the case of most other bodies, the board of the body is responsible for the preparation of the financial statements.
- 2.4** For most bodies, financial statements should be presented for audit within two to three months of the end of the accounting period. All Government departments produced their 2014 appropriation accounts within the required timeframe. Two thirds of other bodies did not produce financial statements for audit within three months (see Figure 2.3). Four bodies (two education and training boards and two third level institutions) had not presented 2014 financial statements for audit by the end of 2015.*

Figure 2.3 Production of 2014 financial statements for audit – bodies other than government departments



Source: Office of the Comptroller and Auditor General

Note: In cases where the first set of draft accounts were returned to the auditee due to quality issues, the date that the revised set was accepted was used.

* **Correction:** the originally published report incorrectly stated the number of bodies as six (four education and training boards and two third level institutions). The correct numbers are now shown.

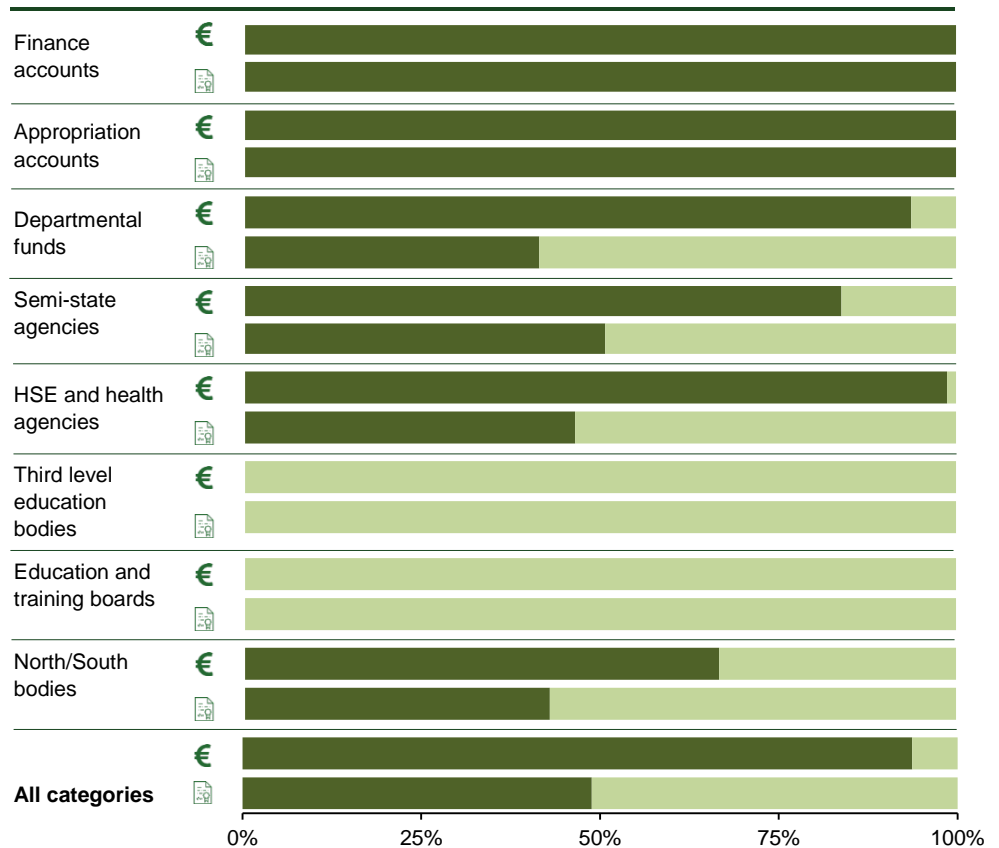
- 2.5** Audit is intended to be a process of confirming – not correcting – the information contained in draft financial statements. Consequently, draft financial statements submitted for audit should be complete and accurate. Where incomplete or inaccurate draft financial statements are presented, delays can occur which affect the timeline of an audit through to its certification date. The additional time spent can also have implications for other audits scheduled.

- 2.6** In order to address this risk, enhanced procedures were introduced in early 2015 in relation to the receipt, review and acceptance of draft financial statements. Where drafts submitted are considered not to be of a standard sufficient to inform the audit planning process and allow the commencement of audit fieldwork, they are not accepted for audit. In such situations, the body is advised at a senior level that an amended first draft is required. Identified shortfalls in quality are communicated to the body in order to assist in producing the revised draft financial statements. It is expected that these enhanced procedures will contribute to a reduction in audit delays.

Audit completion

- 2.7** The level of compliance with completion targets for the audits of 2014 financial statements is shown in Figure 2.4. In the case of education bodies, where completion targets had not been set for 2014 audits, compliance is measured at six months after the end of the period of account.

Figure 2.4 Compliance with audit completion targets, 2014 audits, by number and value



Source Office of the Comptroller and Auditor General

Note:

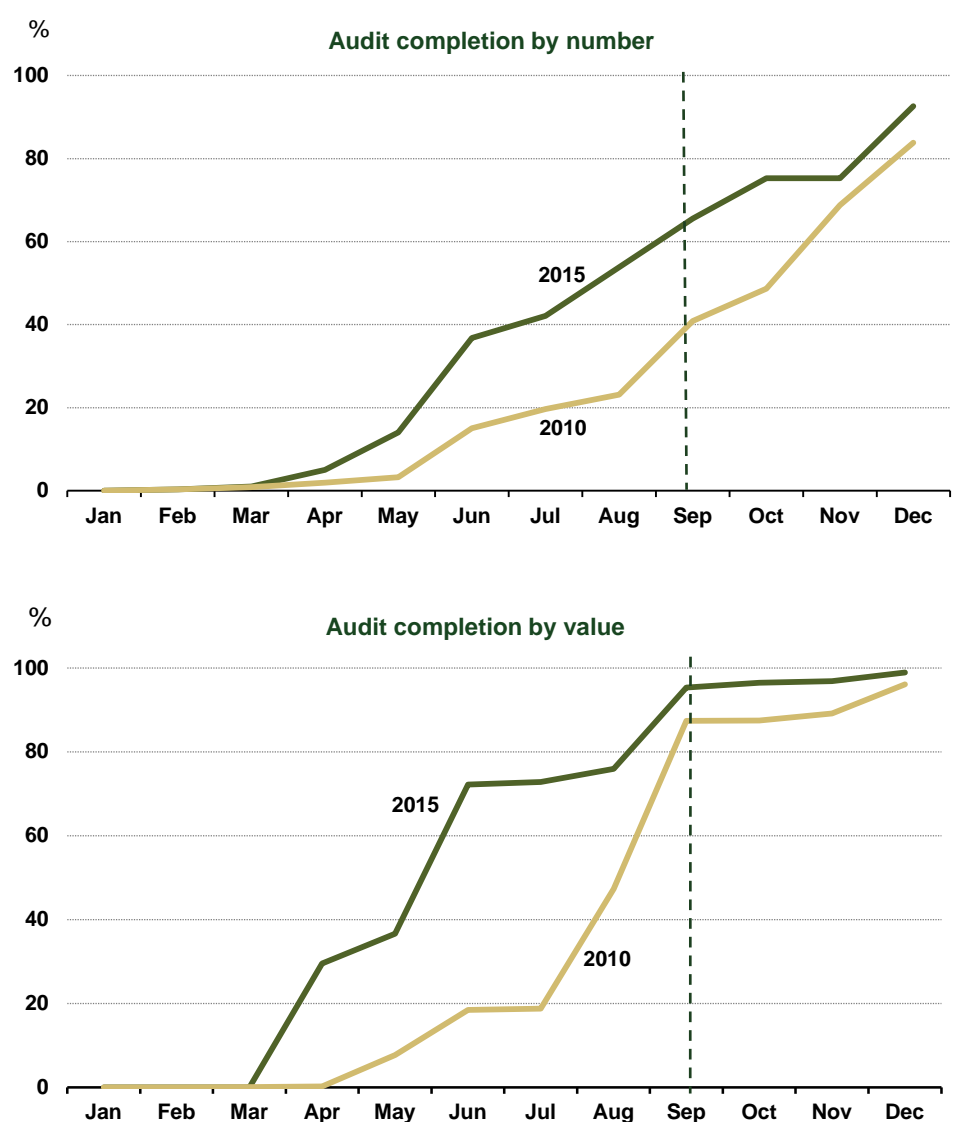
- Compliant
- Non-compliant
- € Value of accounts
- 📄 Number of accounts

2.8 Timeliness of audit completion is measured on the basis of the level of turnover (generally measured on the basis of gross expenditure) and on the number of audits.

2.9 The profile of audit completion in 2015 on both of these bases, compared to 2010, is shown in Figure 2.5. High value audits are prioritised, and this is reflected in the variance throughout the year in the audits completed measured by turnover, compared to the number of audits completed. By the end of September 2015, 66% of audits had been completed but this represented 95% of the turnover audited.

2.10 At the end of 2015, 93% of audits were completed representing 99% of the total turnover.¹

Figure 2.5 Audit completion profile 2010 and 2015 (2009 and 2014 year of account)



¹ This refers to 2014 accounts. In addition, 60 accounts, relating to prior years (2011 – 2013), all in arrears at the end of 2014, were certified in 2015.

Source: Office of the Comptroller and Auditor General

Conclusion

- 2.11** The timeliness of production of 2014 financial statements varied significantly between sectors — ranging from full compliance for appropriation accounts to zero compliance for education and training boards.
- 2.12** There is a clear link between the timeliness of production of financial statements and compliance with audit completion targets, with the same sectoral differences evident.

3 Accounts in Arrears

- 3.1** Audit plans are based on tight work programmes and do not generally include either time or resource contingency provisions. Because of this, unanticipated factors can lead to delays in audit completion, and in some cases, the accounts may not be certified by the end of the year following the year of account — these are referred to as accounts in arrears. Cooperation, good planning and sufficient capacity on both sides are the principal factors that contribute to timely audit completion. The main factors that can give rise to delays are summarised in Figure 3.1.

Figure 3.1 Factors giving rise to audit completion delays

Highly peaked demand

- Most public sector bodies prepare their accounts on a calendar year basis i.e. with a December year end.
- Many key (larger) audits are prioritised for completion by the end of June. This impacts on the audit of smaller public bodies.

Audited body capacity

- Resource problems in audited bodies such as reduced staff in key finance functions, over-reliance on inexperienced or unqualified staff and major changes in systems can all have an effect on auditee capacity.
- The establishment or dissolution of bodies can also contribute to capacity issues.
- These factors can cause delays in accounts production, in processing adjustments arising from significant accounting misstatements or errors identified, or in resolving problems with the format of the accounts.

Provision of explanations

- Audit fieldwork and finalisation will almost always necessitate explanations and further supporting evidence. Delays in the provision of these explanations causes delay in audit completion.

Client resistance to proposed amendments or disclosures

- To enhance accountability and transparency, audits often identify the need for enhanced disclosures in the financial statements or in the statement on internal financial control.
- Delays can occur when audited bodies resist such amendments, or simply as a result of the time taken in drafting and agreeing the required disclosures.

Consideration of exception reports in the audit certificate

- When complex matters arise during the course of an audit, consideration by the C&AG of how to deal with the matter is necessary including provision of further explanations and evidence. The audit may need to be 'kept open' while explanations are sought.

Knock-on effects of delays

- Delays in the completion of an audit have a direct knock-on effect on the completion of the audit of that body for the subsequent period. In addition, resolving matters long after the end of the accounting period is more resource intensive.
- Arrears of audits also have indirect effects such as the disruption of planned work on other audits.

C&AG resource issues

- High staff turnover and the loss of key audit personnel can lead to delays in audit completion.

Source: Office of the Comptroller and Auditor General

- 3.2** At the end of 2015, there were 25 accounts in respect of prior years that had not been certified (see Figure 3.2). All but three of these related to periods of account ending in 2014 (the remaining three were for 2013 periods). Traditionally, higher education bodies have constituted a significant portion of year end arrears. The number of education sector arrears was exacerbated in 2015 due to challenges with the newly established education and training boards.

Figure 3.2 Accounts in arrears at end of 2015

Type/name of body	
Education and Training Boards	
Cavan and Monaghan	18 month period ending 31 Dec 2014
Galway and Roscommon	
Kerry	
Kildare and Wicklow	
Limerick and Clare	
Longford and Westmeath	
Louth and Meath	
Mayo, Sligo and Leitrim	
Waterford and Wexford	
Higher education bodies	
Dublin City University	2012/2013 and 2013/2014
University College Cork	2013/2014
University College Dublin	2013/2014
National University of Ireland, Galway	2012/2013 and 2013/2014
Waterford Institute of Technology	2013/2014
National College of Art and Design	2012/2013 and 2013/2014
Other bodies	
Fishery Harbour Centres	2014
Foyle Carlingford and Irish Lights Commission	2014
Housing and Sustainable Communities Agency	2014
HSE Patients' Private Property Accounts	2014
Irish Human Rights and Equality Commission	2014
Residential Institutions Statutory Fund Board	2014
State Examinations Commission	2014

Source: Office of the Comptroller and Auditor General

Education and training boards

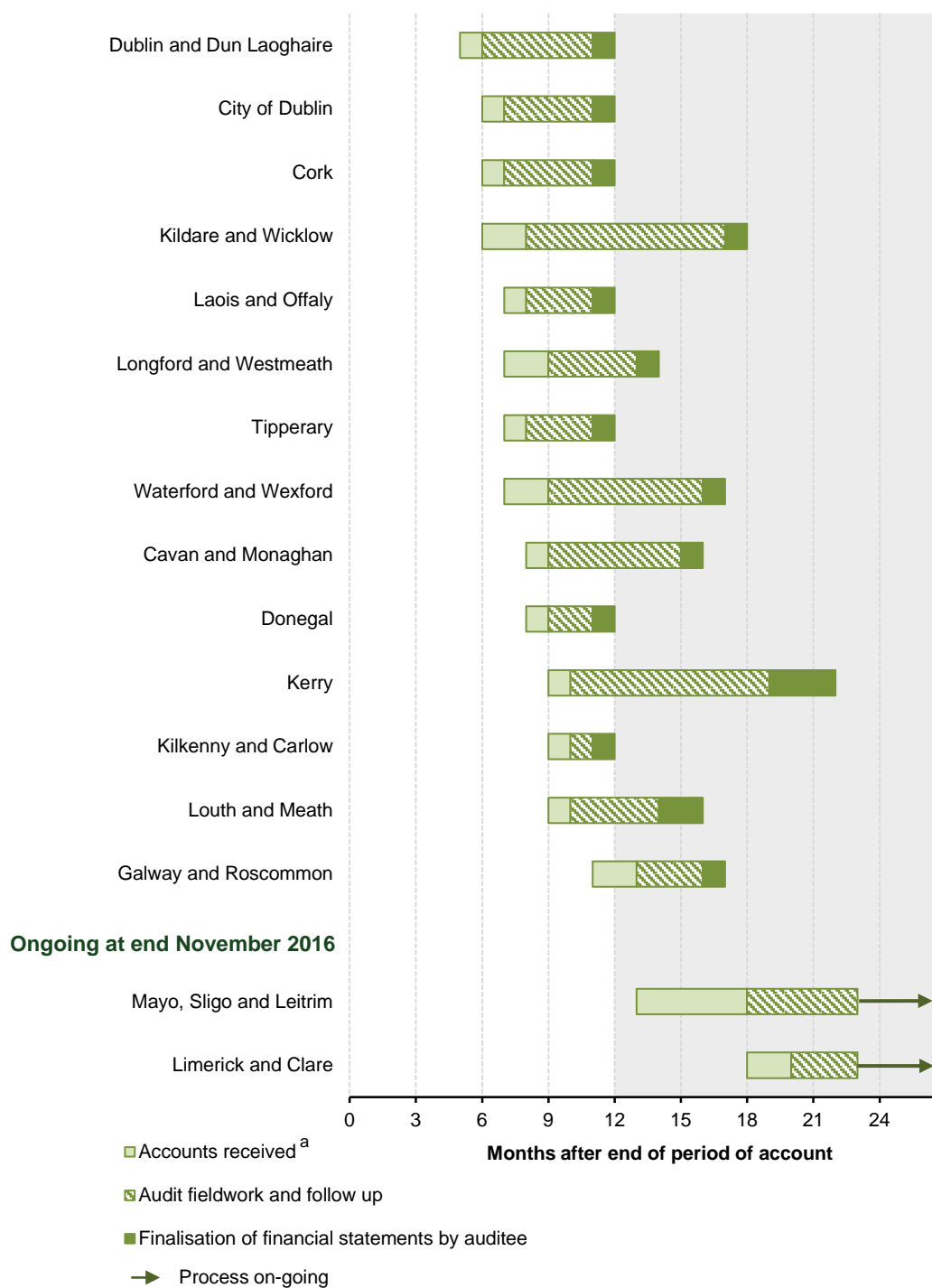
- 3.3** The accounts of nine of the 16 education and training boards (ETBs) had not been certified at the end of 2015. The ETBs were established on 1 July 2013 replacing 33 Vocational Education Committees (VECs).¹ ETBs manage and operate second-level schools, further education colleges and a number of pilot community national schools. They are also responsible for a range of adult and further education centres. Most ETBs took over services which had previously been provided by two, or in some cases three, VECs.
- 3.4** Responsibility for further education and training for the purposes of employment also transferred to the ETBs, from FÁS/SOLAS. As part of this, the former FÁS training centres transferred to ETBs during 2014.
- 3.5** The first period of account for ETBs was the 18 months to the end of 2014. The Department of Education and Skills established a working group in April 2015 to develop a format for the financial statements. The group comprised representatives from the Department, ETBs, Education and Training Boards Ireland, SOLAS and the Office of the Comptroller and Auditor General.²
- 3.6** The format of the ETB financial statements was finalised in October 2015.³ However, prior to that and to enable the audits to be progressed, it was agreed that draft financial statements would be prepared in the format previously used by VECs. These would then be converted to the new format when it was finalised. Production of draft financial statements proved to be a particular problem.
- Draft financial statements were not provided by Limerick and Clare ETB until the end of June 2016. Some interim audit work had been carried out prior to this date but fieldwork could not re-commence in the absence of financial statements.
 - The draft financial statements for Mayo, Sligo and Leitrim ETB were received in February 2016. However, the ETB indicated that it was not in a position to facilitate the audit at that time. The final audit commenced in early July 2016.
 - Kerry ETB experienced a delay in the production of financial statements. This was mainly due to a knowledge gap which arose upon the transfer of the Tralee Training Centre to Kerry ETB and subsequent difficulty in extracting financial data from the accounting system, which was required for the preparation of the accounts.
 - The average time taken to produce draft financial statements for the remaining ETBs was 8 months after the end of the period of account.
- 3.7** Figure 3.3 shows the audit progress for each ETB, as at the end of November 2016. Since the end of 2015, seven of the nine remaining audits have been completed.

1 Education and Training Boards Act 2013.

2 Education and Training Boards Ireland is the national representative association of the ETBs.

3 In accordance with the Education and Training Boards Act 2013, the format of the financial statements was approved by the Minister for Education and Skills with the consent of the Minister for Finance and the Minister for Public Expenditure and Reform.

Figure 3.3 Education and Training Boards 2013/2014 audits, progress at 30 November 2016



Source: Office of the Comptroller and Auditor General

Note: a Interim audit fieldwork may have also taken place prior to the receipt of a draft. In cases where the first draft account received was not accepted, the date that a revised account was accepted has been used as the accounts received date.

Views of the Accounting Officer of the Department of Education and Skills

- 3.8** The Accounting Officer pointed out that a number of issues contributed to the delays which arose as a result of auditee capacity including
- incompatible systems when amalgamating some former VECs and transferring training centres
 - server connectivity problems between regional offices
 - a new reporting relationship between the ETBs and SOLAS
 - a reduction in administrative and finance personnel in ETBs due to the moratorium on recruitment
 - work on a number of shared services and sectoral reforms requiring input from ETB finance staff.
- 3.9** The Department will continue to emphasise the importance of timely submission of accounts and to work with the ETBs and the Office of the Comptroller and Auditor General to facilitate this through its enhanced communication framework with the ETB sector. This framework involves regular liaison with the sector through the working group on the format of the ETB accounts, the Comptroller and Auditor General's sectoral liaison group and regular formal engagement with the ETBs. In addition, the Department has taken steps to alleviate staffing pressures in ETBs by filling a number of critical vacancies.

Universities

- 3.10** There have been ongoing delays in the production of financial statements and the finalisation of audits of universities for a number of years.¹ A number of factors have contributed to these delays.
- 3.11** The Higher Education Authority requires universities to prepare two sets of annual financial statements²
- consolidated financial statements that conform to generally accepted accounting practice in Ireland
 - a funding statement — annual audited funding statements in a standard format prescribed by the Higher Education Authority which record how funds provided for core university activity are expended.³
- 3.12** The Comptroller and Auditor General is the statutory auditor of all Irish universities and must certify the consolidated financial statements.⁴ In addition, the governing authorities of universities have generally chosen to appoint commercial auditors to carry out an audit of the consolidated financial statements and the funding statement. To the extent that it is appropriate to do so, the statutory audit takes account of the work of those commercial auditors and the conclusions reached.
- 3.13** The statutory audit has a broader scope than that of the universities' commercial auditors, particularly in relation to regularity and propriety matters, as there is a greater emphasis on these in public sector audit. The statutory audit opinion is addressed to the Houses of the Oireachtas. The audit opinion of the commercial auditors is addressed to the governing authority of the university.

¹ Previously reported in special reports 75 and 78.

² Under the Universities Act 1997, the Higher Education Authority approves the form of financial statements and records to be kept by universities.

³ A reconciliation account is also produced which identifies differences between the two sets of statements. From 2015/2016, the Higher Education Authority no longer requires the funding statement to be audited but will require commercial auditors appointed by the university to express an opinion on the accuracy of the figures shown in the reconciliation account.

⁴ Universities Act 1997, Section 39(2).

3.14 The requirement to present financial statements in two formats, often produced sequentially, and the dual audit process are factors in the delays in finalising audits in the sector. Furthermore, in some cases, priority is given to the completion of the commercial audit, with a further resulting delay to the statutory audit.

3.15 There are a number of additional factors which have contributed to delays on some audits in universities. These include

- agreement on the appropriate treatment and valuation of university pension liabilities
- the consolidation of trusts, foundations and other subsidiary companies
- the extent of, and accounting for, heritage assets
- the treatment of research income.

Tackling delays

3.16 The Office of the Comptroller and Auditor General has sought to address the delays in a number of ways

- Additional resources have been allocated to the division responsible for the audits of universities.
- For universities that continue to engage commercial auditors to undertake full scale audits, there is increased engagement with those auditors, commencing at planning stage. The Office seeks to agree a comprehensive plan setting out key milestones for both the commercial audit and the statutory audit.
- Deadlines have been set for the submission by the universities of draft financial statements for audit by the Comptroller and Auditor General.

3.17 From 2014/2015, the Governing Body of Maynooth University did not appoint a commercial auditor. Therefore, the Comptroller and Auditor General is now the sole auditor.

3.18 Progress has been made in individual cases in bringing forward the audit completion, as indicated in the following case study.

The University of Dublin, Trinity College (Trinity College) – Case Study

There has been significant improvement in the timeliness of completion of the statutory audits of Trinity College in recent years, as set out below.

Financial year	Timeframe of completion after the accounting period
2012/2013	18 months
2013/2014	9 months
2014/2015	6 months

A number of enhancements to the overall audit process for 2014/2015 facilitated the reduced timeline. These included

- a joint pre-planning meeting involving the university's finance team, the commercial auditors appointed by the Governing Body, and the Office of the Comptroller and Auditor General
- increased engagement between the Office and the commercial auditors throughout the audit to eliminate any unnecessary duplication
- the Office carried out audit fieldwork soon after the year end focussing on regularity and propriety issues.

Senior management of Trinity College and the Trinity College audit committee played a key role in achieving this change. Further improvements are being sought for the audit of the 2015/2016 financial statements.

Deadline for submission of financial statements for audit

- 3.19** Universities have a separate code of governance which is agreed with the Higher Education Authority. Unlike the code of practice for the governance of state bodies, this code does not set deadlines for the production of financial statements for audit.
- 3.20** The Universities Act 1997 gives the Comptroller and Auditor General the power to specify the date for submission of financial statements for audit. To address the absence of submission deadlines in the governance code, dates were set by order for the submission of financial statements for audit.¹ The requirements are summarised in Figure 3.4. Recognising the historical arrears in the sector, an initial target of six months has been set for universities for the 2014/2015 year of account. This is reduced by one month for each of the following two financial years with a reduction to three months to be considered if/when progress is made.

Figure 3.4 Requirements for submission of financial statements for audit by universities

Financial year^a	Target time
2014/2015	≤ 6 months
2015/2016	≤ 5 months
2016/2017	≤ 4 months ^b

Source: Comptroller and Auditor General Order 2015

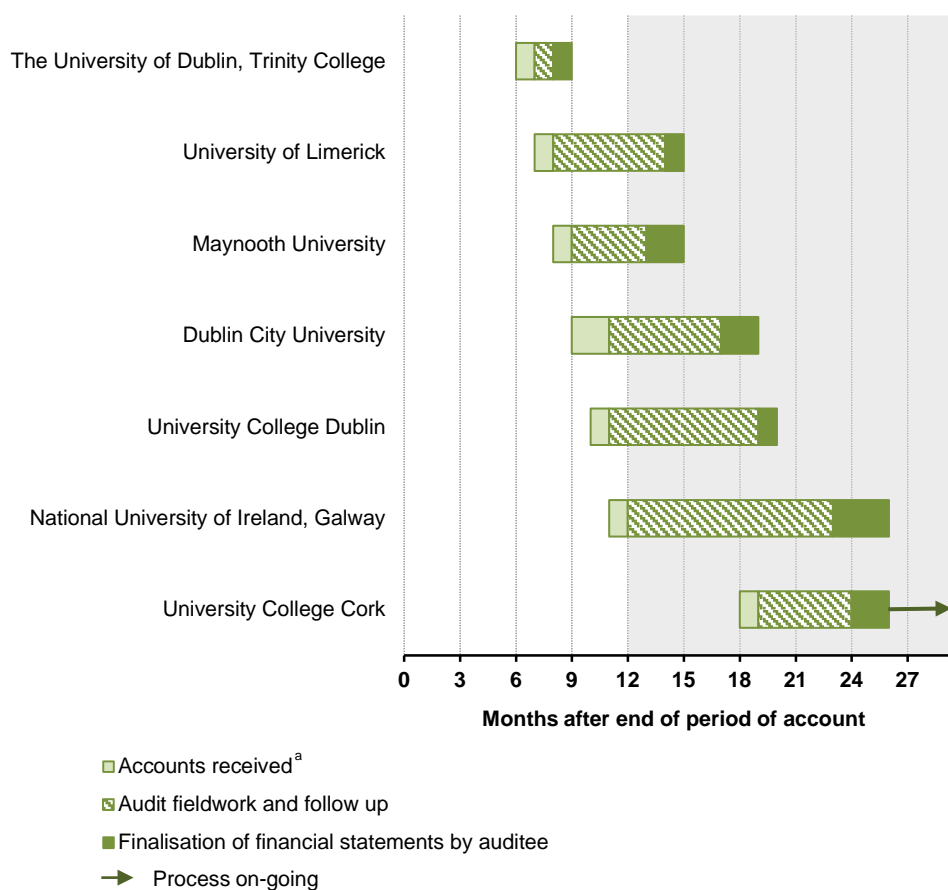
Note: a The financial year end is 30 September for universities.

b Following this, the potential for further reducing the timeline to 3 months will be considered.

¹ Comptroller and Auditor General Order, 22 December 2015.

- 3.21** Figure 3.5 shows, for each university, the timeliness in presenting draft financial statements for periods ending in 2014 and the audit progress to the end of November 2016.

Figure 3.5 Audits of universities 2013/2014 — status at 30 November 2016



Source: Office of the Comptroller and Auditor General

Note: a In cases where the first draft account received was not accepted, the date that a revised account was accepted has been used as the accounts received date.

Views of the Accounting Officer of the Department of Education and Skills

- 3.22** The Accounting Officer stated that, while universities are not subject to the Code of Practice for the Governance for State Bodies, there is an agreed governance framework between the Department, the Higher Education Authority and the higher education institutions. This sets out the responsibilities of the institutions with regard to the timeliness of preparation of accounts. The Higher Education Authority has also put in place annual reporting governance requirements and rolling reviews to focus on particular governance issues.

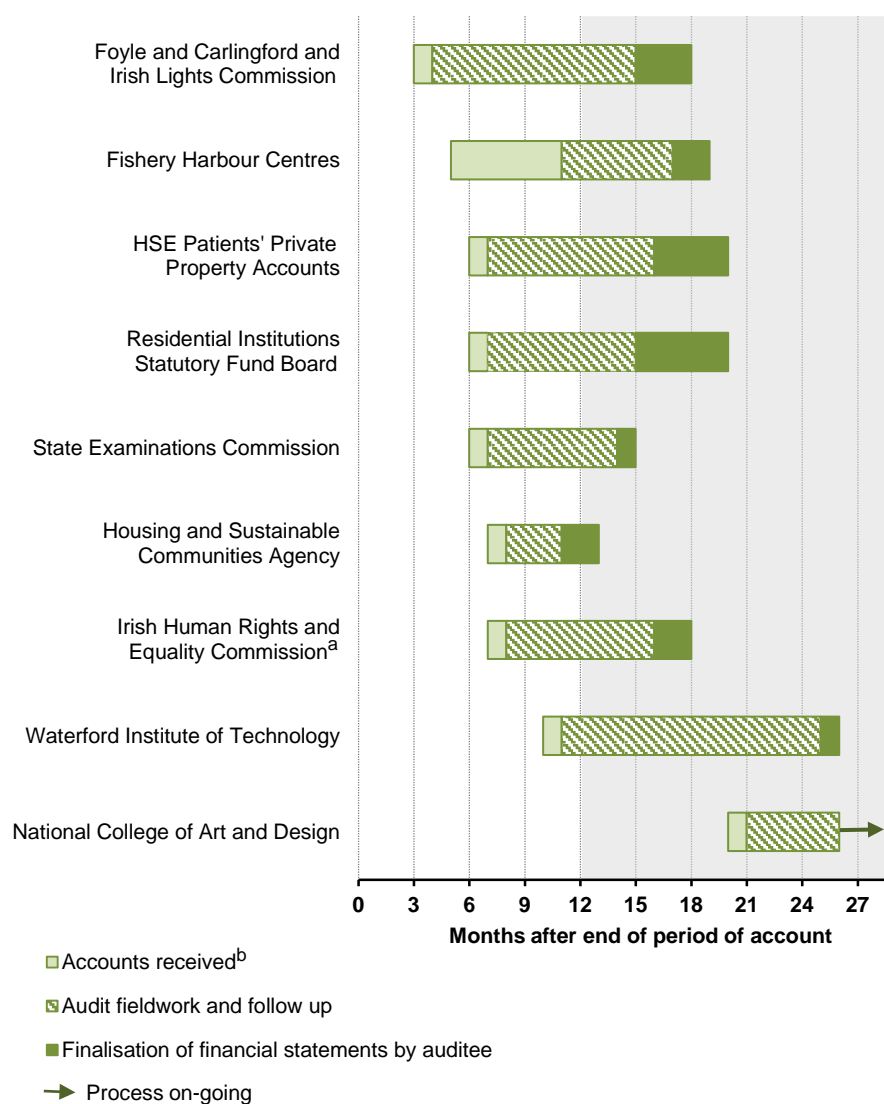
Views of the Higher Education Authority

- 3.23** The Higher Education Authority noted that the provision of follow up explanations to Comptroller and Auditor General queries by institutions seemed to be a prominent issue in delays occurring around certification of accounts. The Authority will remind institutions of their responsibilities to ensure that the follow-up process is adequately resourced. It also noted that third level institutions have complex governance structures which can impact upon the timeliness of institutional sign-off of accounts and that governing bodies can be of much larger scale than other state boards.
- 3.24** The Authority plays a proactive role in encouraging the timely submission of accounts. This includes approving the format of the annual accounts, new annual governance requirements and reminding institutions within their annual grant allocation letter of the importance of prioritising the completion of accounts and of laying accounts before the House of the Oireachtas. In addition to this, whenever the Authority is made aware of a timeliness issue, contact is made with the institution in question to identify the reasons for the delay and to remind them of their responsibilities in regard to timeliness.

Other accounts in arrears

3.25 Excluding ETBs and universities, there were nine other 2014 accounts in arrears at the end of 2015. Figure 3.6 shows the status of and progress on each of these audits at 30 November 2016.

Figure 3.6 Other 2014 audit arrears, progress at 30 November 2016



Source: Office of the Comptroller and Auditor General

Note: a The 2014 Irish Human Rights and Equality Commission was established on 1 November 2014. Accordingly, the 2014 financial statements are for a two month period. Separate cessation accounts were also prepared for the bodies merged to become the Commission.

b In cases where the first draft account received was not of the required standard, the date that a revised account was accepted has been used as the accounts received date.

3.26 The issues that have led to delays for three of these bodies have been previously reported on

- Fishery Harbour Centres (special report number 82, July 2014)
- Waterford Institute of Technology (special report number 78, June 2012)
- National College of Art and Design (special report number 85, January 2015).

3.27 There were a number of factors contributing to the delay in the other cases including

- poor quality draft financial statements submitted for audit which required substantial corrections
- delays in provision of information and explanations including reconciliations for key figures
- the need to agree additional disclosures in the statement on internal financial control
- loss of key staff from audit teams and audit team constraints during peak periods.

Reducing delays and arrears

3.28 Strategies to bring forward audit timeliness and in doing so reduce arrears require the cooperation of audited bodies. In addition, the support of oversight departments is required to ensure that strategies are effective. In the recent past, the Public Accounts Committee has indicated its intention to focus on the timeliness of presentation of audited financial statements to the Houses of the Oireachtas, which will assist in the process of improving overall timeliness.

3.29 The Office of the Comptroller and Auditor General has implemented the following strategies to reduce delays

- Advancing timescales for larger audits including increasing the use of interim audit work. This should allow time to deal with any unforeseen delays during final audits, and help create space for completion of smaller audits earlier.
- The continued engagement of suitably qualified contractors, where feasible, helps to address temporary resource deficiencies.
- De-layering of the review process by increased delegated sanction for senior management to sign audit certificates on behalf of the Comptroller and Auditor General. This should have the effect of reducing bottlenecks at the clearance and sign-off stage in the audit cycle.
- The establishment of special audit teams, as necessary, to concentrate exclusively on audited bodies in arrears.
- The establishment of sectoral liaison groups with ETBs and universities to assist in improving timeliness by using a collaborative approach.
- Regular meetings with the Higher Education Authority to discuss higher education institutions' financial issues, including discussions of delays in institutions' audited accounts.

Conclusion

- 3.30** There were 25 financial statements in respect of prior years that had not been certified by the end of 2015. At the current report date, four of those remain uncompleted.
- 3.31** The education and training boards had a particularly high level of arrears. This sector went through a transformational change in 2013. It is envisaged, through engagement with the sector and the Department of Education and Skills, that there will be a significant improvement in the timing of submission of accounts in future years.
- 3.32** Universities have had a high incidence of arrears for a number of years. It is clear from the example of Trinity College that it is possible to complete the audit within a reasonable timeframe and to achieve early submission of audited accounts. The key to making this happen is an appreciation by all parties of the importance of the statutory audit and a willingness to engage constructively.

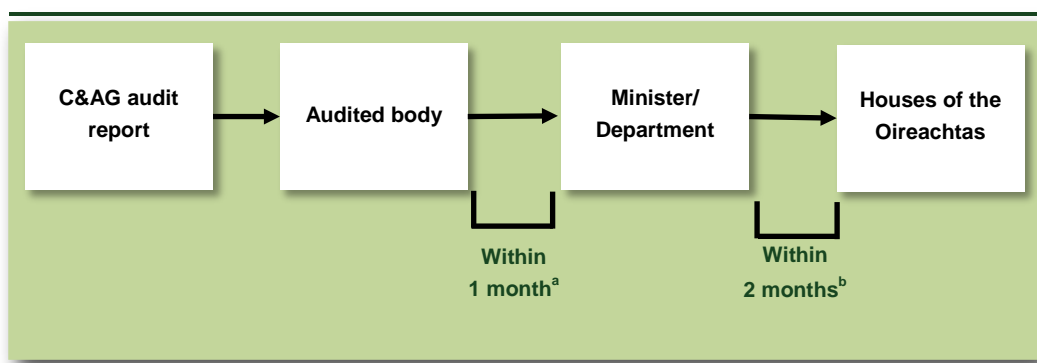
4 Presentation of Accounts to the Oireachtas

- 4.1** The presentation of audited financial statements to Houses of the Oireachtas plays a crucial role in public accountability. Most financial statements audited by the Comptroller and Auditor General are required by law to be laid before the Oireachtas. Even where not formally required by law, in the interests of public accountability, all financial statements audited by the Comptroller and Auditor General should be presented.
- 4.2** Presentation makes important information about the use of public funds and the financial performance of state bodies available to the Oireachtas and to the public. All documents presented are available to members of the public on the Houses of the Oireachtas website.
- 4.3** The Comptroller and Auditor General is responsible for the presentation of the appropriation accounts of Government departments and offices. Responsibility for the presentation of audited financial statements of all other bodies rests with the relevant parent department.

Timeliness of presentation

- 4.4** In May 2015, the Department of Public Expenditure and Reform issued revised instructions which highlighted the need for the timely production of financial statements of State bodies, their timely submission to parent departments and subsequent timely presentation to the Oireachtas.¹
- 4.5** When the audited financial statements of a body or fund are presented to the Oireachtas, they are automatically referred to the Public Accounts Committee. In most cases, financial statements should be presented within three months of certification.² Figure 4.1 presents an overview of the requirements.

Figure 4.1 Timelines for presentation of audited financial statements



¹ Department of Public Expenditure and Reform Circular 7/2015; Timely production and submission of accounts of bodies and funds audited by the Comptroller and Auditor General and the laying before the Houses of the Oireachtas of special reports of the Comptroller and Auditor General.

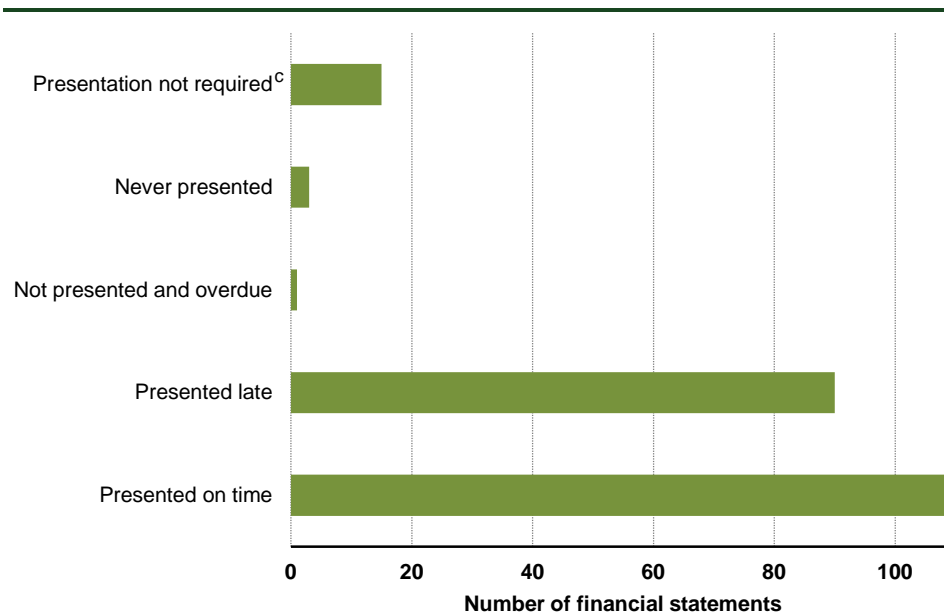
² The relevant department should inform the clerk to the PAC if exceptional or unusual circumstances cause an unavoidable delay.

Source: Department of Public Expenditure and Reform Circular 7/2015

- Notes: a Within 3 months if financial statements are required to be adopted at a company annual general meeting
b Within 3 months if financial statements must first be presented to Government.

- 4.6** Figure 4.2 summarises the timeliness of presentation for 2014 financial statements where the audit opinion was issued in 2015. Of those that are required to be presented, almost 60% were presented within 3 months of the certification date and therefore were in compliance with requirements set down by Department of Public Expenditure and Reform, with the balance presented late or not presented.¹

Figure 4.2 Presentation to Oireachtas of audited financial statements as at 30 November 2016^{a,b}

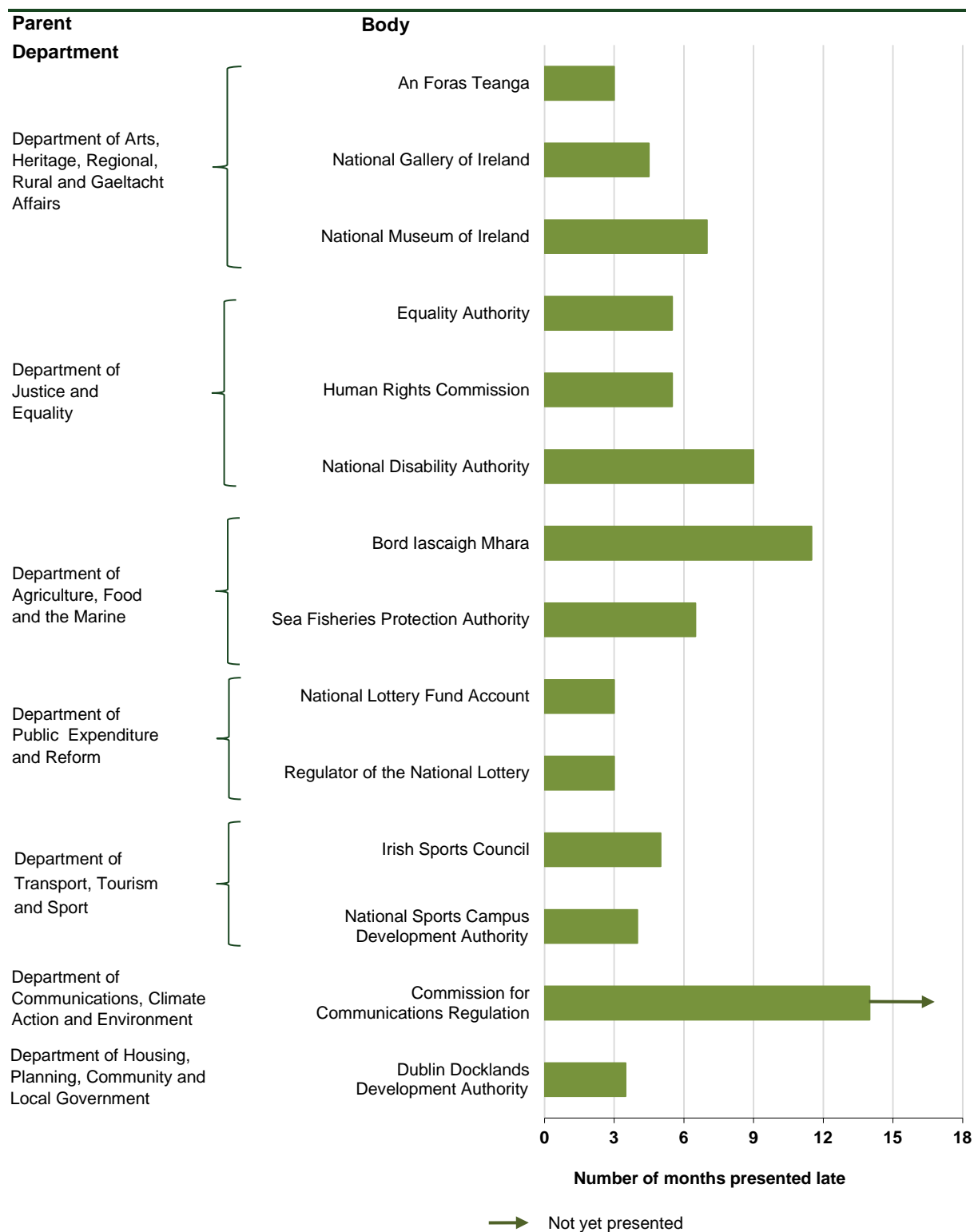


Source: Analysis by the Office of the Comptroller and Auditor General

- Note:
- a Certified accounts are generally issued to the body within about one week of certification. In some cases, for example where certified close to the year-end, this may exceed one week.
 - b Appropriation accounts are excluded as departments are not responsible for their presentation.
 - c Accounts where presentation is not required are mainly audits which are carried out by agreement and therefore have no legislative requirement for presentation.

¹ Although there are exceptions contained in Circular 7/2015 for accounts which must either be presented to Government or adopted at an AGM, the vast majority of accounts should be presented to the Oireachtas within 3 months of certification. This is the basis upon which late presentation was measured.

- 4.7** At 31 May 2016, there were 14 sets of 2014 financial statements which had not been presented even though many were considerably over the three month threshold. By 30 November 2016, all but one of these had been presented to the Oireachtas (Figure 4.3).

Figure 4.3 2014 financial statements not presented to Oireachtas at 31 May 2016, progress at 30 November 2016

Source: Analysis by the Office of the Comptroller and Auditor General

- 4.8** There were six bodies whose financial statements had never been presented to the Oireachtas as at 31 May 2016. All of these bodies are audited under section 5 (1) of the Comptroller and Auditor General (Amendment) Act 1993. Therefore, in accordance with section 11 of that Act, their audited financial statements are required to be presented to the Houses of the Oireachtas. Financial statements in relation to three of the bodies have since been presented (see Figure 4.4).

Figure 4.4 Bodies whose financial statements had never been presented — progress at 30 November 2016

Parent Department	Body	Date presented
Department of Education and Skills	An Chéim	15 September 2016 ^a
Department of Transport, Tourism and Sport	The Dublin Regional Tourism Organisation Ltd	Not presented
	The Gathering Ltd	Not presented
	NSCDA (Operations) Ltd	Not presented
Department of Housing, Planning, Community and Local Government	Dublin Docklands Affordable Housing Ltd	22 July 2016
	Grand Canal Harbour Management Company Ltd	22 July 2016

Source: Office of the Comptroller and Auditor General

Note: a Following clarification with the Office of the Comptroller and Auditor General, the Department of Education and Skills presented accounts for 2014/2015 and the preceding four years on this date.

Conclusion and recommendation

- 4.9** To support the public accountability process, the audited financial statements of State bodies need to be presented to the Oireachtas promptly and within the timeframes specified. Currently, there is no system in place to verify that audited financial statements have been laid.

Recommendation 4.1

The Department of Public Expenditure and Reform should consider requiring departments to include in an annex to their appropriation account, a report on the presentation to the Houses of the Oireachtas of financial statements by funds and bodies under their aegis.

Response of Accounting Officer of Department of Public Expenditure and Reform

Agreed. The Department of Public Expenditure and Reform will consider the feasibility of the proposal. However, it should be recognised there is a significant burden for Government departments with a large number of bodies under their aegis in preparing such a report and, as such, it could take a number of years for such a recommendation to become sufficiently established.