An Roinn Caiteachais Phoiblí agus Athchóirithe
Department of Public Expenditure and Reform

15 October, 2018

Ms Margaret Falsey
Committee Secretariat
Committee of Public Accounts
Leinster House
Dublin 2

Re: Briefing material for meeting on Thursday, 18 October, 2018

Dear Margaret

My meeting with the Public Accounts Committee of the above date refers. I am pleased to enclose updates in relation to the following items:

- ***Vote 11 Office of the Minister for Public Expenditure and Reform - Appropriation Accounts 2016***
- ***Vote 11 Office of the Minister for Public Expenditure and Reform - Appropriation Accounts 2017***
- ***Vote 12 Superannuation and Retired Allowances - Appropriation Accounts 2016***
- ***Vote 12 Superannuation and Retired Allowances - Appropriation Accounts 2017***
- ***C&AG 2016 Report - Chapter 6 Vote Accounting and Budget Management***
- ***C&AG 2017 Report - Chapter 2 Collection of pension contributions due to the Exchequer***
- ***C&AG 2017 Report - Chapter 3 Control of funding for voted public services***
- ***C&AG 2017 Report - Chapter 5 Vote Accounting and Budget Management***
- ***C&AG Special Report 95: Financial Reporting in the Public Sector***
- ***C&AG Special Report 99: Public Sector Financial Reporting for 2015***
- ***C&AG Special Report 100: Public Sector Financial Reporting for 2016***

The Officers attending with me on the day will be as follows:

- Mr David Feeney
- Mr John Pender
- Ms Helen Codd

My opening address will follow.

Yours sincerely

Robert Watt

Robert Watt
Secretary General

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Briefing Material

Public Accounts Committee

18 October, 2018

The sections below provide information on each area requested by the Committee:

Contents

Vote 11 Office of the Minister for Public Expenditure and Reform - Appropriation Accounts for 2016 and 2017 and update to current position

Recent Financial History

Estimate Summary	2016 Estimate €m	2016 Outturn €m	2017 Estimate €m	2017 Outturn €m	2018 Estimate €m	2019 Estimate €m
A. Public Expenditure & Sectoral Policy	17.8	14.9	18.1	15.1	16.7	18.5
B. Public Service Management & Reform	28.1	28.3	38.0	37.9	42.8	42.5
Gross Total:	45.9	43.2	56.1	53.0	59.5	61.0
C. Appropriations in Aid	2.2	2.0	2.9	1.9	3.3	2.5
Net Total:	43.7	41.2	53.1	51.1	56.2	58.5

2016 Headline

The Estimate for 2016 was set at €43.7m, which was a 7.7% increase on the 2015 Estimate of €40.6m (the 2015 Outturn was €36.5m). The increase in 2016 was driven mainly by the Office of the Government Chief Information Officer (B.6), Administration - Non Pay (Aii to Avii), Structural Funds technical assistance for regional assemblies (A.4) and the Special EU Programmes Body (A.7). The increase was also due to the creation of new subheads for Funding of Pensions for Bodies under the Aegis of the Department (A.10), Civil Service Learning and Development (B.10) and Support for the Implementation of the Protected Disclosures Act (B.11).

The estimated cost of operating the Technical Assistance Costs of Regional Assemblies (A.5), Peace Programme / Northern Ireland Interreg (A.6), Reform Agenda (B.7) and the Statute Law Revision Programme (B.9) fell significantly between 2015 and 2016.

The subhead for Office of the National Lottery Regulator was retired in the 2016 estimates as the public body became self-funding in 2015.

The audited surplus surrendered in 2016 was €2.5m, which arose mainly as follows:

- Structural funds technical assistance and other costs (€0.8m) - this variance was primarily due to a delay to the e-Cohesion IT project which can now facilitate the electronic exchange of information between beneficiaries of EU funding and the authorities involved in the implementation of EU co-financed programmes;

- Administrative Pay for Programmes A & B (€0.7m) - this saving was driven by a number of factors including resignations / retirements and slower than anticipated recruitment while an examination of staffing needs and balancing of resource requirements was considered;
- Civil Service Learning and Development Programme (€0.7m) - this saving arose as a result of the later than anticipated appointment of a key staff member whose role was to evaluate the existing civil service technology for the programme. This delay led to the funds not being required for progressing the procurement of services required for the project in 2016;
- Ireland / Wales and Transnational Interreg (€0.4m) - This variance arose due to the earlier than anticipated completion of the 2007-2013 programme and a reduced requirement to contribute to the 2014-2020 programme;
- PEACE Programme / Northern Ireland INTERREG (€0.3m) - the variance arose because the new (2014-2020) round of PEACE / INTERREG projects were slower to commence spending than had been anticipated, as well as an increase in the value of the Euro to sterling; and
- Special EU Programmes Body (€0.2m) - the variance arose because the new round of PEACE / INTERREG projects commenced spending later than anticipated, as well as savings due to increase in the value of the Euro to sterling.

These savings allowed the Office of the Government Chief Information Officer to increase the pace of implementation of projects under the ICT Strategy for the Public Service.

2017 Headline

The Estimate for 2017 was set at €53.1m, a 21% increase or €9.4m on the 2016 Estimate. The increase was driven, in the main, by the Office of the Government Chief Information Officer (OGCIO; subhead B.6) which accounted for €6.5m of the increase and Administration Pay which accounted for €1.5m of the increase.

Other areas that saw an increase in funding were;

- The Civil Service Learning and Development Programme (B.10) which saw an increase of €0.5m for the development of the IT infrastructure for the cross Civil Service learning management system;
- Technical Assistance Costs of Regional Assemblies (A.4), €0.5m;
- Admin Non-Pay (A.2 & B.2), €0.4m; and
- Programme B Consultancy & Other Services, €0.4m.

The increase was also due to the creation of new subheads for the Public Service Pay Commission (B.9, €0.2m), the Irish Government Economic and Evaluation Service (IGEES, B.11, €0.2m) and the Single Public Service Pension Administration Project (B.12, €0.3m).

The estimated cost of operating the Ireland/Wales Transnational Interreg (A.8) fell significantly by €0.5m between 2016 and 2017. Estimated increases in income from Appropriations in Aid which offset Gross Expenditure rose by €0.8m.

The subhead for the Statute Law Revision Programme was retired in the 2017 estimates as the programme of work was completed in early 2016.

When a capital carryover of €685,000 is included, the Department was 2.5% under budget in 2017. The audited surplus surrendered in 2017 was €1.3m, which arose mainly as follows:

- Civil Service Learning and Development programme (€1.3m) – this saving was due to the procurement process for the Learning Management System taking longer than had been anticipated. The procurement process was completed in late 2017 and work commenced in 2018 on the system. Capital carryover of €0.7m was brought into 2018 as a result of the project delays;
- Structural funds technical assistance and other costs (€1.0m) - this saving was primarily due to a change in the licencing arrangements and savings in the E-Cohesion IT system project. E-cohesion can now 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 (€0.5m) - the saving arose because the new (2014-2020) round of PEACE/INTERREG projects were slower to commence spending than had been anticipated, as well as an increase in the value of the Euro to sterling;
- Administrative Costs for Programmes A & B (€0.5m) - the saving in expenditure was due to extra accommodation required by the Department not being available in 2017. While this primarily affected the Admin VI subhead (€0.2m), it also created savings in the other admin savings;
- Special EU Programmes Body (€0.4m) - the saving arose because the new round of PEACE/INTERREG projects commenced spending later than anticipated, as well as savings due to increase in the value of the euro to sterling;
- Administrative Pay for Programmes A & B (€0.3m) - this saving was driven by a number of factors including staff turnover and slower than anticipated; and
- Consultancy and other services costs for Programme B (€0.3m) - the saving in expenditure was primarily due to the costs associated with a court case which did not materialise in 2017

The savings outlined above were partly offset by:
- the Office of the Government Chief Information Officer (OGCIO) increasing the pace of implementation of the Government's Public Service ICT strategy. The OGCIO increased expenditure by €1.9m on its 2017 Estimates
- 2017 Appropriations in Aid being €1.0m below profile due the timing of reimbursements pertaining to EU programmes; and
- €0.7m of capital expenditure was carried over into 2018.

2018 Headline

The 2018 Estimate of €56.2m represents an increase of €3.1m compared to 2017 Estimate. The increased Estimate includes provision for:

- Administrative Pay (3.3m), which is rising for three reasons;
    - a small allocation to increase staff numbers to support further reform priorities in 2018;
    - the full year effects of recruitment that took place in 2017; and
    - pay increases under the Public Service Stability Agreement 2018-2020.

Other significant changes from the 2017 Estimate include:

- The Civil Service Learning and Development (One Learning) estimate increased by €750,000 to reflect the commencement of operations on a full year basis and a capital investment in its IT platform;
- The E-Cohesion capital project is being completed in 2018 and operations have commenced. This is reflected in a reduction of €996,000 in the Structural Funds Technical Assistance subhead; and
- Non-pay administration costs (€0.2m).

2019 Headline

The 2019 Estimate of €58.5m represents an increase of €2.2m compared to the 2018 Estimate. The increased Estimate includes provision for:

- Administrative Pay (2.2m), which is rising for two reasons
    - the full year effects of recruitment that took place in 2018; and
    - pay increases under the Public Service Stability Agreement 2018-2020.

Administrative and programme non-pay current expenditure is falling by €0.5m. Capital expenditure is also being reduced by €0.8m. These reductions are being partly offset by a fall in A-i-A income of €0.7m due to a reduction in expected reimbursements from EU programmes.

Other significant changes from the 2017 Estimate include:

- The Civil Service Learning and Development (One Learning) estimate is being reduced by €760,000. The reduction reflects the expected completion of the capital project in 2018.

Vote 12 Superannuation and Retired Allowances - Appropriation Accounts 2016 and 2017 and update to current position

Recent Financial History

Estimate Summary	2016 Estimate €m	2016 Outturn €m	2017 Estimate €m*	2017s Estimate €m+	2017 Outturn €m	2018 Estimate €m	2019 Estimate €m
A. Programme Expenditure	526.9	499.5	539.9	550.4	535.5	569.9	609.9
Gross Total	526.9	499.5	539.9	550.4	535.5	569.9	609.9
B. Appropriations in Aid	135.0	158.4	180.0	184.0	202.6	203.8	238.6
Net Total	**391.9**	**341.1**	**359.9**	**366.4**	**332.9**	**366.2**	**371.3**

*** Original 2017 Estimate**
+ including Supplementary Estimate

2016 Headline

The 2016 Appropriation Accounts for the Vote show:

- A gross outturn of €499.5m compared to an estimate of €526.9m;
- A net outturn of €341.1m compared to an estimate of €391.9m, giving a surplus of €50.8m for surrender to the Exchequer; and
- The surplus of €50.8m arose primarily due to an underspend on subhead A4 (established lump sums) and greater than anticipated receipts from the Single Public Service Pension Scheme.

The 2016 gross estimate amounted to €526.9m. This was based on:

- existing pensions in payment on 31st December 2015;
- an estimated 1,250 retirements and 300 deaths for the established scheme.
- an estimate in the region of €87.5m in respect of lump sum payments to established civil servants; and
- negligible change in expenditure levels on other expenditure items (unestablished pensions, spouses and children's etc.).

The actual experience was 1,314 retirees joining the established scheme, offset by 345 leavers*.

*Leavers = Deaths & children over 16 years of age (if not in full time education) or 22 years of age (if in full time education).

2017 Headline

The 2017 Appropriation Accounts for the Vote show:

- A gross outturn of €535.5m compared to an estimate of €550.4m.
- A net outturn of €332.9m compared to an estimate of €366.4m, giving a surplus of €33.5m for surrender to the Exchequer.
- The surplus of €33.5m arose primarily due to an underspend on subhead A4 (established lump sums) and greater than anticipated receipts from the Single Public Service Pension Scheme. It is important to note that Vote 12 is demand led and it is difficult to predict the number of individuals who will opt to retire in any given year. This gives rise to significant variability on subhead A4, which is where the lump sums for the established scheme are recorded. Given this expenditure variability and the level of gross expenditure at the time the Supplementary Estimate was being considered, €10.5m was sought as a precautionary measure and approved by the Oireachtas.
- The outturn for 2017 was €535.5m, representing 99.2% of the original estimate for 2017, meaning the supplementary provision was not used.

The 2017 gross estimate amounted to €535.5m.

This was based on:

- existing pensions in payment on 31st December 2015;
- an estimated 1,300 retirements and 300 deaths for the established scheme.
- an estimate in the region of €85.8m in respect of lump sum payments to established civil servants;
- negligible change in expenditure levels on other expenditure items (unestablished pensions, spouses and children's etc.).

The actual experience was 1,343 retirees joining the established scheme, offset by 418 leavers*.
*Leavers = Deaths & children over 16 years of age (if not in full time education) or 22 years of age (if in full time education).

There were:

- 21,128 pensions in payment at the end of December 2014.
- 21,872 pensions in payment at the end of December 2015.
- 22,904 pensions in payment at the end of December 2016.
- 23,915 pensions in payment at the end of December 2017.

2018 Headline

The 2018 Gross Estimate for the Vote is €569.9m and the net estimate is €366.2m. Subheads A.1 and A.4 (Pensions and Lump Sums for the established scheme) are the key cost drivers for Vote 12. They account for almost 90% of gross spend.

2019 Headline

The 2019 Gross Estimate for the Vote is €609.9m and the net estimate is €371.3m.

Chapter 6 of C&AG Report 2016 – Vote Accounting and Budget Management

This section covers the State's revenue and expenditure based on the 2016 Appropriation Accounts and final tax outturn figures.

The General Government Deficit continued to improve in 2016. The 2016 outturn of the General Government Deficit was below that projected in Budget 2016 which had set a target deficit/GDP ratio of 1.2%. In October 2015, in Budget 2016, the projected deficit for 2016 was revised to 0.9%. This reflected strong performance of taxation that allowed additional expenditure to be accommodated while at the same time achieving a deficit better than previously expected. The table below gives an overview of the forecasts of the 2016 deficit as well as its actual performance as calculated by the Central Statistics Office (CSO).

2016 General Government Deficit	Deficit €m	Deficit/GDP
Budget 2016 forecast (Oct 2015)	-€1,700	-1.2%
Forecast Oct 2016 (Budget 2017)	-€1,400	-0.9%
CSO Government Financial Statement (April 2017)	-€1,526	-0.6% *

* Reflects revision to 2016 GDP in 2016 National Accounts.

Tax revenue exceeded expectations during 2016. €639 million more was raised by the State than forecast in 2016, giving the State a tax income of €47.9 billion. With the exception of VAT, the 2016 outturn across all main tax categories was above forecast. This is summarised in the table below.

2016 Exchequer Returns	Outturn €m	Profile €m	Difference €m	%
Total	€47,864	€47,225	+€639	(+1.4%)
Income Tax	€19,169	€18,995	+€174	(+0.9%)
VAT	€12,420	€12,860	-€439	(-3.4%)
Corporation Tax	€ 7,351	€ 6,615	+€737	(+11.1%)
Excise Duty	€5,711	€5,645	+€67	(+1.2%)
Other	€ 3,212	€ 3,113	+€100	(+3.2%)

PRSI receipts of €8.6 billion were almost €0.2 billion ahead of profile.

On the Expenditure side, Gross Voted expenditure amounted to €55,987 million, €147 million ahead of profile (0.3%) and €1,393 million up (2.6%) on the 2015 figure. Net Voted expenditure amounted to €44,021 million, €133 million (0.3%) below profile and up €1,276 million (3.0%) up on the 2015 figure.

2016 Supplementary Estimates

Given the scale of gross voted expenditure and €56 billion in aggregate for 2016, the cash basis of Government accounting, and the funding implications that unexpected events can have on expenditure requirements, the need for Supplementary Estimates can arise for a number of reasons:

- Policy - the Government may decide, taking into account developments during the year that it is appropriate to allocate additional funding to a certain area, and to propose this - for example with the Christmas Bonus for Social Welfare recipients;
- Overrun - there may be an overrun on a Vote within a Vote Group, which requires additional funding to deal with the overspend. The net impact on overall spending of these overruns can be offset, in the first instance, either fully or partially by expected savings that will arise on other Votes within the relevant Vote Group;
- Timing - events may occur which change the timing of certain receipts or payments, and change the amount that is required to be spent during the present year; or
- Technical - there may be shifts in expenditure requirements between various areas within a Vote which, although they do not involve a net increase in the total level of spending, may be appropriate to deal with by way of a Technical Supplementary Estimate.

Therefore, Supplementary Estimates play an important role in achieving a proper alignment of funding allocations with planned expenditure.

The following Supplementary Estimates were approved by the Dáil for 2016, amounting to €399 million on a gross basis. In the majority of cases, there were underspends within Vote Groups that could be used to offset overspends in other areas.

- €10 million for An Garda Síochána - primarily to fund additional overtime related to crime-related violence in Dublin.
- €2 million for the Courts Service - for capital investment.
- €136 million for Education and Skills - primarily for building works, as well as pension costs.
- €96 million for the Department of Transport, Tourism and Sport - to cover infrastructure repairs following flood damage.
- €11 million for Army Pensions - to meet pension costs.
- €109 for Social Protection - primarily to fund a Christmas bonus for long-term Social Welfare recipients.
- €35 million for Jobs, Enterprise and Innovation - to support the IDA and provide capital funds for the Science and Technology Programme and the PRTLI.

Chapter 2 2017 C&AG Report - Collection of pension contributions due to the Exchequer

Section 16(4) of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012 provided that the Minister may require certain self-financing public service bodies to make an employer contribution in respect of their Single Scheme members.

DPER Circular 28/2016 was issued in December 2016 to establish the rate of that contribution and this was set at three times the rate of the employee contribution.

The need to undertake an overall review of relevant bodies to which employer contributions might apply, including discussions with relevant line Departments and public service bodies where appropriate, was recognised and reflected in the Circular.

This review and engagement with the relevant bodies is ongoing and will be completed by end-2018. It is expected that following that review, a total of some 25 to 30 mainly self-financing Relevant Authorities will be deemed liable for employer contributions.

Notwithstanding this ongoing review, some 14 Relevant Authorities have remitted employer contributions to date, with a value of c. €4.3 million at 14 September 2018.

Chapter 3 2017 C&AG Report - Control of funding for voted public services

Chapter 3 of the report deals with the control of funding for Voted public services. It is highlighted in the chapter that a failure to enact the appropriations legislation by year end offers a potential risk in relation to the approval of the estimates for a given year. Further to this, it is also noted that the formal appropriation of funds for supply services is generally taken very late in the year.

It should be noted that the timing of the enactment of the appropriations legislation is driven by certain Constitutional requirements. Firstly, it is a Constitutional requirement that legislation to give effect to the financial resolutions of Dáil Éireann must be enacted within the same year. Secondly, a further constitutional requirement relates to the scheduling of the Appropriation Bill and is based around the timing of approval by Dáil Éireannn of Supplementary Estimates for a given year. The linkage between the enactment of the Bill and the passing of Supplementary Estimates ensures that all Estimates that are voted by Dáil Éireann are appropriately reflected in the Appropriation Bill.

Mindful of the risk in relation to the enactment of Appropriation Bill at the end of the year, officials in the Department of Public Expenditure and Reform ensure that there is clear line of communication with the Whip's Office on the timeline for publication of the Bill, with all relevant briefing provided in a timely manner, including for the Business Committee of Dáil Éireann.

Chapter 5 2017 C&AG Report - Vote accounting and budget management

This section covers the State's revenue and expenditure based on the 2017 Appropriation Accounts and final tax outturn figures.

The General Government Deficit continued to improve in 2017. The table below gives an overview of the forecasts of the 2017 deficit as well as its actual performance as calculated by the Central Statistics Office (CSO).

2017 General Government Deficit	Deficit €m	Deficit/GDP
Budget 2017 forecast (Oct 2016)	-€1,235	-0.4%
Forecast Oct 2017 (Budget 2018)	-€995	-0.3%
CSO Government Financial Statement (April 2018)	-€1,014	-0.3%

Cumulative tax revenues of €50,737 million were collected in 2017, an increase of 6.0% or €2,872 million on 2016. In addition, tax revenues closed the year on target, just 0.2% or €116 million above expectations of €50,620 million. All tax-heads displayed annual growth in 2017.

2017 Exchequer Returns	Outturn €m	Profile €m	Difference (€m)	Difference (%)
Total	€50,736	€50,620	€116	0.2%
Income Tax	€20,009	€20,245	-€236	-1.2%
VAT	€13,303	€13,375	-€72	-0.5%
Corporation Tax	€8,201	€7,715	€486	6.3%
Excise Duty	€5,925	€5,985	-€60	-1.0%
Other	€3,298	€3,300	-€2	-0.1%

PRSI receipts of €8,896 million were €85 million, or 1% ahead of profile for 2017.

On the Expenditure side, Gross Voted expenditure amounted to €58,525 million. This was €480 million, or 0.8%, higher than the gross expenditure allocation set out in the 2017 Revised Estimates Volume. This increase was expected as it was accommodated within the Further Revised Estimates and Supplementary Estimates agreed by the Oireachtas in December. The additional expenditure arose mainly as a consequence of policy decisions relating to the provision of domestic water services. Net Voted expenditure amounted to €46,413 million, €444 million (1%) above profile and up €2,392 million (5.4%) on the 2016 figure.

As stated above, the need for Supplementary Estimates can arise for a number of reasons. In 2017, 9 Votes required substantive Supplementary Estimates, totalling €445.5 million. In the majority of cases there were underspends within Vote groups that could be used to offset overspends in other areas. These were:

- €44.2 million for An Garda Síochána, primarily to fund additional pay and overtime expenditure.
- €128 million for Education and Skills, primarily to fund salaries and superannuation expenditure in the Education sector, as well as school transport and capital costs.
- €50 million for Housing, Planning and Local Government, to address increased expenditure on the Housing programme, particularly due to a large number of Local Authority Housing acquisitions.
- €195 million for Health, to address pay expenditure being over profile, largely due to the bring forward of measures arising from the Lansdowne Road Agreement from September to April.
- €0.4 million for the Director of Public Prosecutions, to fund an overrun on fees to Counsel.
- €6.5 million for Superannuation and Retired Allowances, to cover pressures of expected levels of retirements.
- €0.7 million for the Public Appointments Service to fund higher than anticipated recruitment costs in 2017.
- €10.7 million for Army Pensions to cover the ongoing impact of high numbers of military retirements on pension in recent years.
- €10 million for Employment Affairs and Social Protection to fund the policy decision to provide an 85% Christmas Bonus for people in receipt of long-term social welfare payments.

C&AG Special Report 95: Financial Reporting in the Public Sector, C&AG Special Report 99: Public Sector Financial Reporting for 2015, and C&AG Special Report 100: Public Sector Financial Reporting for 2016

1. Introduction

The Comptroller and Auditor General (C&AG) carried out a review of public sector financial reporting focusing on financial statements for financial reporting periods ending in 2014, 2015 and 2016 under Section 11 of the *Comptroller and Auditor General (Amendment) Act, 1993*.

The reports reviewed the timeliness of public sector financial reporting for 2014 - 2016 and identified those bodies where delays have occurred, and summarised the issues brought to attention in the C&AG's audit reports on financial statements for 2014 - 2016.

Special Report 95	For the 2014 year of account, the C&AG was responsible for the audit of the annual financial statements of 300 public bodies and funds with an aggregate turnover of €193 billion.
Special Report 99	For the 2015 year of account, the C&AG was responsible for the audit of the annual financial statements of 292 public bodies and funds with an aggregate turnover of €213 billion.
Special Report 100	For the 2016 year of account, the C&AG was responsible for the audit of the annual financial statements of 287 public bodies and funds with an aggregate turnover of €218 billion.

Note: Turnover is measured on the basis of value of gross expenditure audited by the C&AG. Where the main function of the body/fund is the collection of revenues, the gross revenue figure is used.

Appendix 1 provides a table of the main findings in C&AG Special Report 95, 99 & 100.

2. Management of Public Funds

Public bodies account for their management of public funds, and associated assets and liabilities, through their annual audited financial statements. The preparation and publication of audited financial statements is an important aspect of each body's financial management. The audit of the financial statements of public sector bodies plays an important role in providing assurance that public funds and resources have been used in accordance with the law, managed to good effect and properly accounted for. Audits identify issues which can assist public bodies in improving financial management, governance and propriety in the conduct of public business.

3. Production of Financial Statements and Audit Completion

For most public bodies, financial statements should be presented for audit within two to three months of the end of the accounting period.

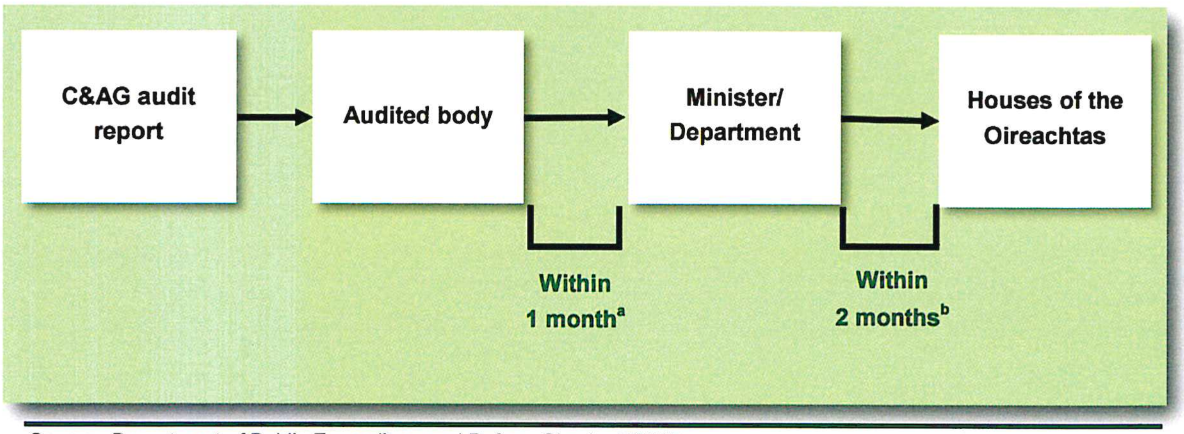
All Government departments and offices produced their 2016 appropriation accounts within the required three months. Half of other bodies produced draft financial statements for audit within three months of the end of their accounting period representing a progressive improvement since the 2014 period of account. By the end of September 2017, almost two thirds of bodies had produced audited financial statements accounting for 97% of the value of turnover audited.

4. Presentation of Accounts to the Oireachtas

Timeliness of Presentation

In most cases, audited financial statements should be presented to the Oireachtas within three months of certification. Figure 2.5 of the C& AG report presents an overview of the requirements. When the audited financial statements of a body or fund are presented to the Oireachtas, they are automatically referred to the Public Accounts Committee.

Figure 2.5 Timelines for presentation of audited financial statements



Source: Department of Public Expenditure and Reform Circular 7/2015

Notes: a Within 3 months if financial statements are required to be adopted at a company annual general meeting.

b Within 3 months if financial statements must first be presented to Government.

80% of 2016 financial statements certified and due for presentation at April 2018 were presented on time. This compares to less than 60% for 2014 financial statements when measured in November 2016. Previously, there was no system in place to monitor the extent to which financial statements had been presented to the Oireachtas.

With effect from the 2017 the appropriation accounts of Government Departments are required to include in an annex to their account, a status report on the presentation to the Oireachtas of the audited financial statements of bodies and funds under their aegis. This will increase the monitoring by Government Departments of the production of audited financial statement by bodies under the aegis of their Departments.

5. Accounts in Arrears

At the end of 2016, there were **16 accounts in arrears** including two for periods of accounts ending in 2014. Most of the delays relate to the Educational Training Boards and the Higher Education sector.

At the end of 2017, there were **13 accounts in arrears** including two for periods of account ending in 2015. Most of the delays relate to the Educational Training Boards and the Higher Education sector. This compares to 16 accounts in arrears at the end of 2016 and 25 at the end of 2015.

The university sector, which previously had a high incidence of accounts in arrears, has shown significant improvement. For example, six sets of financial statements for four universities were in arrears at the end of 2015. At the end of 2017, only the financial statements of Dublin City University (DCU) were in arrears. In that case, a number of issues raised by the audit were outstanding at the end of 2017. DCU's financial statements were certified on 4 May 2018.

Education and Training Boards

Six of the 13 accounts in arrears at end 2017 related to education and training boards (ETBs). The six ETB accounts in arrears at the end of 2017 related to four ETBs (in two cases both the 2015 and 2016 audited financial statements were outstanding).

- **Louth and Meath ETB** - Issues arose during the audit of the 2015 financial statements which the ETB is seeking to resolve to enable the audit to be finalised. The 2015 financial statements were certified in April 2018. It is expected that the 2016 financial statements will be certified in May 2018.
- **Kildare and Wicklow ETB** - Issues of concern identified during the audit of the 2015 financial statements were brought to the attention of the ETB and the Department of Education and Skills. Following this, the Department appointed a statutory investigator in October 2017 to examine the performance by the ETB of its functions, including matters in relation to public procurement, usage and disposal of assets, and propriety. These matters have a direct relevance to the audit and its completion. The investigator presented his report to the Department of Education and Skills on 1 March 2018.
- **For Mayo, Sligo and Leitrim ETB and Limerick and Clare ETB,** the problems in producing draft financial statements took longer to resolve then was the case for other ETBs. Progress has been made and in both cases, 2016 draft financial statements were produced earlier than in previous years. Limerick and Clare ETB's 2016 financial statements were certified in April 2018. It is expected that Mayo, Sligo Leitrim ETB's 2016 financial statements will be certified by end June 2018.

Institutes of Technology

Dundalk Institute of Technology

- The financial statements of Dundalk Institute of Technology were not certified at the end of 2017. The Institute did not provide a complete set of draft 2015/2016 financial statements for audit until September 2017.

Waterford Institute of Technology

- Following persistent delays over several years in relation to the financial statements for Waterford Institute of Technology, some progress was made in improving audit timeliness for 2012/2013. The audit was significantly delayed again for 2013/2014, due to difficulties experienced by the Institute in producing consolidated financial statements for the first time· This delay had a 'knock-on' effect on the 2014/2015 financial statements, which were certified on 2 June 2017.

National College of Art and Design

- There have been persistent delays over a number of years in finalising the financial statements for the National College of Art and Design. A range of accountability and governance issues at the College, including significant delays in the production of accounts were previously reported.
- The 2013/2014 financial statements were certified on 31 July 2017. The 2014/2015 financial statements were certified on 4 October 2017, and the 2015/2016 financial statements were certified in June 2018 representing a significant improvement in timeliness.

Higher Education Authority

The Higher Education Authority (HEA) has stated that it is further embedding timeliness and other governance issues with its approach to funding institutions. One of the recommendations in the Review of the Allocation Model for Funding Higher Education Institutions (January 2018) is that a penalty system for serious breaches of governance should be introduced. A number of key recommendations prioritised for 2018 including the penalty systems are currently being finalised for approval by the HEA and the Minister for Education and Skills. The HEA has stated that it continues to stress to institutions the importance of prioritising the completion of accounts.

Other Accounts in Arrears

Excluding ETBs and higher education bodies, there were three accounts in arrears at the end of 2017. These three accounts were:

- the National Treatment Purchase Fund (NTPF) (certified in January 2018);
- the Residential Institutions Statutory Fund Board (Caranua) (certified in May 2018); and
- the Educational Research Centre (ERC) (revised financial statements had not been submitted by end 2017).

Appendix 2 displays Figure 3.1 from Special Report 100 which summarises the accounts in arrears at year end 2017.

6. Matters Referred to in Audit Reports

Most 2016 financial statements received a clear audit opinion. Three accounts received a qualified opinion.

- National Tourism Development Authority — deferred funding asset for one of three statutory pension schemes not recognised.
- University College Cork — disagreement on the accounting treatment of future pension funding for liabilities arising from transferred-in service in one of three pension schemes. The 2016 financial statements note that the University and the Higher Education Authority reached an agreement, in October 2017, on the arrangements to fund this liability.
- National Gallery — heritage assets are not accounted for in accordance with generally accepted accounting practice.

7. Emphasis of Matter

An 'emphasis of matter' paragraph may be included in the audit report to draw attention to a matter which is considered to be important in understanding the financial statements.

Emphasis of matter paragraphs were included in the audit reports for 45 bodies. Most of the matters reported arise from public bodies that produce accrual accounts not accounting for pensions in the standard way. The approach to accounting for pensions in these cases is being reviewed.

Other matters are referred to in audit reports on an exception basis where it is considered appropriate to bring the matter to the attention of the Oireachtas. Such matters generally relate to losses or ineffective use of public funds, or governance and control issues. There were 71 such matters identified in the audit reports issued to date for 2016. Cases where public bodies procured goods and services without appropriate competitive processes accounted for over half of the matters reported.

8. Matters Reported by Exception

Matters reported by exception in the 2016 audit reports relate to:

- **Procurement issues** generally where a material level of procurement of goods and services without appropriate competitive processes was identified.
- **Non-effective expenditure** a material level of irregular or non-effective expenditure was identified. This included cases where the business purpose of the expenditure was unclear, payments for which no value was achieved (such as onerous lease or frauds) or instances of losses.
- **Review of internal controls** the required review of the effectiveness of the system of internal controls has not been carried or has not been done in a timely manner.
- **Weak controls** identified weaknesses in controls over transactions or assets and payments where the appropriate approval sanction has not been obtained, including employment contracts and severance payments.
- **Unsanctioned payments**" payments where the appropriate approval sanction has not been obtained, including employment contracts.

9. Conclusion

The C&AG's Special Report 100 concludes that good progress has been in relation to delays in completion of audits. There were systemic delays in certain sectors. These are being addressed in a co-operative way with the bodies concerned and their oversight bodies, and progress is being made. As a result, the number of accounts in arrears at the year-end was almost halved in 2017 compared to end 2015.

Appendix 1

Table of Findings C&AG Special Report 95, 99 & 100

	2014 – Special Report 95	2015 – Special Report 99	2016 – Special Report 100
Appropriation Accounts	All Government departments produced their 2014 appropriation accounts within the required timeframe.	All but one appropriation account was produced within the required timeframe – the account for the Irish Human Rights and Equality Commission was submitted one month after the required date.	All Government departments produced their 2016 appropriation accounts within the required timeframe.
Submission of Financial Statements for Audit	About **33%** of other bodies submitted their 2014 financial statements for audit within three months of the end of the accounting period.	About **40%** of other bodies submitted their 2015 financial statements for audit within three months of the end of the accounting period (improvement over 33% in previous year).	About **50%** of other bodies submitted their 2016 financial statements for audit within three months of the end of the accounting period (improvement over 40% in previous year).
Audit Completion	By the end of September 2015, **two thirds** of audits had been completed (representing **95%** of the total turnover audited). At the end of 2015, **93%** of audits were completed representing **99%** of the total turnover audited.	By the end of September 2016, **almost two thirds** of audits had been completed (representing **96%** of value of the turnover audited). At the end of 2016, **95%** of audits were completed representing **99%** of the total turnover.	By the end of September 2016, **almost two thirds** of audits had been completed (representing **97%** of value of the turnover audited). At the end of 2017, **96%** of audits were completed representing **99.6%** of the total turnover.
Presentation of Accounts to the Oireachtas	Of 2014 financial statements where the audit opinion was issued in 2015 **almost 60%** were presented to the Oireachtas within 3 months of the certification date (in compliance with requirements set down by DPER in Circular 7/2015[1]).	Of 2015 financial statements where the audit opinion was issued in 2016 **over 70%** were presented to the Oireachtas within 3 months of the certification date.	Of 2016 financial statements where the audit opinion was issued in 2017 **over 80%** were presented to the Oireachtas within 3 months of the certification date.

[1] Department of Public Expenditure and Reform Circular 7/2015: Timely production and submission of accounts of bodies and funds audited by the Comptroller and Auditor General and the laying before the Houses of the Oireachtas of special reports of the Comptroller and Auditor General.

Appendix 2

Figure 3.1 – Special Report 100 – Accounts in arrears at year end 2017

Figure 3.1 Accounts in arrears at year end 2017

Type/name of body	
Education and Training Boards	
Kildare and Wicklow	2015 and 2016
Limerick and Clare	2016
Louth and Meath	2015 and 2016
Mayo, Sligo and Leitrim	2016
Higher education bodies	
Dublin City University	2015/2016
Dundalk Institute of Technology	2015/2016
Waterford Institute of Technology	2015/2016
National College of Art and Design	2015/2016
Other bodies	
Educational Research Centre	2015/2016
Residential Institutions Statutory Fund Board	2016
National Treatment Purchase Fund	2016

Source: Office of the Comptroller and Auditor General