

Appropriation Account 2020

Vote 8

Office of the

Comptroller and Auditor General

Introduction

As Accounting Officer for Vote 8, 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 2020 for the salaries and expenses of the Office of the Comptroller and Auditor General.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2020, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €1.431 million is liable for surrender to the Exchequer.

The Statement of Accounting Policies and Principles and notes 1 to 5 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 22 of 2020, have been applied in the preparation of the account. In line with advanced notice of Circular 27 of 2019 Requirements for Appropriation Account 2019 to accommodate the transition to the Financial Management Shared Services system (FMSS), depreciation was calculated on a monthly basis and the threshold for including assets was increased to €10,000. In addition, the following accounting policies have been adopted.

Accrued audit fee income

Accrued audit fee income represents audits where an opinion had been reported at the year-end but the fee had not yet been invoiced.

Work in progress

Work in progress represents the estimated recoverable value associated with work undertaken on audits where a fee is chargeable but where the audit had not been completed at year end. The value of work in progress is calculated as a percentage of the agreed audit fee, based on the status of the audit at year end.

The percentage used is as follows

- account cleared for certification 90%
- audit review stage 75%
- fieldwork complete 60%
- final audit in progress 30%
- interim audit completed 15%
- interim audit in progress 10%

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 Office.

This responsibility is exercised in the context of the resources available to me as Accounting Officer. 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 control is a continuous process and the system and its effectiveness are kept under ongoing review.

Shared services

I have fulfilled my responsibilities in relation to the requirements of the service management agreement between this Office and the National Shared Services Office for the provision of human resources and payroll processing shared services.

I rely on a letter of assurance from the Accounting Officer of the National Shared Services Office 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.

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 Office
- there are systems aimed at ensuring the security of the ICT systems
- 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. Expenditure on goods and services, including the cost of contracted-in staff, amounted to a total of €2.38 million in 2020.

Internal audit and Audit Committee

I confirm that the Office has an internal audit function provided by a private firm 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 Office 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.

Risk and control framework

The Office 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 Management Committee (RMC) comprising the three Directors of Audit oversees the risk management process.

A risk register is in place which records the key risks facing the Office and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the RMC 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 results of risk management activities are reported to the Audit Committee.

The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned 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, 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

I confirm that the Office has procedures to monitor the effectiveness of its risk management and control procedures. The Office'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 Office responsible for the development and maintenance of the internal financial control framework.

Covid-19 pandemic

In March 2020, in response to the Covid-19 pandemic, the Office activated its business continuity plan. This resulted in the Office becoming a predominantly remote-working organisation, without any significant immediate disruption to its operations. Given the duration of the organisation-wide remote working, an emphasis has been placed on maintaining an effective control environment, through measures such as updated policies and procedures, additional cybersecurity including data-protection training, management communications and a focus on staff engagement and well-being. Robust information management policies and procedures were in place to mitigate against the increased risk arising from continued access during remote working to the records of government departments and public bodies which is required to deliver on the Office's mandate. Specific risks arising from the remote-working environment and appropriate mitigation have been considered at both Risk Management Committee and Audit Committee meetings. In addition, an assessment of the impact of the changed working environment on financial controls was carried out by internal audit. This found that controls were operating satisfactorily.

Significant financial risk

Audit fees are charged for certain financial audits, as provided for in the Comptroller and Auditor General (Amendment) Act 1993. The fees form a significant proportion of the resources of the Office and a number of procedures have been put in place to ensure that costs are recovered for relevant audits. These measures include

- an annual review of the basis on which fees are charged, including a review of the recovery of costs on individual audits over time
- systems which record audit costs, audit progress and billing information
- the monitoring of financial information including audit costs and fee recovery.

Internal financial control issues

No weaknesses in internal financial control were identified in relation to 2020 that require disclosure in the appropriation account.

Colette Drinan
Accounting Officer
Office of the Comptroller and Auditor General

19 March 2021

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 8 Office of the Comptroller and Auditor General

Opinion on the appropriation account

The appropriation account for Vote 8 Office of the Comptroller and Auditor General for the year ended 31 December 2020 has been audited on my behalf by Mazars, Chartered Accountants and Statutory Auditors under section 13 of the Comptroller and Auditor General (Amendment) Act 1993.

On the basis of their audit and report, in my opinion, the appropriation account

- properly presents the receipts and expenditure of Vote 8 Office of the Comptroller and Auditor General for the year ended 31 December 2020, and
- has been prepared in the form prescribed by the Minister for Public Expenditure and Reform.

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

23 April 2021

Opinion to the Comptroller and Auditor General in accordance with Section 13 of the Comptroller and Auditor General (Amendment) Act 1993

Report on the audit of the appropriation account

Opinion

As the auditor appointed under Section 13 of the Comptroller and Auditor General (Amendment) Act 1993, we have audited the appropriation account for Vote 8 Office of the Comptroller and Auditor General for the year ended 31 December 2020.

In our opinion, the appropriation account of the Vote for the Office of the Comptroller and Auditor General properly presents the receipts and expenditure of the Vote for the year ended 31 December 2020 and there are no matters on which we need to report, pursuant to Section 3(10) of the Comptroller and Auditor General (Amendment) Act 1993.

Basis of Opinion

We conducted our audit of the appropriation account of the Office of the Comptroller and Auditor General in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)), applicable law and Section 3 of the Comptroller and Auditor General (Amendment) Act 1993. Our responsibilities under those standards are described in the Auditor's responsibilities for the audit of the appropriation account section of our report. We are independent of the entity in accordance with ethical requirements that are relevant to audits in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have obtained all the information and explanations which we considered necessary for the purposes of our audit. In our opinion, proper accounting records have been kept by the Office of the Comptroller and Auditor General. The appropriation account is in agreement with the accounting records.

Statement on Internal Financial Control

We have reviewed the information contained in the Statement on Internal Financial Control. We have nothing to report in this regard.

Responsibilities of the Accounting Officer

Under Section 22 of the Exchequer and Audit Departments Act 1866, the Accounting Officer is responsible for the preparation of the appropriation account. She is also responsible, *inter alia*, for the safeguarding of public funds and for the regularity and propriety of all transactions in the appropriation account.

Auditor's responsibilities for the audit of the Appropriation Account

It is our responsibility to audit the appropriation account in accordance with relevant legal and regulatory requirements and the ISAs. Our objective is to obtain reasonable assurance about whether the appropriation account is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the appropriation account.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the appropriation account, of whether the transactions recorded in the account conform with the authority under which they purport to have been carried out, and of whether the accounting provisions of *Public Financial Procedures* have been complied with. A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at:

http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Comptroller and Auditor General, in accordance with Section 13 of the Comptroller and Auditor General (Amendment) Act 1993. Our audit work has been undertaken so that we can state to the Comptroller and Auditor General those matters we are required to state to him in our opinion and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Comptroller and Auditor General, for the audit work, for this report, or for the opinions we have formed.

Bernard Barron

For and on behalf of

Mazars

Chartered Accountants and Registered Auditors
Dublin 2

22 April 2021

Vote 8 Office of the Comptroller and Auditor General

Appropriation Account 2020

	<u>2020</u>	<u>2019</u>
	Estimate provision €000	Outturn €000
		Outturn €000
Programme expenditure		
A Audit and reporting	15,147	14,301
		<u>13,799</u>
Gross expenditure	15,147	14,301
<i>Deduct</i>		
B Appropriations-in-aid	6,031	7,764
		<u>7,764</u>
Net expenditure	9,116	6,035

Surplus

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

	<u>2020</u>	<u>2019</u>
	€	€
Surplus to be surrendered	<u>1,430,614</u>	<u>2,622,325</u>

Colette Drinan
Accounting Officer
Office of the Comptroller and Auditor General

19 March 2021

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2020

	2020	2019
	€000	€000
Pay	11,759	10,871
Non pay	2,542	2,928
Gross expenditure	14,301	13,799
<i>Deduct</i>		
Appropriations-in-aid	6,616	7,764
Net expenditure	7,685	6,035
Changes in capital assets		
Purchases cash	(82)	
Depreciation	170	88
		203
Changes in net current assets		
Decrease in closing accruals	(550)	
Increase in stock	(5)	(555)
		559
Direct expenditure	7,218	6,797
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	3,576	3,255
Notional rents	11	22
Net programme cost	10,805	10,074

1.1 Net allied services expenditure

The net allied services expenditure amount is made up of the following amounts in relation to Vote 8 borne elsewhere.

	2020	2019
	€000	€000
Vote 9 Office of the Revenue Commissioners	30	30
Vote 12 Superannuation and Retired Allowances	1,890	1,523
Vote 13 Office of Public Works	997	1,056
Vote 18 National Shared Services Office	19	17
Vote 43 Office of the Government Chief Information Officer	220	175
Central Fund	420	454
	3,576	3,255

Note 2 Statement of Financial Position as at 31 December 2020

	Note	2020 €000	2019 €000
Capital assets	2.1	741	877
Current assets			
Bank and cash	2.2	375	68
Stocks		7	2
Prepayments		360	202
Other debit balances	2.3	34	145
Audit fees recoverable	2.4	2,316	1,841
Net Exchequer funding	2.6	—	189
Total current assets		3,092	2,447
Less current liabilities			
Accrued expenses		112	29
Other credit balances	2.5	408	402
Net Exchequer funding	2.6	1	—
Total current liabilities		521	431
Net current assets		2,571	2,016
Net assets		3,312	2,893
Represented by:			
State funding account	2.7	3,312	2,893

2.1 Capital assets

	Furniture and fittings €000	Office equipment €000	Total €000
Gross assets			
Cost or valuation at 1 January 2020	1,682	1,119	2,801
Additions	—	82	82
Disposals	—	(206)	(206)
Adjustments ^a	(27)	(555)	(582)
Cost or valuation at 31 December 2020	1,655	440	2,095
Accumulated depreciation			
Opening balance at 1 January 2020	841	1,083	1,924
Depreciation for the year	166	4	170
Depreciation on disposals	—	(206)	(206)
Adjustments ^a	(13)	(521)	(534)
Cumulative depreciation at 31 December 2020	994	360	1,354
Net assets at 31 December 2020	661	80	741
Net assets at 31 December 2019	841	36	877

Note ^a These adjustments relate to the removal of individual items with values of under €10,000 from the asset register as per Circular 21/2020: *Increase in the Value Threshold for Inclusion of Assets in Asset Register*.

2.2 Bank and cash

at 31 December	2020 €000	2019 €000
PMG balances and cash	375	(121)
Commercial bank account balance	—	189
	375	68

All PMG accounts transferred to the commercial bank 'Danske Bank' from 1 October 2018.

Other commercial bank accounts

The Office held one commercial bank account at year end 2019 which was closed in January 2020.

2.3 Other debit balances

at 31 December	2020 €000	2019 €000
Recoupable travel expenditure and travel pass scheme	31	125
Recoupable expenditure from co-tenants	—	20
Salary suspense	3	—
	34	145

2.4 Audit fees recoverable

at 31 December	2020	2019
	€000	€000
Audit fee debtors	89	611
Accrued audit fee income	1,988	694
Work in progress	239	536
	2,316	1,841

2.5 Other credit balances

at 31 December	2020	2019
	€000	€000
Amounts due to the State		
Income tax	148	136
Pay related social insurance	105	101
Professional services withholding tax	12	21
Value added tax	53	51
Local property tax	—	1
Universal social charge	29	28
	347	338
Payroll deductions held in suspense	61	64
	408	402

2.6 Net Exchequer funding

at 31 December	2020	2019
	€000	€000
Surplus to be surrendered	1,431	2,622
Exchequer grant undrawn	(1,430)	(2,811)
Net Exchequer funding	1	(189)
Represented by:		
Debtors		
Bank and cash	375	68
Debit balances: suspense	34	145
	409	213
Creditors		
Due to the State	347	338
Credit balances: suspense	61	64
	408	402
	1	(189)

2.7 State funding account

	Note	2020	2019
		€000	€000
Balance at 1 January		2,893	3,956
Disbursements from the Vote			
Estimate provision	Account	9,116	
Surplus to be surrendered	Account	(1,431)	
Net Vote		7,685	6,035
Expenditure (cash) borne elsewhere	1.1	3,576	3,255
Non cash items – capital asset adjustments	2.1	(48)	(301)
Non cash expenditure – notional rent	1	11	22
Net programme cost	1	(10,805)	(10,074)
Balance at 31 December		3,312	2,893

2.8 Commitments

at 31 December	2020	2019
	€000	€000
Procurement of goods and services	—	20

2.9 Matured liabilities

at 31 December	2020	2019
	€000	€000
Estimate of matured liabilities not discharged at year end	28	—

Note 3 Vote Expenditure

Analysis of administration expenditure

All of the allocation for Vote 8 Office of the Comptroller and Auditor General is classified as administration expenditure applied towards a single programme: audit and reporting.

	Estimate provision €000	2020		2019
		Outturn	Outturn	Outturn
		€000	€000	€000
i Salaries, wages and allowances	12,156	11,759		10,871
ii Travel and subsistence	546	156		611
iii Training and development and incidental expenses	365	467		491
iv Postal and telecommunications services	100	55		50
v Office equipment and external IT services	473	703		438
vi Office premises expenses	217	130		178
vii Consultancy services and value for money and policy reviews	125	170		30
viii Legal fees	45	37		42
ix Contract audit services	1,120	824		1,088
	15,147	14,301		13,799

Significant variations

The following note presents an analysis of the administration expenditure of the Vote and outlines the reasons for significant variations (+/- 25% or more and €100,000 or more).

ii Travel and subsistence

Estimate provision €546,000; outturn €156,000

The decrease of €390,000 is due to the public health emergency which significantly decreased business travel.

iii Training and development and incidental expenses

Estimate provision €365,000; outturn €467,000

The increase of €102,000 is mainly due to higher than anticipated learning and development costs and public health emergency costs. The latter were incurred in relation to implementation of safety measures, provision of personal protective equipment and safety training to staff.

v Office equipment and external IT services

Estimate provision €473,000; outturn €703,000

The increase of €230,000 is due to the costs of additional equipment purchased as a result of prolonged remote working arrangements, additional equipment purchased to accommodate social distanced teleconferencing and additional licence costs.

ix Contract audit services

Estimate provision €1.12 million; outturn €824,000

The decrease of €296,000 on this subhead is mainly due to the lower than anticipated engagement of external consulting during 2020. This subhead covers the costs of work outsourced to audit firms and the costs of external consultants or advisors required to assist in the carrying out of examinations and audits. External consultancy is used in Value for Money reports and other studies where the scope requires expertise not available in-house.

Note 4 Receipts

4.1 Appropriations-in-aid

	2020		2019
	Estimated €000	Realised €000	Realised €000
1 Audit fees	5,519	6,277	7,390
2 Receipts from additional superannuation contributions on public service remuneration	512	339	374
	6,031	6,616	7,764

Significant variations

The following outlines the reasons for significant variations in receipts (+/- 5% and €100,000). Overall, appropriations-in-aid were €584,000 more than the estimate. Explanations for variances are set out below:

1 Audit fees

Estimate €5.519 million; realised €6.277 million

The increase of €758,000 was due to more audits being completed and billed during the period than estimated.

2 Receipts from additional pension contributions from public service remuneration

Estimate €512,000; realised €339,000

The shortfall of €173,000 was due to an over estimation. This over estimation was rectified during the 2021 estimate process.

Note 5 Staffing and Remuneration

5.1 Employee numbers

Full time equivalents	2020	2019
Number of staff at year end	<u>180</u>	<u>185</u>

5.2 Pay

	2020	2019
	€000	€000
Pay	10,760	9,966
Higher, special or additional duties allowances	20	19
Overtime	2	2
Employer's PRSI	977	884
Total pay	<u>11,759</u>	<u>10,871</u>

5.3 Allowances and overtime payments

at 31 December	Number of recipients	Recipients of €10,000 or more	Highest individual payment	
			2020	2019
			€	€
Higher, special or additional duties allowances	4	—	9,801	10,703
Overtime	1	—	1,633	2,431

No member of staff received additional payments in more than one category.

5.4 Other remuneration arrangements

Two retired civil servants in receipt of civil service pensions were re-engaged in 2020 on a fee basis at a total cost of €18,200. The payments made were consistent with the principles of the Public Service (Single Scheme and other Provisions) Act 2012.

This account does not include expenditure in respect of five officers who were serving outside the Office for all or part of 2020 in other government departments/offices and whose salaries were not paid by the Office during their secondments.

5.5 Payroll overpayments

	Number of recipients	2020 €	2019 €
Overpayments	5	11,656	15,381
Recovery plans in place	3	1,705	1,405

Recovery plans are not currently in place for the remaining two recipients as both employees are off pay.

5.6 Remuneration of senior management

Comptroller and Auditor General

The salary of the Comptroller and Auditor General is paid directly out of the Central Fund of the Exchequer, as provided for in Section 14 of the Comptroller and Auditor General (Amendment) Act 1993. The charge on the Central Fund in 2020 in relation to the remuneration of the Comptroller and Auditor General was €197,448 (2019: €193,066). As provided for in Article 33 of the Constitution, the Comptroller and Auditor General may not hold any other office or position of emolument.

Accounting Officer

The charge to the Vote in 2020 in relation to the remuneration of the Accounting Officer was €159,918 (2019: €156,429).