

Appropriation Account 2019

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, and am accordingly 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 2019 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 2019, including the amount that could be used as appropriations-in-aid of expenditure for the year, and
- Provided for capital supply services in 2019 out of unspent 2018 appropriations, under the deferred surrender arrangements established by Section 91 of the Finance Act 2004.

A surplus of €2.396 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 27 of 2019 have been applied in the preparation of the account.

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. 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.

Shared services

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 National Shared Services Office that the appropriate controls are exercised in the provision of shared services to this Office.

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.

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 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 2019 that resulted in, or may result in, a material loss.

Robert Watt

Accounting Officer
Office of Government Procurement

24 March 2020

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 2019 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 2019, and
- 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

30 June 2020

Vote 39 Office of Government Procurement

Appropriation Account 2019

	2019		2018
	Estimate provision	Outturn	Outturn
	€000	€000	€000
Programme expenditure			
A Delivery of central procurement service			
<i>Original</i>	18,481		
<i>Deferred surrender</i>	96		
		18,577	16,164
			15,546
Gross expenditure		18,577	16,164
<i>Deduct</i>			
B Appropriations-in-aid		450	492
<i>Original</i>	18,031		
<i>Deferred surrender</i>	96		
Net expenditure		18,127	15,672

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. €59,000 of unspent allocations in respect of capital elements of subhead A.2 was carried forward to 2020.

	2019	2018
	€	€
Surplus	2,454,792	5,524,264
Deferred surrender	(59,000)	(96,000)
Surplus to be surrendered	2,395,792	5,428,264

Robert Watt

Accounting Officer
Office of Government Procurement

24 March 2020

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2019

	2019	2018
	€000	€000
Programme cost	1,863	2,177
Pay	12,645	11,881
Non pay	1,656	1,488
Gross expenditure	16,164	15,546
<i>Deduct</i>		
Appropriations-in-aid	492	500
Net expenditure	15,672	15,046
Changes in capital assets		
Purchases cash	(169)	
Depreciation	311	142
		265
Changes in net current assets		
Decrease in closing accruals	(100)	
Increase in stock	—	(277)
		(277)
Direct expenditure	15,714	15,034
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	1,507	1,569
Notional rents	50	48
Net programme cost	17,271	16,651

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, net of costs of services provided to other Votes.

	2019	2018
	€000	€000
Vote 7 Finance	59	59
Vote 11 Public Expenditure and Reform	220	187
Vote 12 Superannuation and Retired Allowances	266	360
Vote 13 Office of Public Works	941	943
Vote 18 National Shared Services Office	21	20
	1,507	1,569

Note 2 Statement of Financial Position as at 31 December 2019

	Note	2019 €000	2018 €000
Capital assets	2.1	474	628
Current assets			
Bank and cash	2.2	728	1,109
Stocks		6	6
Prepayments		556	493
Other debit balances	2.3	113	100
Total current assets		<u>1,403</u>	<u>1,708</u>
Less current liabilities			
Accrued expenses		100	137
Other credit balances	2.4	472	342
Net Exchequer funding	2.5	369	867
Total current liabilities		<u>941</u>	<u>1,346</u>
Net current assets		<u>462</u>	<u>362</u>
Net assets		<u>936</u>	<u>990</u>
Represented by:			
State funding account	2.6	<u>936</u>	<u>990</u>

2.1 Capital assets

	IT equipment €000	Furniture and fittings €000	Office equipment €000	Total €000
Gross assets				
Cost or valuation at 1 January 2019	1,550	171	6	1,727
Additions	169	—	—	169
Adjustment ^a	—	(19)	—	(19)
Cost or valuation at 31 December 2019	1,719	152	6	1,877
Accumulated depreciation				
Opening balance at 1 January 2019	1,026	68	5	1,099
Depreciation for the year	295	15	1	311
Depreciation on adjustment	—	(7)	—	(7)
Cumulative depreciation at 31 December 2019	1,321	76	6	1,403
Net assets at 31 December 2019	398	76	—	474
Net assets at 31 December 2018	524	103	1	628

Note ^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.

2.2 Bank and cash

at 31 December	2019 €000	2018 €000
PMG balances	728	1,109
Other bank account	—	—
	728	1,109

2.3 Other debit balances

at 31 December	2019 €000	2018 €000
Travel pass	99	97
OPW advances	—	2
Other debit suspense items	14	1
	113	100

2.4 Other credit balances

at 31 December	2019	2018
	€000	€000
Amounts due to the State		
Income tax	155	145
Pay related social insurance	119	110
Professional services withholding tax	39	27
Pension contributions	42	—
Local property tax	1	1
Universal social charge	32	30
Value added tax	30	29
	418	342
Payroll deductions held in suspense	39	—
Other credit suspense items	15	—
	472	342

2.5 Net Exchequer funding

at 31 December	2019	2018
	€000	€000
Surplus to be surrendered	2,396	5,428
Deferred surrender	59	96
Exchequer grant undrawn	(2,086)	(4,657)
Net Exchequer funding	369	867
Represented by:		
Debtors		
Bank and cash	728	1,109
Debit balances: suspense	113	100
	841	1,209
Creditors		
Due to State	(418)	(342)
Credit balances: suspense	(54)	—
	(472)	(342)
	369	867

2.6 State funding account

	Note	2019	2018
		€000	€000
Balance at 1 January		990	1,125
Disbursements from the Vote			
Estimate provision	Account	18,127	
Deferred surrender	Account	(59)	
Surplus to be surrendered	Account	(2,396)	
Net vote		15,672	15,046
Expenditure (cash) borne elsewhere	1.1	1,507	1,569
Non cash items – capital assets adjustment		(12)	(147)
Non cash items – notional rent		50	48
Net programme cost	1	(17,271)	(16,651)
Balance at 31 December		936	990

2.7 Commitments

At 31 December	2019	2018
	€000	€000
Procurement of goods and services	488	1,329

2.8 Matured liabilities

at 31 December	2019	2018
	€000	€000
Estimate of matured liabilities not discharged at year end	3	2

Note 3 Vote Expenditure

Analysis of administration expenditure

Administration expenditure set out below are included in Programme A to present complete programme costings.

	Estimate provision		2019	2018
			Outturn	Outturn
	€000	€000	€000	€000
i	Salaries, wages and allowances	14,685	12,645	11,881
ii	Travel and subsistence	155	204	250
iii	Training and development and incidental expenses	444	751	763
iv	Postal and telecommunication services	90	85	92
v	Office equipment and external IT services			
	<i>Original</i>	241		
	<i>Deferred surrender</i>	57		
		298	421	256
vi	Office premises expenses			
	<i>Original</i>	414		
	<i>Deferred surrender</i>	39		
		453	195	127
		16,125	14,301	13,369

Significant variations

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

i Salaries, wages and allowances

Estimate provision: €14.685 million, outturn: €12.645 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.

iii Training and development and incidental expenses

Estimate provision: €444,000, outturn: €751,000

The overspend primarily related to greater expenditure than originally estimated on staff training, office expenses and website development.

v Office equipment and external IT services

Estimate provision: €298,000, outturn: €421,000

The main drivers for this subhead was expenditure by the Office of the Government Chief Information Officer for service provision and IT office equipment which came in higher than expected.

vi Office premises expenses

Estimate provision: €453,000, outturn: €195,000

The underspend within this subhead is due to delays on planned improvement works to OGP offices.

Programme A Delivery of Central Procurement Services

		2019		2018
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A.1	Administration – pay		14,685	12,645
A.2	Administration – non pay			
	<i>Original</i>	1,344		
	<i>Deferred surrender</i>	96	1,440	1,656
A.3	Procurement consultancy and other costs		2,452	1,863
			18,577	16,164
				15,546

Significant variations

The following outlines the reasons for significant variations in expenditure (+/- 5% and €100,000). Overall, the expenditure in relation to the programme was approximately €2.413 million lower than provided. €1.824 million of this related to underspending on administration and has already been explained. The balance of the variance (€589,000) was mainly due to the following:

A.3 Procurement consultancy and other costs

Estimate provision: €2.452 million, outturn: €1.863 million

This underspend is primarily due to longer than expected start up times on a number of key projects.

Note 4 Receipts

4.1 Appropriations-in-aid

	2019		2018
	Estimated €000	Realised €000	Realised €000
1 Receipts from additional superannuation contributions on public service remuneration ^a	400	399	467
2 Miscellaneous	50	92	33
Total	450	491	500

Note ^a The 2018 figure refers to pension related deductions. These were replaced by additional superannuation contributions from 1 January 2019.

4.2 Extra receipts payable to the Exchequer

	2019 €000	2018 €000
Balance at 1 January	—	—
Rebates from suppliers	115	89
EU refund on eTender costs ^a	429	—
Transferred to the Exchequer	(544)	(89)
Balance as at 31 December	—	—

Note ^a OGP received a Connecting Europe Facility (CEF) grant from the Innovation and Networks Executive Agency (INEA) for work on the European Single Procurement Document project (ESPD).

Note 5 Staffing and Remuneration

5.1 Employee numbers

Full time equivalents	2019	2018
Number of staff at year end	226	223

5.2 Pay

	2019 €000	2018 €000
Pay	11,559	10,895
Higher, special or additional duties allowance	31	12
Other allowances	1	1
Overtime	4	3
Employer's PRSI	1,050	970
Total pay	12,645	11,881

5.3 Allowances and overtime payments

	Number of recipients	Recipients of €10,000 or more	Highest individual payment	
			2019 €	2018 €
Higher, special or additional duties	5	1	11,560	11,556
Other allowances	1	—	964	666
Overtime	4	—	2,538	1,863

5.4 Payroll overpayments

Overpayments at the year-end were €24,873 in respect of 18 individuals (2018: €33,673, 17 individuals).

Of this, €18,846 have recovery plans in place in respect of nine individuals (2018: €20,086, five individuals).

Recovery plans to the value of €1,520 were transferred to other departments in 2019.

Note 6 Miscellaneous

6.1 Compensation and legal costs

An unsuccessful bidder challenged an OGP procurement competition for the provision of interpretation services.

The case had been successfully defended in the High Court but the Court of Appeal subsequently made an order setting aside the decision to award the contract. This was appealed to the Supreme Court, which, in May 2019, upheld the decision to set aside the contract.

The OGP has been ordered to pay costs in relation to these actions — 60% in respect of High Court costs and 80% in respect of Court of Appeal and Supreme Court costs. The cost to OGP has been estimated to be in the order of €1 million, but the final figure has not yet been received.

There is a separate ongoing judicial review involving the same applicant against the award of a contract under an OGP framework agreement.