

Appropriation Account 2018

Vote 39

Office of Government Procurement

Introduction

As Secretary General of the Department of Public Expenditure and Reform, I am the Accounting Officer for Vote 39. I am required 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 the salaries and expenses of the Office of Government Procurement.

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, and
- provided for capital supply services in 2018 out of unspent 2017 appropriations, under the deferred surrender arrangements established by Section 91 of the Finance Act 2004.

A surplus of €5.428 million is liable for surrender to the Exchequer.

The Statement of Accounting Policies and Principles and notes 1 to 6 form part of the account.

Statement of Accounting Policies and Principles

The standard accounting policies and principles for the production of appropriation accounts as set out by the Department of Public Expenditure and Reform in Circular 24 of 2018 have been applied in the preparation of the account.

Statement on Internal Financial Control

Responsibility for the 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. A 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 the requirements of the service management agreement between this Office and the National Shared Service Office for the provision of HR and payroll shared services.

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 Office.

The position in regard to the financial control environment, the framework of administrative procedures, management reporting and internal audit is as follows.

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.
- Procedures for all key business processes have been documented.
- There are systems in place to safeguard the assets.

The Statement on 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 39.

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 Office 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, including the requirements 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 scope of Internal Audit and the Audit Committee includes the operations of the Office of Government Procurement. 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.

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 and updated by the management board on a quarterly basis. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

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

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, where relevant, in a timely way. I confirm that key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies.

Review of effectiveness of 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.

Robert Watt
Accounting Officer
Office of Government Procurement

27 March 2019

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 39 Office of Government Procurement

Opinion on the appropriation account

I have audited the appropriation account for Vote 39 Office of Government Procurement 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 39 Office of Government Procurement 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 Office of Government Procurement 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*.

I have nothing to report in that regard.

Seamus McCarthy
Comptroller and Auditor General

19 September 2019

Vote 39 Office of Government Procurement

Appropriation Account 2018

	Estimate provision		2018	2017
	€000	€000	Outturn	Outturn
			€000	€000
Programme expenditure				
A Delivery of central procurement service				
<i>Current year provision</i>	21,020			
<i>Deferred surrender</i>	100	21,120	15,546	13,586
Gross expenditure		21,120	15,546	13,586
<i>Deduct</i>				
B Appropriations-in-aid		550	500	448
<i>Current year provision</i>	20,470			
<i>Deferred surrender</i>	100			
Net expenditure		20,570	15,046	13,138

Surplus

The surplus of the amount provided over the net amount applied is liable for surrender to the Exchequer. Under Section 91 of the Finance Act 2004, all or part of any unspent appropriations for capital supply services may be carried over for spending in the following year. €96,000 of unspent allocations in respect of the capital elements of Subhead A.2 was carried forward to 2019.

	2018	2017
	€	€
Surplus	5,524,264	6,932,461
Deferred surrender	(96,000)	(100,000)
Surplus to be surrendered	5,428,264	6,832,461

Robert Watt

Accounting Officer
Office of Government Procurement

27 March 2019

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2018

	2018	2017
	€000	€000
Programme cost	2,177	1,829
Pay	11,881	10,529
Non pay	1,488	1,228
Gross expenditure	15,546	13,586
<i>Deduct</i>		
Appropriations-in-aid	500	448
Net expenditure	15,046	13,138
Changes in capital assets		
Purchases cash	(63)	
Depreciation	328	265
		326
Changes in net current assets		
Decrease in closing accruals	(275)	
Increase in stock	(2)	
		(277)
Direct expenditure	15,034	13,658
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	1,569	924
Notional rent	48	48
Net programme cost	16,651	14,630

1.1 Net allied services expenditure

The net allied services expenditure amount is made up of the following amounts in relation to Vote 39 borne elsewhere.

	2018	2017
	€000	€000
Vote 7 Finance	59	52
Vote 11 Public Expenditure and Reform	187	163
Vote 12 Superannuation and Retired Allowances ¹	360	—
Vote 13 Office of Public Works	943	697
Vote 18 National Shared Services Office	20	12
	1,569	924

¹ Superannuation and retired allowances for OGP were previously disclosed in the net allied services expenditure note of the appropriation account for Vote 11 Office of the Minister for Public Expenditure and Reform.

Note 2 Statement of Financial Position as at 31 December 2018

	Note	2018 €000	2017 €000
Capital assets	2.2	628	1,041
Current assets			
Bank and cash	2.3	1,109	692
Stocks		6	4
Prepayments		493	342
Other debit balances	2.4	100	99
Total current assets		<u>1,708</u>	<u>1,137</u>
Less current liabilities			
Accrued expenses		137	262
Other credit balances	2.5	342	515
Net Exchequer funding due	2.6	867	276
Total current liabilities		<u>1,346</u>	<u>1,053</u>
Net current assets		<u>362</u>	<u>84</u>
Net assets		<u>990</u>	<u>1,125</u>
Represented by:			
State funding account	2.1	<u>990</u>	<u>1,125</u>

2.1 State funding account

	Note	2018 €000	2017 €000
Balance at 1 January		1,125	1,768
Disbursements from the Vote			
Estimate provision	Account	20,570	
Deferred surrender	Account	(96)	
Surplus to be surrendered	Account	<u>(5,428)</u>	
Net vote		15,046	13,138
Expenditure (cash) borne elsewhere	1.1	1,569	924
Non cash items – capital assets adjustment		(147)	(123)
Non cash items – notional rent		48	48
Net programme cost	1	<u>(16,651)</u>	<u>(14,630)</u>
Balance at 31 December		<u>990</u>	<u>1,125</u>

2.2 Capital assets

	IT equipment	Furniture and fittings	Office equipment	Total
	€000	€000	€000	€000
Gross assets				
Cost or valuation at 1 January 2018	1,580	304	10	1,894
Additions	63	—	—	63
Adjustment ^a	(93)	(133)	(4)	(230)
Cost or valuation at 31 December 2018	1,550	171	6	1,727
Accumulated Depreciation				
Opening balance at 1 January 2018	767	82	5	854
Depreciation for the year	310	17	1	328
Depreciation on adjustment	(51)	(31)	(1)	(83)
Cumulative depreciation at 31 December 2018	1,026	68	5	1,099
Net Assets at 31 December 2018	524	103	1	628
Net Assets at 31 December 2017	813	222	6	1,041

^a The adjustment relates to the removal of individual asset values of under €1,000 from the asset register. The assets are still in use.

2.3 Bank and cash

at 31 December	2018	2017
	€000	€000
PMG balances	1,109	691
Other bank accounts	—	1
	1,109	692

2.4 Other debit balances

at 31 December	2018	2017
	€000	€000
Travel pass	97	90
OPW advances	2	4
Other debit suspense items	1	5
	100	99

2.5 Other credit balances

at 31 December	2018	2017
	€000	€000
Amounts due to the State		
Income Tax	145	176
Pay Related Social Insurance	110	131
Professional Services Withholding Tax	27	23
Pension contributions	—	45
Local Property Tax	1	2
Universal Social Charge	30	40
VAT	29	54
	<u>342</u>	<u>471</u>
Payroll deductions held in suspense	—	43
Other credit suspense items	—	1
	<u>342</u>	<u>515</u>

2.6 Net Exchequer funding due

at 31 December	2018	2017
	€000	€000
Surplus to be surrendered	5,428	6,832
Deferred surrender	96	100
Exchequer grant undrawn	(4,657)	(6,656)
Net Exchequer funding due	<u>867</u>	<u>276</u>
Represented by:		
Debtors		
Bank and cash	1,109	692
Debit balances: suspense	100	99
	<u>1,209</u>	<u>791</u>
Creditors		
Due to State	(342)	(471)
Credit balances: suspense	—	(44)
	<u>(342)</u>	<u>(515)</u>
	<u>867</u>	<u>276</u>

2.7 Commitments

at 31 December	2018	2017
	€000	€000
Procurement of goods and services	<u>1,329</u>	<u>2,593</u>

2.8 Matured liabilities

	2018	2017
	€000	€000
Estimate of matured liabilities not discharged at year end	<u>2</u>	<u>15</u>

Note 3 Vote Expenditure

Analysis of administration expenditure

		2018	2017
	Estimate provision	Outturn	Outturn
	€000	€000	€000
i	Salaries, wages and allowances	14,500	10,529
ii	Travel and subsistence	250	202
iii	Training and development and incidental expenses	735	585
iv	Postal and telecommunications services	160	89
v	Office equipment and external IT services	360	206
vi	Office premises expenses	230	145
		16,235	11,756

Significant variations

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

- i Salaries, wages and allowances*
 Estimate provision: €14.5 million, outturn: €11.881 million
 The sanctioned allocation was calculated on the basis that full capacity would be reached by the end of the year. Difficulties with staff turnover meant that full capacity was not reached.
- iv Postal and telecommunications services*
 Estimate provision: €160,000, outturn: €92,000
 Delays in the recruitment and turnover of staff have led to an underspend in administrative non pay.
- v Office equipment and external IT services*
 Estimate provision: €360,000, outturn: €256,000
 The aforementioned delays and turnover of staff have also led to an underspend in this area. The main drivers for these subheads is (a) expenditure by the OGCI0 for their service provision and (b) expenditure relating to additional fit out of hub offices, resulting from the on-boarding of new staff.
- vi Office premises expenses*
 Estimate provision: €230,000, outturn: €127,000
 The underspend within this subhead is largely due to the timing of utility charges from the hub offices and premises maintenance not occurring as profiled.

Programme A Delivery of Central Procurement Services

		2018		2017
		Estimate provision		Outturn
		€000	€000	€000
A.1	Administration – pay		14,500	11,881
A.2	Administration – non pay			
	<i>Current year provision</i>	1,735		
	<i>Deferred surrender</i>	100	1,835	1,488
A.3	Procurement consultancy and other costs		4,785	2,177
	Total		21,120	15,546
				13,586

Significant variations

Overall, the expenditure in relation to the programme was approximately €5.574 million lower than provided. €2.966 million of this related to underspending on administration and has already been explained. The balance of the variance €2.608 million was mainly due to the following:

A.3 Procurement consultancy and other costs

Estimate Provision: €4.785 million, outturn: €2.177 million

This underspend is due to lower than expected costs relating to sourcing support and also reorganisation of resource requirements within the invoicing business unit.

Note 4 Receipts

4.1 Appropriations-in-aid

	2018		2017
	Estimated €000	Realised €000	Realised €000
1. Receipts from pension-related deduction on public service remuneration	500	467	401
2. Miscellaneous	50	33	47
Total	550	500	448

4.2 Extra receipts payable to the Exchequer

	2018 €000	2017 €000
Balance at 1 January	—	—
Rebates from suppliers	89	72
Transferred to the Exchequer	(89)	(72)
Balance at 31 December	—	—

Note 5 Staffing and Remuneration

5.1 Employee numbers (full time equivalents)

	2018	2017
Number of staff at year end	223	184

5.2 Pay

	2018	2017
	€000	€000
Pay	10,895	9,685
Higher, special or additional duties allowance	12	12
Other allowances	1	3
Overtime	3	1
Employer's PRSI	970	828
Total pay	11,881	10,529

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	1	1	11,556	11,600
Other allowances	1	—	666	2,402
Overtime	5	—	1,863	235

5.4 Payroll overpayments

Overpayments at the year-end were €33,673 in respect of 17 individuals (2017: €27,913, nine individuals). Of this, €20,086 have recovery plans in place in respect of five individuals (2017: €3,846, two individuals).

Recovery plans, to the value of €2,185 were transferred to other departments in 2018.

Note 6 Miscellaneous

6.1 Compensation and legal costs

An unsuccessful bidder challenged an OGP procurement competition for translation services. There were, in effect, two actions in relation to this case.

The first related to the appeal against the decision by the High Court to lift the automatic suspension which the Court of Appeal allowed. The OGP appealed this decision to the Supreme Court which refused to accept the appeal.

The second related to the substantive issue of the evaluation process. The case had been successfully defended in the High Court but the Court of Appeal found two manifest errors in the evaluation process and made an order setting aside the decision to award the contract. This was also appealed to the Supreme Court which granted leave to appeal in October. A hearing is expected during 2019.

Costs to be paid by the Office of Government Procurement in relation to these actions have been estimated to be of the order of €1 million.