

Appropriation Account 2016

Vote 27

International Co-operation

Introduction

As Accounting Officer for Vote 27, 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 certain Official Development Assistance, including certain grants, and for contributions to certain International Organisations involved in development assistance and for salaries and expenses in connection therewith.

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 €1.98 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 except for the following:

Depreciation

Vehicles have been depreciated on a straight line basis at a rate of 20% per annum.

Buildings are not depreciated.

Foreign exchange transactions

Transactions arising on convertible currencies are translated into Euro at the rate of exchange prevailing at the date of settlement. At programme country mission level, transactions arising on non-convertible currencies are translated into Euro at the market rate of exchange prevailing at the beginning of that month.

Grant refunds

Refunds of grants which were funded out of the bilateral and other co-operation fund are returned to the fund on receipt.

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, that transactions are 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.

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
- an Audit Committee is in place to advise me in discharging my responsibilities for the internal financial control system.

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 with the exception of one contract to the value of €150,177 which was listed in my annual return in respect of Circular 40/2002. The contract was not tendered due to the contract being awarded to the sole qualified supplier.

Significant financial risks

By its nature, development assistance carries inherent risks, which I acknowledge and seek to manage and mitigate. Robust controls are in place at head office, as outlined above, which are supplemented by additional controls in Key Partner Countries as set out below.

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.

Enhancing internal control environment

In addition to the controls in place at head office, the following controls are operated in Key Partner Countries to mitigate the risks inherent in development assistance.

- Each embassy, in addition to the Ambassador, has a Head of Development with responsibility for the management of the aid programme.
- The Ambassador and Head of Development are supported, in the larger programmes, by development specialists plus locally-recruited programme advisors with qualifications in relevant areas.
- There is a robust multi-annual planning and approval process for each Country Programme, which includes the development of a Country Strategy Programme (CSP) which is evaluated through an independent external quality assurance (EQA) process prior to approval, a mid-term review of the Programme, and a final evaluation of the Programme on completion of the CSP term and in advance of preparation of the new CSP.
- In addition, there is a robust annual business planning process in place at all missions including an assessment of risks to business plan implementation and controls in place to manage that risk. These plans and risk registers are developed in consultation with head office and are monitored and updated as necessary on a quarterly basis.
- Each embassy also has a locally-based finance function, led by an appropriately qualified head of finance, who reports both to the Ambassador and to Finance at head office.
- A detailed financial procedures manual is in place which sets out the procedures to be followed in respect of all payments, both at head office and by Key Partner Countries.
- In addition to the internal audit function at head office (Evaluation and Audit Unit), each mission in a Partner Country has its own internal audit function, led by an appropriately qualified accountant, who reports directly to the Ambassador and to the Evaluation and Audit Unit.

In addition, in respect of payments at head office in respect of overseas development assistance (including humanitarian, multilateral and civil society funding), robust business planning mechanisms are in place, including approval of the overall budget by the Interdepartmental Committee, monitoring of expenditure by the Senior Management Group on a monthly basis and robust pre and post disbursement grant management procedures.

Particular emphasis has been placed on the strengthening of risk management systems at embassy level with a focus on the identification of risks and appropriate internal controls for each element of our programmes. The risk management system is designed to alert management to changes in the perceived risk profile of any aspect of the programme so that appropriate action can be taken at the earliest opportunity.

Following on from the 2013 systems assessment review across all the Key Partner Countries, significant steps have been taken to further strengthen management systems and internal controls across all aspects of the aid programme. A programme is in place for the development of programme management standards which has identified areas for improvement to programme management and these improvements are currently being implemented. This process is continuing with a view to introducing new programme cycle management guidelines and accompanying revised financial regulations that will address the particular risks associated with aid programmes.

I am committed to ensuring that we continue to strengthen our systems of risk identification and management and to ongoing monitoring and audit to minimise the potential for the misuse of funds in the future.

Shared services

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

I must 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 Department.

Fixed assets

Historically, capital funding was provided to the Department through Vote 28 Foreign Affairs and Trade and a separate capital allocation was not provided to Vote 27 International Co-operation until 2002. Consequently there are a number of assets included in the Fixed Assets of Vote 28 Foreign Affairs and Trade which are attributable to Vote 27 International Co-operation. The Department is undertaking a review of these assets with a view to transferring relevant assets to Vote 27 International Co-operation in 2017.

Niall Burgess
Accounting Officer
Department of Foreign Affairs and Trade

26 September 2017

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 27 International Co-operation

I have audited the appropriation account for Vote 27 International Co-operation 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 27 International Co-operation 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 Foreign Affairs and Trade. The appropriation account is in agreement with the accounting records.

Reporting on matters arising from audit

Chapter 14 of my report on the accounts of the public services for 2016 refers to certain matters relating to Vote 27 International Co-operation.

Seamus McCarthy
Comptroller and Auditor General

27 September 2017

Vote 27 International Co-operation Appropriation Account 2016

	Estimate provision	2016	2015
		Outturn	Outturn
	€000	€000	€000
Programme expenditure			
A Work on poverty and hunger reduction	486,431	484,822	475,028
Gross expenditure	486,431	484,822	475,028
<i>Deduct</i>			
B Appropriations-in-aid	1,150	1,518	1,557
Net expenditure	485,281	483,304	473,471

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	1,977,290	2,001,715

Analysis of administration expenditure

	Estimate provision	2016	2015
		Outturn	Outturn
	€000	€000	€000
i Salaries, wages and allowances	14,916	14,437	14,595
ii Travel and subsistence	2,100	1,514	1,767
iii Training and development and incidental expenses	1,800	1,654	1,931
iv Postal and telecommunications services	1,650	1,369	1,405
v Office equipment and external IT services	1,420	1,391	1,278
vi Office premises expenses	4,230	4,016	3,908
vii Consultancy services and value for money and policy reviews	500	246	265
viii Promotional support and accommodation	1,500	1,880	1,564
	28,116	26,507	26,713

Notes to the Appropriation Account

1 Operating Cost Statement 2016

	2016	2015
	€000	€000
Programme cost	458,315	448,315
Pay	14,437	14,595
Non pay	12,070	12,118
Gross expenditure	484,822	475,028
<i>Deduct</i>		
Appropriations-in-aid	1,518	1,557
Net expenditure	483,304	473,471
Changes in capital assets		
Purchases cash	(689)	
Disposals cash	167	
Gain on disposals	(166)	
Depreciation	366	
	(322)	(103)
Changes in net current assets		
Decrease in closing accruals	(1,061)	
Increase in stock	(32)	
	(1,093)	(696)
Net programme cost	481,889	472,672

Expenditure borne on other votes and the related notional rents for this programme are disclosed in note 1 of Vote 28 – Department of Foreign Affairs and Trade.

2 Balance Sheet as at 31 December 2016

	Note	2016 €000	2015 €000
Capital assets	2.2	8,644	8,322
Current assets			
Bank and cash	2.3	10,778	6,042
Stocks of stationery		64	32
Prepayments		3,212	2,215
Other debit balances	2.4	65	168
Total current assets		14,119	8,457
Less current liabilities			
Accrued expenses		146	210
Other credit balances	2.5	686	103
Net liability to the Exchequer	2.6	587	1,070
Bilateral and other co-operation fund (grant) account	7	9,570	5,037
Total current liabilities		10,989	6,420
Net current assets		3,130	2,037
Net assets		11,774	10,359
Represented by:			
State funding account	2.1	11,774	10,359

2.1 State Funding Account	Note	2016 €000	2015 €000
Balance at 1 January		10,359	9,560
Disbursements from the Vote			
Estimate provision	Account	485,281	
Surplus to be surrendered	Account	(1,977)	
Net vote		483,304	473,471
Net programme cost	1	(481,889)	(472,672)
Balance at 31 December		11,774	10,359

2.2 Capital Assets

	Land and buildings	Equipment	Furniture and fittings	Vehicles	Total
	€000	€000	€000	€000	€000
Gross assets					
Cost or valuation at 1 January 2016	7,639	1,499	1,079	2,467	12,684
Additions	—	243	9	437	689
Disposals	—	(52)	(5)	(312)	(369)
Cost or valuation at 31 December 2016	7,639	1,690	1,083	2,592	13,004
Accumulated depreciation					
Opening balance at 1 January 2016	—	1,364	957	2,041	4,362
Depreciation for the year	—	94	49	223	366
Depreciation on disposals	—	(52)	(4)	(312)	(368)
Cumulative depreciation at 31 December 2016	—	1,406	1,002	1,952	4,360
Net assets at 31 December 2016	7,639	284	81	640	8,644
Net assets at 31 December 2015	7,639	135	122	426	8,322

2.3 Bank and Cash

	2016	2015
	€000	€000
PMG balance	10,393	5,112
Commercial bank account balance	385	930
	<u>10,778</u>	<u>6,042</u>

2.4 Other Debit Balances

	2016	2015
	€000	€000
Other debit balances	65	168

2.5 Other Credit Balances

	2016	2015
	€000	€000
Amounts due to the State		
Professional Services Withholding Tax	58	86
Value Added Tax	—	17
	<u>58</u>	<u>103</u>
Other credit balances	628	—
	<u>686</u>	<u>103</u>

2.6 Net Liability to the Exchequer	2016	2015
at 31 December	€000	€000
Surplus to be surrendered	1,977	2,002
Exchequer grant undrawn	(1,390)	(932)
Net liability to the Exchequer	<u>587</u>	<u>1,070</u>
Represented by:		
Debtors		
Bank and cash	10,778	6,042
Debit balances: suspense	65	168
	<u>10,843</u>	<u>6,210</u>
Creditors		
Due to State	(58)	(103)
Credit balances: suspense	(628)	—
Bilateral and other co-operation fund (grant) account	(9,570)	(5,037)
	<u>(10,256)</u>	<u>(5,140)</u>
	<u>587</u>	<u>1,070</u>

2.7 Commitments

The commitments figures stated below are the total legally enforceable amounts payable in 2017 and relate to property rental payments abroad and other administrative commitments.

Commitments are analysed by date of expiry of contract.

a) Global Commitments	2016	2015
	€000	€000
Procurement of goods and services, including rental commitments	1,492	1,815
Total of legally enforceable commitments	<u>1,492</u>	<u>1,815</u>

3 Programme Expenditure by Subhead

	2016		2015
	Estimate provision	Outturn	Outturn
	€000	€000	€000
A Work on poverty and hunger reduction			
A.1 Administration - pay	14,916	14,437	14,595
A.2 Administration - non pay	13,200	12,070	12,118
A.3 Payment to grant fund for bilateral and other co-operation	315,348	315,648	315,965
A.4 Emergency humanitarian assistance	65,500	65,500	58,500
A.5 Payments to international funds for the benefit of developing countries	40,857	40,257	37,460
A.6 Contributions to United Nations and other development agencies	36,610	36,910	36,390
	486,431	484,822	475,028

Significant variations

The outturn for the year was €1.6 million less than provided. This was mainly due to the following:

Description	Less / (more) than provided	Explanation
	€000	
Administration - pay	479	Savings were delivered on the administration pay subhead mainly due to delays in filling vacancies as sanction was required to commence a recruitment process for specialist staff.
Administration – non pay	1,130	Savings were delivered on the non-pay administration subheads primarily due to savings in travel & subsistence (arising from delays in filling staff vacancies) and post & telecommunications (due to the implementation of new communications links with Missions).

4 Receipts

4.1 Appropriations-in-aid	2016		2015
	Estimated	Realised	
	€000	€000	€000
1. Appropriations-in-aid	450	981	841
2. Receipts from pension-related deductions on public service remuneration	700	537	716
Total	1,150	1,518	1,557

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%.

The outturn for the year was €0.4 million more than provided. This was mainly due to the following:

Description	(More) / Less than provided	Explanation
	€000	
Appropriations-in-aid	(531)	Appropriations-in-aid were higher than anticipated and arose due to higher than anticipated passport / consular fees, which are demand driven and proceeds on sale of fixed assets following a decision to replace a number of old vehicles during the year.
Receipts from pension-related deductions on public service remuneration	163	Receipts from pension related deductions on public service remuneration was less than anticipated due to lower than expected pay cost arising from the delay in filling vacancies.

5 Employee Numbers and Pay

	2016	2015
Number of staff at year end (full time equivalents)	204	196
	2016	2015
	€000	€000
Pay	13,196	12,989
Higher, special or additional duties allowance	12	37
Other allowances	19	19
Overtime	52	62
Employer's PRSI	865	825
Foreign social security and other costs	293	663
Total pay	14,437	14,595

In addition, security staff costs in the missions are charged to security costs under incidental expenses.

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	7	—	4,143	10,926
Other allowances	7	—	5,627	7,194
Overtime	15	1	10,398	9,869
Extra remuneration in more than one category	6	2	13,986	11,601

5.2 Other Remuneration

Five retired civil servants in receipt of civil service pensions were re-engaged, on a fee basis, at a total cost of €51,959.

Severance payments amounting to €38,667 were paid to two former Ministerial staff.

5.3 Payroll Overpayments

Overpayments at the year end were €25,514 (10 cases) (2015: €0). Of this, €9,624 (4 cases) have recovery plans in place.

6 Miscellaneous Items

6.1 Contributions to United Nations and other development agencies (A.6)

	2016	2015
	€000	€000
United Nations Development Programme (UNDP)	7,750	7,750
United Nations Children's Fund (UNICEF)	7,500	7,200
United Nations High Commissioner for Refugees (UNHCR)	7,000	5,800
World Health Organisation (WHO) Programmes	300	1,000
United Nations Population Fund	2,800	2,800
Office of the United Nations High Commissioner for Human Rights	2,008	2,024
UNAIDS	2,648	2,700
United Nations Development Fund for Women (UNIFEM)	1,500	1,500
UN Industrial Development Organisation	412	490
UN Relief and Works Agency for Palestine Refugees in the Near East (UNWRA)	4,000	4,000
UNEP Trust Fund	169	250
United Nations Volunteers	500	595
Others - various	323	281
	<u>36,910</u>	<u>36,390</u>

6.2 Legal costs

	2016				2015
	Number of cases	Legal costs paid by the Department €000	Legal costs awarded €000	Compensation awarded €000	Total €000
Claims by employees of the Department					
Claim by staff following closure of embassy		—	—	—	188
		<u>—</u>	<u>—</u>	<u>—</u>	<u>188</u>

7 Bilateral and other co-operation fund (grant) account

Account of receipts and payments during the year ended 31
December 2016

	2016	2015
	€000	€000
Balance on 1 January	5,037	9,967
Grant	315,648	315,965
	<hr/> 320,685	<hr/> 325,932
Expenditure for the year	(313,266)	(321,738)
Amounts returned during the year	2,151	843
Balance on 31 December	<hr/> 9,570	<hr/> 5,037

In addition, at 31 December 2016, unspent balances totalling €1.2 million (2015: €1.5 million) were held in bank accounts controlled by Irish embassies and Irish Aid offices in eleven countries.

