

Appropriation Account 2018

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 2018 for certain Official Development Assistance, including certain grants, 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 2018, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €1.087 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 except for the following:

Capital assets

The carrying value of land and buildings included in capital assets is based on a valuations conducted in 2005 as adjusted by:

- improvements to land and buildings since 2005 which are reflected at cost
- land and buildings acquired since 2005 also reflected at cost.

Depreciation

Vehicles are 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 prevailing 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 month.

Grant refunds

Refunds of grants which were funded out of the bilateral co-operation and humanitarian assistance fund are returned to the fund on receipt.

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, that transactions are 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.
- An Audit Committee is in place to advise me in discharging my responsibilities for the internal financial control system.
- Procedures for all key business processes have been documented.
- There are systems in place to safeguard the assets.

Administrative controls and management reporting

I confirm that a framework of administrative procedures and regular management reporting is in place. It includes the following elements.

- There is segregation of duties and a system of delegation and accountability.
- 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 procurement and that procedures are in place to ensure compliance with all relevant procurement guidelines. Two contracts, with a value of €179,261 have been included in the circular 40/02 return as they exceed the reporting threshold of €25,000 and were awarded (inter alia) without a competitive process. The two contracts are considered non-competitive but compliant. The contracts were not tendered as one related to provision of proprietary ICT services (€142,905) and the other related to a situation where there was a single suitable supplier available (€36,356). These contracts will be reviewed by my Department's procurement team during 2019.

Significant financial risks

By its nature, development assistance carries inherent risks, which I acknowledge and seek to manage and mitigate. Robust controls are in place at head office, as outlined above, which are supplemented by additional controls in Key Partner Countries as set out below.

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. A formal process is in place to follow up on the implementation of recommendations from the reports of the internal audit function.

Enhancing internal control environment

In addition to the controls in place at head office, the following controls are operated in Key Partner Countries to mitigate the risks inherent in development assistance

- Each embassy, in addition to the Ambassador, has a Head of Development with responsibility for the management of the aid programme.
- In addition to the Ambassador and Head of Development, the embassy management structure includes appropriately qualified and experienced development specialists and programme managers/advisers.
- There is a rigorous multi-annual planning and approval process for each country programme, which includes the development of a Mission Strategy which covers Ireland's political, trade and development interests in each case. Each Mission Strategy is assessed at the outset through an independent external quality assurance (EQA) process prior to approval; is subject to a mid-term review process to review progress against goals and objectives; and is assessed via a final independent evaluation in advance of the next strategy cycle.
- Robust annual business planning processes are in place at all missions including identification and assessment of risks to business plan implementation and the controls in place to manage these risks. Business plans and risk registers are developed in consultation with head office, and are monitored and updated, as necessary, on a quarterly basis. Significant mission risks are reported upward to the Risk Management Committee and Management Board in line with the Department's Risk Management Policy.
- Each embassy has a locally-based finance function, led by an appropriately qualified head of finance, who reports both to the Ambassador and to the Finance Division at head office.
- A detailed financial procedures manual is in place which sets out the procedures to be followed in respect of all administration and grant-related transactions.
- Internal auditors are in place in each embassy, who report to the Ambassador, and whose internal audit work is undertaken as part of the Department's overall internal audit strategy/work plan which is managed by the Evaluation and Audit Unit. Evaluation and Audit Unit oversees the work and ensures that it is undertaken in accordance with the internationally accepted Internal Audit Standards.

In addition, in respect of head office payments for overseas development assistance (including humanitarian, multilateral and civil society funding), robust business planning mechanisms are in place, including approval of the overall budget by the Interdepartmental Committee for Development Assistance, monitoring of expenditure by the Senior Management Group on a monthly basis, and robust pre and post disbursement grant management procedures.

Particular emphasis has been placed on the strengthening of risk management systems across the aid programme with a focus on the identification of risks and appropriate internal controls for each element of our programmes. The risk management system is designed to alert management to changes in the perceived risk profile of any aspect of the programme so that appropriate action can be taken at the earliest opportunity.

The Standard Approach to Grant Management for the aid programme was developed and approved by the Senior Management Group and implemented by the Department with effect from 1 January 2018. This standard should ensure consistency of approaches to grant management across the programme.

I am committed to ensuring that we continue to strengthen our systems of risk identification and management and to ongoing monitoring and audit to minimise the potential for the misuse of funds in the future.

Shared services

I have fulfilled my responsibilities in relation to the requirements of the Service Management Agreement between this Department/Office and the National Shared Service Office for the provision of (e.g. HR) shared service.

I rely on a letter of assurance from the Accounting Officer of the Vote for Shared Services that the appropriate controls are exercised in the provision of shared services to this Department/Office.

Risk and control framework

The Department has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing the Department and these have been identified, evaluated and graded according to their significance. The register is reviewed by the Management Board at least four times a year. These reviews inform planning and allocation of resources to ensure risks are managed to an acceptable residual level. Evaluation and Audit Unit also carries out periodic reviews of the Department's risk management system as part of its multi-annual internal audit plan.

The risk register details the controls and actions needed to mitigate risks and assigns responsibility for operation of controls to specific staff.

Ongoing monitoring and review of internal controls

Formal procedures have been established for monitoring control processes, and control deficiencies are communicated to those responsible for taking corrective action - and to management and the Management Board - in a timely way. I confirm that key risks and related controls have been identified and processes are in place to monitor the operation of those key controls and report any identified deficiencies.

Review of effectiveness of internal controls

I confirm that the Department has procedures to monitor the effectiveness of its risk management and control procedures. The Department's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors and the senior management within the Department responsible for the development and maintenance of the internal financial control framework.

Internal financial control issues

No weaknesses in internal financial control were identified in relation to 2018 that resulted in, or may result in, a material loss.

Niall Burgess
Accounting Officer
International Co-operation

26 March 2019

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 27 International Co-operation

Opinion on the appropriation account

I have audited the appropriation account for Vote 27 International Co-operation for the year ended 31 December 2018 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993.

In my opinion, the appropriation account

- properly presents the receipts and expenditure of Vote 27 International Co-operation for the year ended 31 December 2018
- has been prepared in the form prescribed by the Minister for Public Expenditure and Reform.

Basis of opinion

I conducted my audit of the appropriation account in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the *Preface to the Appropriation Accounts*. I am independent of the Department of Foreign Affairs and Trade and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on the statement on internal financial control, and on other matters

The Accounting Officer has presented a statement on internal financial control together with the appropriation account. My responsibilities to report in relation to the information in the statement, and on certain other matters upon which I report by exception, are described in the *Preface to the Appropriation Accounts*.

Provision of humanitarian assistance

Chapter 8 of my report on the accounts of the public services for 2018 deals with controls over humanitarian assistance funding.

Seamus McCarthy
Comptroller and Auditor General

20 September 2019

Vote 27 International Co-operation

Appropriation Account 2018

	Estimate provision		2018 Outturn	2017 Outturn
	€000	€000	€000	€000
Programme expenditure				
A Work on poverty and hunger reduction				
<i>Original</i>	500,126			
<i>Supplementary</i>	<u>15,350</u>			
		515,476	514,459	484,280
Gross expenditure				
<i>Original</i>	500,126			
<i>Supplementary</i>	<u>15,350</u>			
		515,476	514,459	484,280
<i>Deduct</i>				
B Appropriations-in-aid		<u>1,170</u>	<u>1,240</u>	<u>1,340</u>
Net expenditure				
<i>Original</i>	498,956			
<i>Supplementary</i>	<u>15,350</u>			
		<u>514,306</u>	<u>513,219</u>	<u>482,940</u>

Surplus for surrender

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

	2018	2017
	€	€
Surplus to be surrendered	<u>1,087,489</u>	<u>2,554,142</u>

Niall Burgess
Accounting Officer
International Co-operation

26 March 2019

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2018

	<u>2018</u>	<u>2017</u>
	<u>€000</u>	<u>€000</u>
Programme cost	486,524	458,314
Pay	15,597	13,857
Non pay	12,338	12,109
Gross expenditure	514,459	484,280
<i>Deduct</i>		
Appropriations-in-aid	1,240	1,340
Net expenditure	513,219	482,940
Changes in capital assets		
Purchases cash	(830)	
Disposals cash	61	
Gain on disposals	(57)	
Depreciation	468	
	<u>(358)</u>	<u>(282)</u>
Changes in net current assets		
Decrease in closing accruals	(4)	
Decrease in stock	29	
	<u>25</u>	<u>1,989</u>
Direct Expenditure	512,886	484,647
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	19	—
Net programme cost	512,905	484,647

1.1 Net allied services expenditure

The net allied services expenditure amount is made up for the following amounts in relation to Vote 27 borne elsewhere.

	<u>2018</u>	<u>2017</u>
	<u>€000</u>	<u>€000</u>
Vote 18 National Shared Services Office	19	—

Note 2 Statement of Financial Position as at 31 December 2018

	Note	2018 €000	2017 €000
Capital assets	2.2	11,639	11,281
Current assets			
Stocks		32	61
Prepayments		1,347	1,282
Other debit balances		183	120
Net Exchequer funding due	2.5	8,195	(892)
Total current assets		9,757	571
Less current liabilities			
Bank and cash	2.3	1,464	(5,729)
Accrued expenses		263	202
Other credit balances	2.4	298	244
Bilateral and other co-operation fund (grant) account	7	6,616	4,713
Total current liabilities		8,641	(570)
Net current assets		1,116	1,141
Net assets		12,755	12,422
Represented by:			
State funding account	2.1	12,755	12,422

2.1 State funding account

	Note	2018 €000	2017 €000
Balance at 1 January		12,422	11,774
Disbursements from the Vote			
Estimate provision	Account	514,306	
Surplus to be surrendered	Account	(1,087)	
Net vote		513,219	482,940
Expenditure borne elsewhere	1	19	—
Assets transferred from Vote 28		—	2,982
Fixed asset adjustment		—	(627)
Net programme cost	1	(512,905)	(484,647)
Balance at 31 December		12,755	12,422

2.2 Capital assets

	Land and buildings	Equipment	Furniture and fittings	Vehicles	Total
	€000	€000	€000	€000	€000
Gross assets					
Cost or valuation at 1 January 2018	10,446	1,577	813	2,679	15,515
Additions	41	107	6	676	830
Disposals	—	(157)	(47)	(386)	(590)
Cost or valuation at 31 December 2018	10,487	1,527	772	2,969	15,755
Accumulated depreciation					
Opening balance at 1 January 2018	—	1,326	723	2,185	4,234
Depreciation for the year	—	113	21	334	468
Depreciation on disposals	—	(156)	(44)	(386)	(586)
Cumulative depreciation at 31 December 2018	—	1,283	700	2,133	4,116
Net assets at 31 December 2018					
	10,487	244	72	836	11,639
Net assets at 31 December 2017	10,446	251	90	494	11,281

2.3 Bank and cash

at 31 December	2018	2017
	€000	€000
PMG balance	(1,780)	5,242
Commercial bank account balances ^a	316	487
	(1,464)	5,729

Note ^a In addition, mission bank balances amounting to €1.2 million are held in bank accounts controlled by Irish embassies and Irish Aid offices in nine countries.

2.4 Other credit balances

at 31 December	2018	2017
	€000	€000
Amounts due to the State		
Professional Services Withholding Tax	105	54
Value Added Tax	1	1
	<u>106</u>	<u>55</u>
Other credit balances	192	189
	<u>298</u>	<u>244</u>

2.5 Net Exchequer funding due

at 31 December	2018	2017
	€000	€000
Surplus to be surrendered	1,087	2,554
Exchequer grant undrawn	(9,282)	(1,662)
Net Exchequer funding due	<u>(8,195)</u>	<u>892</u>

Represented by:**Debtors**

Debit balances: suspense	183	120
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Creditors

Bank and cash	(1,464)	5,729
Due to State	(106)	(55)
Credit balances: suspense	(192)	(189)
Bilateral and other co-operation fund (grant) account	(6,616)	(4,713)
	<u>(8,378)</u>	<u>772</u>
	<u>(8,195)</u>	<u>892</u>

2.6 Commitments

at 31 December	2018	2017
	€000	€000
Procurement of goods and services, including rental commitments	<u>3,886</u>	<u>2,640^a</u>

Note ^a Previously, rental commitments were those payable one year ahead. Now, all commitments are included, the comparative figure has been restated, on the same basis as the current year, to include total amounts payable under legally enforceable contracts.

Note 3 Vote Expenditure

Analysis of administration expenditure

	2018		2017	
	Estimate provision		Outturn	
	€000	€000	€000	
i	Salaries, wages and allowances	16,261	15,597	13,857
ii	Travel and subsistence	1,700	1,857	1,651
iii	Training and development and incidental expenses	1,800	1,990	1,644
iv	Postal and telecommunications services	1,550	1,166	1,148
v	Office equipment and external IT services	1,420	1,140	1,217
vi	Office premises expenses			
	<i>Original</i>	6,430		
	<i>Supplementary</i>	(1,650)		
		4,780	4,105	4,423
vii	Consultancy services and value for money and policy reviews	500	123	208
viii	Promotional support and accommodation	1,800	1,957	1,818
		29,811	27,935	25,966

Significant variations

The following outlines the reasons for significant variations in administration expenditure (+/- 25% and €100,000).

i Salaries, wages and allowances

Estimate provision: €16.261 million, outturn: €15.597 million

The underspend of €664,000 on expenditure on salaries, wages and allowances was due to delays in filling vacancies as a result of the time required to complete a comprehensive recruitment process.

iv Postal and telecommunications services

Estimate provision: €1.55 million, outturn: €1.166 million

The underspend of €384,000 on postal and telecommunications services was due to savings achieved on satellite and communications costs.

vi Office premises expenses

Estimate provision: €6.43 million, outturn: €4.105 million

The underspend of €2.325 million on office premises expenses was due to a delay in commencing capital development works and the shortfall in expenditure was used to reduce the supplementary allocation required on Programme A.

vii Consultancy services and value for money and policy reviews

Estimate provision: €500,000, outturn: €123,000

The underspend of €377,000 on consultancy services and value for money and policy reviews was due to requirements for general consultancy services being lower than anticipated.

Programme A Work on poverty and hunger reduction

		2018		2017
		Estimate provision		Outturn
		€000	€000	€000
A.1	Administration - pay		16,261	15,597
A.2	Administration - non pay			13,857
	<i>Original</i>	15,200		
	<i>Supplementary</i>	<u>(1,650)</u>		
			13,550	12,338
A.3	Bilateral co-operation and humanitarian assistance			12,109
	<i>Original</i>	374,442		
	<i>Supplementary</i>	<u>10,200</u>		
			384,642	384,642
A.4	Contributions to international funds for the benefit of developing countries			367,854
	<i>Original</i>	57,271		
	<i>Supplementary</i>	<u>3,500</u>		
			60,771	60,757
A.5	Contributions to United Nations and other development agencies			53,200
	<i>Original</i>	36,952		
	<i>Supplementary</i>	<u>3,300</u>		
			40,252	41,125
			515,476	514,459
				484,280

Significant variations

Overall the expenditure in relation to Programme A was €14.333 million higher than (originally) provided. A supplementary estimate of €15.35 million was provided to facilitate the delivery of the Government's ODA/GNI % target for the year. The variation of €3.526 million in administration expenditure has already been explained. The balance of the variance was mainly due to the following.

- A.4 *Contributions to international funds for the benefit of developing countries*
 Estimate provision: €57.271 million, outturn: €60.757 million
 The supplementary allocation of €3.5 million was provided to support the EU Trust Funds, which includes payments to the Turkey Refugee Facility.
- A.5 *Contributions to United Nations and other development agencies*
 Estimate provision: €36.952 million, outturn €41.125 million
 The supplementary allocation of €3.3 million to UN Organisations was provided to support key priorities supporting humanitarian, gender equality and children's rights.

Note 4 Receipts

4.1 Appropriations-in-aid

	2018		2017
	Estimated	Realised	
	€000	€000	€000
1. Appropriations-in-aid	450	659	846
2. Receipts from pension-related deduction on public service remuneration	720	581	494
Total	1,170	1,240	1,340

Significant variations

Overall, appropriations-in-aid were €70,000 more than the estimate were as forecast.

Explanations for variances are set out below:

1 *Appropriations-in-aid*

Estimate provision: €450,000, outturn: €659,000

The increase of €209,000 was due to higher than anticipated passport/consular fees which are demand driven, and VAT refunds in embassies overseas.

2 *Receipts from pension-related deduction on public service remuneration*

Estimate provision: €720,000, outturn: €581,000

The shortfall of €139,000 was due to the lower than anticipated pay cost due to the delays in filling staff vacancies.

Note 5 Staffing and Remuneration

5.1 Employee numbers (full time equivalents)

	2018	2017
Number of staff at year end	249	229

5.2 Pay

	2018	2017
	€000	€000
Pay	14,126	12,592
Higher, special or additional duties allowance	21	28
Other allowances	24	22
Overtime	42	38
Employer's PRSI	1,004	846
Foreign social security and other costs	380	331
Total pay	15,597	13,857

Note In addition, security staff costs in the missions are charged to security costs under incidental expenses.

5.3 Allowances and overtime payments

	Number of recipients	Recipients of €10,000 or more	Highest individual payment	
			2018	2017
			€	€
Higher, special or additional duties	2	1	19,568	10,941
Other allowances	8	—	6,997	5,004
Overtime	5	2	11,286	12,191
Extra remuneration in more than one category	2	2	15,522	17,195

5.4 Other remuneration

Two retired civil servants in receipt of civil service pensions were re-engaged, on a fee basis, at a total cost of €12,200.

5.5 Payroll overpayments

Overpayments at the year end were €39,421 in respect of 25 individuals (2017: €Nil,0 cases). Of this, €19,849 have recovery plans in place in respect of 14 individuals

5.6 Redundancy and severance

During 2018, one staff member whose employment was terminated, was paid a severance payment totalling €6,046.

Note 6 Miscellaneous Items

6.1 Contributions to United Nations and other development agencies (A.5)

	2018	2017
	€000	€000
United Nations Development Programme (UNDP)	7,750	7,750
United Nations Children's Fund (UNICEF)	8,200	7,200
United Nations High Commissioner for Refugees (UNHCR)	7,500	7,500
United Nations Population Fund	3,500	3,300
Office of the United Nations High Commissioner for Human Rights	2,300	2,138
UNAIDS	2,400	2,400
United Nations Development Fund for Women (UNIFEM)	1,500	1,500
UN General Trust Fund	2,480	50
UN Industrial Development Organisation	372	471
UN Relief and Works Agency for Palestine Refugees in the Near East (UNWRA)	4,000	4,000
United Nations Environment Programme Trust Fund (UNEP)	343	247
United Nations volunteers	500	500
Others - various	280	204
	41,125	37,260

Note 7 Bilateral and other co-operation fund (grant) account

Account of receipts and payments during the year ended 31 December 2018

	2018	2017
	€000	€000
Balance on 1 January	4,713	9,570
Grant	384,642	367,854
Amounts recovered during the year	2,075	1,905
Expenditure for the year	(384,814)	(374,616)
Balance on 31 December	6,616	4,713

Note In addition, at 31 December 2018, unspent balances totalling €1.2 million (2017: €1.4 million) were held in bank accounts controlled by Irish embassies and Irish Aid offices in nine countries.