

Appropriation Account 2016

Vote 11

**Office of the Minister for Public Expenditure
and Reform**

Introduction

As Accounting Officer for Vote 11, I am required each year to prepare the appropriation account for the Vote, and to submit the account to the Comptroller and Auditor General for audit.

In accordance with this requirement, I have prepared the attached account of the amount expended in the year ended 31 December 2016 for the salaries and expenses of the Office of the Minister for Public Expenditure and Reform, for certain services administered by the Office of the Minister and for payment of certain grants.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2016, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €2.5 million is liable for surrender to the Exchequer.

The Statement of Accounting Policies and Principles and notes 1 to 7 form part of the account.

Statement of Accounting Policies and Principles

The standard accounting policies and principles for the production of appropriation accounts have been applied in the preparation of the account with the following exceptions.

Stocks and capital assets

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

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

As most capital assets are shared between the Department of Public Expenditure and Reform and the Department of Finance, the usage of capital assets is also allocated on the basis of staff numbers. Up to 31 December 2010, all capital assets had been recorded on the asset register of the Department of Finance. The asset register does not record the location of the business unit using the asset. As a result, it was not possible to split the assets between those units remaining in the Department of Finance and those transferring to the Department of Public Expenditure and Reform when established in 2011. In general, IT equipment assets are now recorded on the asset register of the Department of Public Expenditure and Reform and furniture and fittings and office equipment assets are now recorded on the asset register of the Department of Finance. Depreciation on assets is charged to each Department on the basis of staff numbers. Notwithstanding any of the above, the Department of Public Expenditure and Reform has at times, since it was established, purchased certain assets which were for its exclusive use and the depreciation in respect of these is not apportioned.

Statement on Internal Financial Control

Responsibility for system of internal financial control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Department.

This responsibility is exercised in the context of the resources available to me and my other obligations as Secretary General. Also, any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under ongoing review.

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

Financial control environment

I confirm that a control environment containing the following elements is in place:

- financial responsibilities have been assigned at management level with corresponding accountability
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned
- formal procedures have been established for reporting significant control failures and ensuring appropriate corrective action
- there is an Audit Committee to advise me in discharging my responsibilities for the internal financial control system
- the Statement of Internal Financial Control for the Department of Finance is also relevant given that the Department of Finance provides certain services on a shared basis to Vote 11.

Administrative controls and management reporting

I confirm that a framework of administrative procedures and regular management reporting is in place including segregation of duties and a system of delegation and accountability and, in particular, that

- There is an appropriate budgeting system with an annual budget which is kept under review by senior management.
- There are regular reviews by senior management of periodic and annual financial reports which indicate financial performance against forecasts.
- A risk management system operates within the Department.
- There are systems aimed at ensuring the security of the ICT systems.
- There are appropriate capital investment control guidelines and formal project management disciplines.
- The Department ensures that there is an appropriate focus on good practice in purchasing and that procedures are in place to ensure compliance with all relevant guidelines. The Department complied with the guidelines as outlined in my annual return in respect of Circular 40/2002.

Internal Audit and Audit Committee

I confirm that the Department has an internal audit function with appropriately trained personnel, which operates in accordance with a written charter which I have approved. Its work is informed by analysis of the financial risks to which the Department is exposed and its annual internal audit plans, approved by me, are based on this analysis. These plans aim to cover the key controls on a rolling basis over a reasonable period. The internal audit function is reviewed periodically by me and by the audit committee. I have put procedures in place to ensure that the reports of the internal audit function are followed up.

Robert Watt

Accounting Officer

Department of Public Expenditure and Reform

21 March 2017

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 11 Office of the Minister for Public Expenditure and Reform

I have audited the appropriation account for Vote 11 Office of the Minister for Public Expenditure and Reform for the year ended 31 December 2016 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993. The account has been prepared in the form prescribed by the Minister for Public Expenditure and Reform, and in accordance with standard accounting policies and principles for appropriation accounts.

Responsibility of the Accounting Officer

In accordance with Section 22 of the Exchequer and Audit Departments Act 1866, the Accounting Officer is required to prepare the appropriation account. By law, the account must be submitted to me by 31 March following the end of the year of account.

The Accounting Officer is also responsible for the safeguarding of public funds and property under his control, for the efficiency and economy of administration by his Department and for the regularity and propriety of all transactions in the appropriation account.

Responsibility of the Comptroller and Auditor General

I am required under Section 3 of the Comptroller and Auditor General (Amendment) Act 1993 to audit the appropriation accounts of all Votes and to perform such tests as I consider appropriate for the purpose of the audit.

Upon completion of the audit of an appropriation account, I am obliged to provide a certificate stating whether, in my opinion, the account properly presents the receipts and expenditure related to the Vote. I am also required to refer to any material case in which

- a department or office has failed to apply expenditure recorded in the account for the purposes for which the appropriations made by the Oireachtas were intended, or
- transactions recorded in the account do not conform with the authority under which they purport to have been carried out.

Under Section 3 (10) of the Comptroller and Auditor General (Amendment) Act 1993, I am required to prepare each year, a report on any matters that arise from the audits of the appropriation accounts or examinations of accounting controls.

Scope of audit

An audit includes examination, on a test basis, of evidence relevant to the amounts and regularity of financial transactions included in the account and an assessment of whether the accounting provisions of the Department of Public Expenditure and Reform's *Public Financial Procedures* have been complied with.

The audit involves obtaining sufficient evidence to give reasonable assurance that the appropriation account is free from material misstatement, whether caused by fraud or other irregularity or error. I also seek to obtain evidence about the regularity of financial transactions in the course of the audit. In forming the audit opinion, the overall adequacy of the presentation of the information in the appropriation account is evaluated.

Opinion on the appropriation account

In my opinion, the appropriation account properly presents the receipts and expenditure of Vote 11 Office of the Minister for Public Expenditure and Reform for the year ended 31 December 2016.

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

Seamus McCarthy
Comptroller and Auditor General

8 September 2017

Vote 11 Office of the Minister for Public Expenditure and Reform

Appropriation Account 2016

	Estimate provision	2016	2015
		Outturn	Outturn
	€000	€000	€000
Programme expenditure			
A Public expenditure and sectoral policy	17,766	14,908	16,688
B Public service management and reform	28,147	28,280	24,089
Gross expenditure	45,913	43,188	40,777
<i>Deduct</i>			
C Appropriations-in-aid	2,165	1,965	4,309
Net expenditure	43,748	41,223	36,468

Surplus for surrender

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

	2016	2015
	€	€
Surplus to be surrendered	2,524,639	4,142,320

Analysis of administration expenditure

	Estimate provision	2016	2015
		Outturn	Outturn
	€000	€000	€000
i Salaries, wages and allowances	21,000	20,272	18,679
ii Travel and subsistence	263	165	204
iii Training and development and incidental expenses	902	1,018	770
iv Postal and telecommunications services	375	245	289
v Office equipment and external IT services	785	843	800
vi Office premises expenses	445	250	550
vii Consultancy and other services	60	15	23
	23,830	22,808	21,315

Notes to the Appropriation Account

1 Operating Cost Statement 2016

	2016	2015
	€000	€000
Programme cost	20,380	19,462
Pay	20,272	18,679
Non pay	2,536	2,636
Gross expenditure	43,188	40,777
<i>Deduct</i>		
Appropriations-in-aid	1,965	4,309
Net expenditure	41,223	36,468
Changes in capital assets		
Purchases cash	(1,187)	
Depreciation	684	
	(503)	(196)
Changes in assets under development		
Cash payments	(170)	—
Changes in net current assets		
Decrease in closing accruals	(435)	
Decrease in closing stock	1	
	(434)	(245)
Direct expenditure	40,116	36,027
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	2,808	2,560
Notional rents	2,252	2,658
Net programme cost	45,176	41,245

1.1 Net Allied Services Expenditure

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

	2016	2015
	€000	€000
Vote 7 Finance	e 243	262
Vote 9 Office of the Revenue Commissioners	e 229	206
Vote 12 Superannuation and Retired Allowances	e 1,129	817
Vote 13 Office of Public Works	1,168	1,247
Vote 18 National Shared Services Office	e 39	28
	2,808	2,560

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

2 Balance Sheet as at 31 December 2016

	Note	2016 €000	2015 €000
Capital assets	2.2	2,984	1,783
Current assets			
Bank and cash	2.4	1,765	1,185
Stocks	2.5	13	14
Prepayments		1,285	847
Other debit balances	2.6	166	238
Total current assets		3,229	2,284
Less current liabilities			
Accrued expenses		213	211
Other credit balances	2.7	1,261	1,177
Net liability to the Exchequer	2.8	670	246
Total current liabilities		2,144	1,634
Net current assets		1,085	650
Net assets		4,069	2,433
Represented by:			
State funding account	2.1	4,069	2,433

2.1 State Funding Account	Note	2016 €000	2015 €000
Balance at 1 January		2,433	1,828
Disbursements from the Vote			
Estimate provision	Account	43,748	
Surplus to be surrendered	Account	(2,525)	
Net vote		41,223	36,468
Expenditure (cash) borne elsewhere		2,808	2,560
Non-cash items – capital assets ^a		911	352
Non-cash items – depreciation ^a		(382)	(188)
Non cash expenditure – notional rent		2,252	2,658
Net programme cost		(45,176)	(41,245)
Balance at 31 December		4,069	2,433

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

2.2 Capital Assets

	IT equipment €000	Furniture and fittings €000	Office equipment €000	Total €000
Gross assets				
Cost or valuation at 1 January 2016	27,614	205	3	27,822
Additions	2,264	3	—	2,267
Disposals	(2,069)	—	—	(2,069)
Cost or valuation at 31 December 2016	<u>27,809</u>	<u>208</u>	<u>3</u>	<u>28,020</u>
Accumulated depreciation				
Opening balance at 1 January 2016	26,016	21	2	26,039
Depreciation for the year	1,044	21	1	1,066
Depreciation on disposals	(2,069)	—	—	(2,069)
Cumulative depreciation at 31 December 2016	<u>24,991</u>	<u>42</u>	<u>3</u>	<u>25,036</u>
Net assets at 31 December 2016	<u>2,818</u>	<u>166</u>	<u>—</u>	<u>2,984</u>
Net assets at 31 December 2015	<u>1,598</u>	<u>184</u>	<u>1</u>	<u>1,783</u>

2.3 Capital Assets under Development

	In house computer applications	
	2016	2015
at 31 December	€000	€000
Opening balance at 1 January	—	—
Cash payments for the year	170	—
Transferred to asset register	(170)	—
Amounts carried forward at 31 December	<u>—</u>	<u>—</u>

2.4 Bank and Cash

	2016	2015
at 31 December	€000	€000
PMG balance and cash	1,764	1,160
Commercial bank account balance	1	25
	<u>1,765</u>	<u>1,185</u>

2.5 Stocks

	2016	2015
at 31 December	€000	€000
Stationery	6	9
IT consumables	7	5
	<u>13</u>	<u>14</u>

2.6 Other Debit Balances

	2016	2015
at 31 December	€000	€000
Recoupable travel expenditure	4	3
Recoupable travel pass scheme expenditure	139	153
Recoupable salaries	—	22
Other debit suspense items	23	60
	<u>166</u>	<u>238</u>

2.7 Other Credit Balances	2016	2015
at 31 December	€000	€000
Amounts due to the State		
Income Tax	459	407
Pay Related Social Insurance	213	175
Professional Services Withholding Tax	230	103
Value Added Tax	24	64
Pension contributions	81	68
Local Property Tax	3	2
Universal Social Charge	111	123
	<u>1,121</u>	<u>942</u>
Payroll deductions held in suspense	132	130
Other credit suspense items	8	105
	<u>1,261</u>	<u>1,177</u>

2.8 Net Liability to the Exchequer	2016	2015
at 31 December	€000	€000
Surplus to be surrendered	2,525	4,142
Exchequer grant undrawn	(1,855)	(3,896)
Net liability to the Exchequer	<u>670</u>	<u>246</u>

Represented by:**Debtors**

Bank and cash	1,765	1,185
Debit balances: suspense	166	238
	<u>1,931</u>	<u>1,423</u>

Creditors

Due to State	(1,121)	(942)
Credit balances: suspense	(140)	(235)
	<u>(1,261)</u>	<u>(1,177)</u>
	<u>670</u>	<u>246</u>

2.9 Commitments	2016	2015
at 31 December	€000	€000

Global Commitments

Procurement of goods and services	325	478
Total of legally enforceable commitments	<u>325</u>	<u>478</u>

2.10 Matured Liabilities	2016	2015
at 31 December	€000	€000
Estimates of matured liabilities not discharged at year end	3	24

3 Programme Expenditure by Subhead

		2016		2015
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A	Public Expenditure and Sectoral Policy			
A.1	Administration - pay	8,184	7,267	7,168
A.2	Administration - non pay	991	942	989
A.3	Economic and Social Research Institute-administration and general expenses	2,575	2,575	2,847
A.4	Structural funds technical assistance and other costs	1,808	1,032	952
A.5	Technical assistance costs of Regional Assemblies	650	621	843
A.6	Peace Programme/ Northern Ireland INTERREG	1,000	666	1,873
A.7	Special EU Programmes Body	1,350	1,200	1,249
A.8	Ireland/ Wales and Transnational INTERREG	750	303	767
A.9	Consultancy and other services	136	57	—
A.10	Funding for pensions for bodies under the aegis of the Department	322	245	—
		17,766	14,908	16,688

Significant variations

Overall, the expenditure in relation to programme A was €2.9 million lower than provided. The significant variations were as follows:

Description	Less/(more) than provided	Explanation
€000		
Administration - pay	917	Administrative budget pay was an underspend because recruitment took place at a slower pace than was anticipated, particularly with regard to a number of vacant principal officer posts that were not filled in 2016. The underspend was also driven by a substantial number of retirees/leavers.
Structural funds technical assistance and other costs	776	The variance arises due to the revision of the specification for, and consequent delays in implementing, an IT system which will facilitate the electronic exchange of information between beneficiaries of EU funding and the authorities involved in the implementation of EU co-financed programmes.
Peace Programme/ Northern Ireland INTERREG	334	The commencement of 2014-2020 programme was delayed and the favourable euro to sterling exchange rate resulted in underspend.
Special EU Programmes Body	150	The impact of the delay in 2014-2020 programme expenditure resulted in lower spend with the favourable euro to sterling exchange rate also resulting in reduced spend.
Ireland/Wales and Transnational INTERREG	447	The variance arises as a result of the earlier than anticipated completion of 2007-2013 programme and reduced contribution for the 2014-2020 programme.

		2016		2015
		Estimate	Outturn	Outturn
		provision		
	€000	€000	€000	
B	Public Service Management and Reform			
B.1	Administration - pay	12,816	13,005	11,511
B.2	Administration - non pay	1,839	1,594	1,647
B.3	Institute of Public Administration	2,725	2,725	2,881
B.4	Civil service arbitration and appeals procedure	40	42	39
B.5	Consultancy and other services	290	258	248
B.6	Office of the Government Chief Information Officer	6,000	7,003	4,415
B.7	Reform agenda	2,008	1,988	1,794
B.8	Employee Assistance Officer shared service	1,320	1,232	1,277
B.9	Statute law revision programme	9	9	277
B.10	Civil service learning and development programme	800	124	—
B.11	Support for the implementation of the Protected Disclosures Act	300	300	—
		<u>28,147</u>	<u>28,280</u>	<u>24,089</u>

Significant variations

Overall, the expenditure in relation to Programme B was €0.1 million higher than provided. The significant variations were as follows:

Description	Less/(more) than provided	Explanation
	€000	
Office of the Government Chief Information Officer	(1,003)	Expenditure was greater than anticipated due to an increase in the pace of implementation of the Government's public service ICT strategy particularly in respect of build to share infrastructure and application projects.

The overspend above was offset in part by the following savings.

Civil service learning and development programme	676	Savings arose as a result of a delay in the appointment of a technology specialist for the project with an ensuing delay to the associated work of evaluating existing civil service technology.
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4 Receipts

4.1 Appropriations-in-aid	2016		2015
	Estimated €000	Realised €000	Realised €000
1. EU programmes	250	109	2,165
2. Pension cashflow surpluses	75	58	80
3. Miscellaneous	40	73	63
4. Receipts from pension-related deduction on public service remuneration	1,800	1,725	2,001
Total	2,165	1,965	4,309

Explanation of significant variations

An explanation is provided below in the case of each heading where the outturn varied from the amount estimated by more than €100,000, and by more than 5%.

Description	Less/(more) than provided €000	Explanation
EU programmes	141	Receipts received during 2016 were lower than anticipated as some reimbursements will be received in 2017.

4.2 Extra receipts payable to the Exchequer	2016 €000	2015 €000
Balance at 1 January	—	—
Voluntary surrender of ministerial salaries	1	—
Transferred to Exchequer	(1)	—
Balance at 31 December	—	—

5 Employee Numbers and Pay

	2016	2015
Number of staff at year end (full time equivalents)	352	313
	2016	2015
	€000	€000
Pay	21,739	20,398
Higher, special or additional duties allowance	220	239
Redundancy	210	—
Other allowances	39	47
Overtime	50	40
Employer's PRSI	1,277	1,077
Total pay^a	23,535	21,801

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

Staff working in the Special EU Programmes Body (SEUPB) which is headquartered in Belfast are not included in PER staff numbers. SEUPB is a North South Body established under the Good Friday Agreement and PER contributes to its payroll costs from subheads A.6 and A.7 which are included in pay above.

5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2016 €	Maximum individual payment 2015 €
Higher, special or additional duties	35	8	18,854	34,209
Other allowances	12	1	11,020	10,505
Overtime	33	1	11,970	10,372
Extra remuneration in more than one category	7	2	13,080	14,421

5.2 Other Remuneration Arrangements

This account includes expenditure of €121,255 (2015: €144,867) in respect of two officers who were serving outside the Department for all or part of 2016 and whose salary was paid by the Department.

Under the terms of the AHCPs 1% Programme for Competitiveness and Work (PCW) restructuring agreement, 35 officers (2015: 20) received a total of €83,887 (2015: €44,296) in respect of PCW/seniority allowances.

The pay figure includes €209,656 paid out in respect of redundancy and severance payments to four staff members who were formerly employed as Ministerial staff. The payments were made as a result of a change of government in May 2016.

5.3 Payroll Overpayments

Overpayments at year end were €15,928 (5 cases) (2015: €27,495, 17 cases). Of this, €9,344 (4 cases) had recovery plans in place.

6 Miscellaneous

6.1 EU Funding

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

Heading	Description	2016		2015
		Estimate	Outturn	Outturn
		€000	€000	€000
A.4	Structural funds technical assistance and other costs	1,576	796	720
A.5	Technical assistance costs of Regional Assemblies	650	621	843
A.6	Peace Programme/Northern Ireland INTERREG	1,000	666	1,873
		<u>3,226</u>	<u>2,083</u>	<u>3,436</u>

6.2 Committees and Commissions

	Year of appointment	2016	2015
		€000	€000
Civil Service Arbitration Board	1950/51	26	22

6.3 Contingent Liabilities

The Department has received a judgment in respect of an ongoing legal case. Costs have been awarded against the Department. However, the amount is yet to be determined.

The Department has also accepted liability in another legal case. Costs are to be agreed by the State Claims Agency.

6.4 Suspected Fraud	2016	2015
	€000	€000
Alleged misappropriation of moneys	—	181

7 Contingency Fund

	2016	2015
	€000	€000
Balance at 1 January	1,200	1,200
Receipts	—	—
Payments	—	—
Balance at 31 December	<u>1,200</u>	<u>1,200</u>

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

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

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

