

Appropriation Account 2016

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 2016 for the salaries and expenses of Office of Government Procurement.

The expenditure outturn is compared with the sums

- a) 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, and
- b) provided for capital supply services in 2016 out of unspent 2015 appropriations, under the deferred surrender arrangements established by Section 91 of the Finance Act 2004.

A surplus of €6.1 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 have been applied in the preparation of the account except for the following:

Stock policy

The Department of Finance (Vote 7), 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 IT consumable stock is recorded under Vote 11. However, as the stock is deemed to be shared, it is included in the operating cost notes to the Accounts of Vote 7, Vote 11, Vote 18 and Vote 39 and is allocated on the basis of staff numbers in the respective Votes.

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.

I have fulfilled my responsibilities in relation to control arrangements for HR and payroll shared services supplied to this Office 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 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.

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.

Robert Watt

Accounting Officer

Office of Government Procurement

21 March 2017

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 39 Office of Government Procurement

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

31 August 2017

Vote 39 Office of Government Procurement Appropriation Account 2016

		2016		2015
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme expenditure				
A	Delivery of central procurement service			
	<i>Current year provision</i>	20,482		
	<i>Deferred surrender</i>	200		
		20,682	14,424	14,320
Gross expenditure				
	<i>Current year provision</i>	20,482		
	<i>Deferred surrender</i>	200		
		20,682	14,424	14,320
	<i>Deduct</i>			
B	Appropriations-in-aid	500	429	498
Net expenditure				
	<i>Current year provision</i>	19,982		
	<i>Deferred surrender</i>	200		
		20,182	13,995	13,822

Surplus for surrender

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.

	2016	2015
	€	€
Surplus	6,187,287	5,276,940
Deferred surrender	(110,000)	(200,000)
Surplus to be surrendered	6,077,287	5,076,940

Analysis of administration expenditure

		2016		2015
		Estimate provision	Outturn	Outturn
		€000	€000	€000
i	Salaries, wages and allowances	12,970	10,035	9,661
ii	Travel and subsistence	250	193	155
iii	Training and development and incidental expenses	708	522	346
iv	Postal and telecommunications services	120	141	98
v	Office equipment and external IT services			
	Current year provision	414		
	Deferred surrender	200	614	359
vi	Office premises expenses	130	112	538
		14,792	11,362	11,328

Notes to the Appropriation Account

1 Operating Cost Statement 2016

	2016	2015
	€000	€000
Programme cost	3,062	2,992
Pay	10,035	9,661
Non pay	1,327	1,667
Gross expenditure	14,424	14,320
<i>Deduct</i>		
Appropriations-in-aid	429	498
Net expenditure	13,995	13,822
Changes in capital assets		
Purchases cash	(669)	
Depreciation	361	(386)
Changes in capital assets under development		
Cash payments	–	(508)
Changes in net current assets		
Decrease in closing accruals	(138)	
Increase in stock	(4)	
	(142)	(52)
Direct expenditure	13,545	12,876
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	937	733
Notional rent	48	44
Net programme cost	14,530	13,653

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.

		2016	2015
		€000	€000
Vote 7 Finance	e	116	148
Vote 13 Office of Public Works	e	793	570
Vote 18 National Shared Services Office	e	28	15
		937	733

'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	1,490	658
Capital assets under development	2.3	–	536
		1,490	1,194
Current assets			
Bank and cash	2.4	553	884
Stocks	2.5	7	3
Prepayments		374	337
Other debit balances	2.6	115	21
Total current assets		1,049	1,245
Less current liabilities			
Accrued expenses		103	204
Other credit balances	2.7	467	660
Net liability to the Exchequer	2.8	201	245
Total current liabilities		771	1,109
Net current assets		278	136
Net assets		1,768	1,330
Represented by:			
State funding account	2.1	1,768	1,330

2.1 State Funding Account	Note	2016 €000	2015 €000
Balance at 1 January		1,330	356
Disbursements from the Vote			
Estimate provision	Account	20,182	
Deferred surrender	Account	(110)	
Surplus to be surrendered	Account	(6,077)	
Net vote		13,995	13,822
Expenditure (cash) borne elsewhere	1.1	937	733
Non cash items – capital assets under development adjustment		–	28
Non cash items – capital assets transferred to NSSO		(48)	–
Non cash items – capital assets transferred from NSSO – cost		36	–
Non cash items – notional rent		48	44
Net programme cost	1	(14,530)	(13,653)
Balance at 31 December		1,768	1,330

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	476	377	6	859
Additions	1,149	54	2	1,205
Transfers from NSSO	36	–	–	36
Transfers to NSSO	(79)	–	–	(79)
Cost or valuation at 31 December 2016	1,582	431	8	2,021
Accumulated Depreciation				
Opening balance at 1 January 2016	161	39	1	201
Depreciation for the year	316	43	2	361
Depreciation on transferred assets	(31)	–	–	(31)
Cumulative depreciation at 31 December 2016	446	82	3	531
Net Assets at 31 December 2016	1,136	349	5	1,490
Net Assets at 31 December 2015	315	338	5	658

2.3 Capital assets under development as at 31 December 2016

	In house computer applications €000
Amounts brought forward at 1 January	536
Cash payments in year	–
Transferred to asset register	(536)
Amounts carried forward 31 December 2016	–

2.4 Bank and cash

	2016 €000	2015 €000
at 31 December		
PMG balances and cash	552	884
Commercial bank account	1	–
	553	884

2.5 Stocks

	2016 €000	2015 €000
at 31 December		
Stationery	2	1
IT consumables	5	2
	7	3

2.6 Other Debit Balances	2016	2015
at 31 December	€000	€000
Travel pass	96	—
OPW advances	15	11
Other debit suspense items	4	10
	<u>115</u>	<u>21</u>

2.7 Other Credit Balances	2016	2015
at 31 December	€000	€000

Amounts due to the State		
Income Tax	159	152
Pay Related Social Insurance	123	115
Professional Services Withholding Tax	11	206
Pension contributions	40	34
Local Property Tax	2	1
Universal Social Charge	43	50
VAT	42	60
	<u>420</u>	<u>618</u>
Payroll deductions held in suspense	46	37
Travel pass scheme	—	5
Other credit suspense items	1	—
	<u>467</u>	<u>660</u>

2.8 Net Liability to the Exchequer	2016	2015
at 31 December	€000	€000
Surplus to be surrendered	6,077	5,077
Deferred surrender	110	200
Exchequer grant undrawn	(5,986)	(5,032)
Net liability to the Exchequer	<u>201</u>	<u>245</u>

Represented by:**Debtors**

Bank and cash	553	884
Debit balances: suspense	115	21
	<u>668</u>	<u>905</u>

Creditors

Due to State	(420)	(618)
Credit balances: suspense	(47)	(42)
	<u>(467)</u>	<u>(660)</u>
	<u>201</u>	<u>245</u>

2.9 Commitments	2016	2015
at 31 December	€000	€000

Global Commitments

Procurement of goods and services	3,210	1,665
Total of legally enforceable commitments	<u>3,210</u>	<u>1,665</u>

The increased commitment figure reflects the new contracts in place to support the centralised procurement service as the Office of Government Procurement becomes fully operational.

2.10 Matured Liabilities	2016	2015
	€000	€000

Estimate of matured liabilities not discharged at year end	7	29
--	---	----

3 Programme Expenditure by Subhead

		2016		2015
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A	Delivery of Central Procurement Service			
A.1	Administration – pay	12,970	10,035	9,661
A.2	Administration – non pay			
	<i>Current year provision</i>	1,622		
	<i>Deferred surrender</i>	200	1,327	1,667
A.3	Procurement consultancy and other costs	5,890	3,062	2,992
		20,682	14,424	14,320

Significant variations

Overall, the expenditure in relation to the programme was some €6 million lower than provided. This was mainly due to the following:

Description	Less/(more) than provided	Explanation
	€000	
Administration – pay	2,935	Delays in recruitment of staff within OGP have led to this underspend.
Administration – non pay	495	The aforementioned delays have also led to an underspend on administrative non pay, as expenditure on training and IT was less than profiled.
Procurement consultancy and other costs	2,828	Delays in capital projects such as the development of a Workflow Management System and the eInvoicing project have led to this underspend. Provision for legal fees were not utilised in 2016 as costs were not finalised.

4 Receipts

4.1 Appropriations-in-aid	2016		2015
	Estimated	Realised	Realised
	€000	€000	€000
1. Receipts from pension – related deduction on public service remuneration	475	375	471
2. Miscellaneous	25	54	27
Total	500	429	498

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%, and by more than 5%.

Description	Less/(more) than provided	Explanation
	€000	
Receipts from pension-related deduction on public service remuneration	100	The variance in receipts from pension –related deduction on public service remuneration is due to the delays in recruitment of staff within the OGP resulting in less than anticipated salary payments.

4.2 Extra receipts payable to the Exchequer	2016	2015
	€000	€000
Balance at 1 January	–	19
Rebate from suppliers	37	11
Transferred to the Exchequer	(37)	(30)
Balance at 31 December	–	–

5 Employee Numbers and Pay

	2016	2015
Number of staff at year end (full time equivalents)	192	186
	2016	2015
	€000	€000
Pay	9,228	8,900
Higher, special or additional duties allowance	5	11
Other allowances	19	20
Overtime	1	2
Employer's PRSI	782	728
Total Pay	10,035	9,661

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	2	—	4,447	11,403
Other allowances	4	—	7,888	12,004
Overtime	1	—	833	485

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

5.2 Payroll Overpayments

Overpayments at the year-end were €28,364 (8 cases) (2015: €8,275). Of these, €1,409 (2 cases) had recovery plans in place.

6 Miscellaneous

6.1 Legal Costs

One litigation case which concluded in 2016 will have resulting legal costs. Liability is currently being determined.

6.2 Carryover to 2017

Under the provisions of Section 91 of the Finance Act 2004, €110,000 of unspent allocations in respect of the capital elements of Subhead A.3 was carried forward to 2017.

