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An Coiste um Chuntais Phoiblí
Scrúdú ar Chuntais Leithreasa na Roinne Caiteachais
Poiblí agus Athchóirithe agus na Roinne Airgeadais le
haghaidh 2019 agus ar Nithe Airgeadais Gaolmhara

Aibreán 2021

Committee of Public Accounts
Examination of the Department of Public Expenditure
and Reform's and the Department of Finance's 2019
Appropriation Accounts and Related Financial Matters



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DEPARTMENT OF PUBLIC EXPENDITURE AND REFORM

Meeting Date: 22 October 2020

[Link to transcript](#)

Principal Purposes of the Meeting:

- **2019 Appropriation Accounts:**
 - [Vote 11 – Office of the Minister for Public Expenditure and Reform](#), and
 - [Vote 12 – Superannuation and Retired Allowances](#).
- **2018 Report on the Accounts of the Public Services:**
 - [Chapter 3 – Vote Accounting and Budget Management](#),
 - [Chapter 4 – Accounting for Capital Assets](#), and
 - [Chapter 5 – Accounting for Allied Services](#).

INTRODUCTION

The Committee met with the Department of Public Expenditure and Reform (DPER) on 22 October 2020 to discuss matters in relation to the 2019 Appropriation Accounts for Vote 11 – The Office of the Minister for Public Expenditure and Reform and Vote 12 – Superannuation and Retired Allowances. Three chapters from the *2018 Report on the Accounts of the Public Service* were also on the agenda. This is an annual report in which the C&AG identifies issues, which in his opinion, merit consideration by the Committee of Public Accounts in the interests of transparency and accountability.

Vote 11 details the expenditure of the Department of Public Expenditure and Reform. In 2019 it recorded gross expenditure of €59.5 million. At the end of 2019 the Department returned €2 million in unspent funds to the Exchequer and carried forward €146,000 in unspent capital allowances.

Vote 12 is used to administer pensions and retirement lump sums to civil servants and prison officers. In 2019 Vote 12 recorded gross expenditure of approximately €600 million. At the end of the year the Vote returned €110 million to the Exchequer.

The Secretary General of DPER is the Accounting Officer for both Votes. The C&AG issued a clear audit opinion in relation to both Votes.

ISSUES IDENTIFIED AND RECOMMENDATIONS ISSUED BY THE COMMITTEE OF PUBLIC ACCOUNTS

Based on its engagement with the Department of Public Expenditure and Reform the Committee has identified the following area and issues a corresponding recommendation:-

Issue 1 – Modernisation of Central Government Financial Reporting:

The Committee was informed that the State has a unique approach to financial management that is underpinned by the *Exchequer and Audit Departments Act 1866* (as amended by *Comptroller and Auditor General (Amendment) Act 1993*). The legislation is aided by a system of financial principles and procedures that are maintained by the Department of Public Expenditure and Reform (DPER). At present, Appropriation Accounts are prepared on an annual basis detailing the financial transactions of Government Departments. Appropriation Accounts are a cash-based record of receipts and payments made by a Government Department in an individual year. The accounts are displayed alongside the amounts provided for in that year's Budget and the figures for the previous year for comparative purposes.

In "*Financial Reporting in Ireland*" (2019) the Organisation for Economic Co-operation and Development (OECD) recommended that the State improve the completeness of its financial reporting by incorporating elements of accrual accounting. Accrual accounting would include the maintenance of a State balance sheet that would present the State's net worth including its liquid assets and continuous liabilities. The OECD also recommended that the State reduce the timeframes for publishing financial reports and harmonise accounting practices across each branch of governance. DPER stated that the Government has accepted the approach recommended by the OECD and that the changes required will be implemented on a phased basis.

The Committee acknowledges that the incorporation of accrual accounting principles represents one of the most significant changes ever undertaken regarding the State's financial reporting. Nevertheless, the Committee is of the opinion that the changes required to implement such necessary reforms must remain a priority and requested information on the timeframe envisaged, and the challenges that currently exist in implementing these changes.

DPER stated that the two most pressing challenges facing the Department in regard to these changes were IT systems and human resources. The IT systems need to be upgraded to a shared financial management system.

The first change that will take place will be the required update of the IT systems used to track the State's spending. DPER informed the Committee that this will cost approximately €100 million. It stated that this process had been delayed due to the COVID-19 pandemic but that progress should be made in 2021. DPER also informed the Committee that initial priorities have been identified and that these will be reviewed in quarter three 2021.

The Committee acknowledges that the implementation of the OECD recommendation to incorporate elements of accrual accounting into the State's financial reporting is a significant change and one that will take time. However, the Committee remains concerned that DPER could not provide a clear timeline for the implementation of the necessary reforms to move to accrual accounting.

Recommendation 1:

The Committee recommends that a timeline for the completion of the implementation of the OECD recommendations regarding the incorporation of accrual accounting principles is provided to the Committee by the end of quarter three 2021. The Committee requests that the plan contains detailed benchmarks for the incorporation of accrual accounting principles for each Department. The Committee also recommends that DPER provides the Committee with an annual progress report regarding same.

DEPARTMENT OF FINANCE

Meeting Date: 5 November 2020

[Link to transcript](#)

Principal Purposes of the Meeting:

- **2019 Appropriation Account:**
 - [Vote 7 – Office of the Minister for Finance](#)
- **2019 Report on the Accounts of the Public Service:**
 - [Chapter 1 – Exchequer Financial Outturn for 2019](#), and
 - [Chapter 17 – Ireland Apple Escrow Fund](#).

INTRODUCTION

The Committee met with the Department of Finance (the Department) on 5 November 2020 to discuss matters relating to the 2019 Appropriation Account for Vote 7 – Office of the Minister for Finance, as well as chapters from the *2019 Report on the Accounts of the Public Service* on the Ireland Apple Escrow Fund, and the Exchequer Financial Outturn for 2019. The 2019 financial position of each account and fund is outlined below.

The 2019 Appropriation Account for Vote 7 recorded approximately €61 million in gross expenditure. This was divided by two expenditure programmes which are detailed below:

- Programme A (Economic and Fiscal Policy) - €47.5 million, and
- Programme B (Banking and Financial Service Policy) - €12.6 million.

The Central Fund is operated under the aegis of the Department of Finance. All revenues of the State are paid into the Central Fund. Public services are then funded by money issued from the Central Fund, either through annual voted provisions or direct payments. In 2019 Central Fund receipts totalled €64.4 billion while issues from the Central Fund amounted to €63.8 billion.

The Committee also discussed issues related to the Ireland Apple Escrow Fund. At the end of 2019 the net assets of the fund totalled €14.02 billion. This represented a decline in value of approximately €265 million, which the Department largely attributes to the current negative interest rate environment.

ISSUES IDENTIFIED AND RECOMMENDATIONS ISSUED BY THE COMMITTEE OF PUBLIC ACCOUNTS

Based on its engagement with the Department of Finance the Committee has identified the following area and issues a corresponding recommendation: -

Issue 1 – Accounts of the Credit Union Restructuring Board

The Committee expressed concern that the last audited accounts of the Credit Union Restructuring Board were published in 2016. Since then no Financial Statements have been audited or published. The Department states that all of the Restructuring Board's employees' contracts expired on or before 31 July 2017 and that all Board members have resigned. The Department informed the Committee that legislation for the formal dissolution of the Board was at an advanced stage.

The Department also explained the issue that was delaying the audit of the Financial Statements of the Board. As the Committee understands it, the draft 2017 Financial Statements were submitted to the C&AG for audit in 2018. However, the Department has not been able to reconcile a note to the accounts to the satisfaction of the C&AG and therefore, the audit has not been completed. Until this issue is resolved the 2017 draft accounts cannot be audited and this has delayed the audit of the 2018 draft accounts as it cannot be undertaken until the 2017 accounts have been closed. The Department explained that it has taken the decision to procure external accounting advice to assist in completing the audit and that the tender process would commence shortly. However, no timeline for the completion of the tender process was provided. The Committee remains unsatisfied with this situation and is of the opinion that it must be resolved promptly to ensure proper oversight of State funds can take place.

Recommendation 1:

The Committee recommends that the Department complete the tender process to procure external accounting advice without delay. The Committee further recommends that the tender contract includes a specific date for the provision of the advice and that the Department submits the accounts for audit by the C&AG within three months of the advice being received.

Appendix 1 Committee Membership

The following TDs were members of the Public Accounts Committee when the report was agreed: -

Colm Burke	Fine Gael
Jennifer Carroll MacNeill	Fine Gael
Matt Carthy	Sinn Féin
Cormac Devlin	Fianna Fáil
Alan Dillon	Fine Gael
Neasa Hourigan	Green Party
Marc MacSharry	Fianna Fáil
Paul McAuliffe	Fianna Fáil
Imelda Munster	Sinn Féin
Catherine Murphy	Social Democrats
Verona Murphy	Independent
Seán Sherlock	Labour
Brian Stanley (Chair)	Sinn Féin

Appendix 2 Committee Orders of Reference

Dáil Standing Order 218 — Committee of Public Accounts

(1) There shall stand established, following the reassembly of the Dáil subsequent to a General Election, a Standing Committee, to be known as the Committee of Public Accounts, to examine and report to the Dáil upon—

(a) the accounts showing the appropriation of the sums granted by the Dáil each year to meet the public expenditure and such other accounts as they see fit (not being accounts of persons included in the Second Schedule of the Comptroller and Auditor General (Amendment) Act 1993) which are audited by the Comptroller and Auditor General and presented to the Dáil on an annual basis, together with any reports by the Comptroller and Auditor General thereon;

(b) the Comptroller and Auditor General's reports on his or her examinations of economy, efficiency, effectiveness evaluation systems, procedures and practices; and

(c) other reports carried out by the Comptroller and Auditor General under the Act.

(2) In considering particular accounts pursuant to paragraph (1)(a), the Committee shall examine whether, having regard to changes in—

(a) the volume or quality of services or other outputs delivered, and

(b) associated expenditure, over time, it can be demonstrated that value for money has or has not been achieved.

(3) The Committee shall bring conclusions and recommendations reported to the Dáil pursuant to paragraph (1)(a) in relation to particular accounts to the attention of the relevant Committee established pursuant to Standing Order 95.

(4) The Committee may suggest alterations and improvements in the form of the Estimates submitted to the Dáil and shall bring any such suggestions as reported to the Dáil to the attention of the Committee on Budgetary Oversight.

(5) The Committee may proceed with its examination of an account or a report of the Comptroller and Auditor General at any time after that account or report is presented to Dáil Éireann.

(6) The Committee shall have the power to send for persons, papers and records.

(7) Paragraphs (4) to (9) inclusive of Standing Order 96 shall not apply to the Committee.

(8) Every report which the Committee proposes to make shall, on adoption by the Committee, be laid before the Dáil forthwith whereupon the Committee shall be empowered to print and publish such report together with such related documents as it thinks fit.

(9) The Committee shall present an annual progress report to Dáil Éireann on its activities and plans.

(10) Notwithstanding the provisions of paragraph (1) of this Standing Order, the Committee shall have the power to examine and report upon a specific matter of general public interest relating to the appropriation of public moneys, which is not comprehended by appropriation accounts or reports of the Comptroller and Auditor General within the meaning of paragraph (1), subject to—

(a) a positive determination having been made by the Committee on Remit Oversight under Standing Order 93A pursuant to a request by the Committee of Public Accounts under Standing Order 93B for an extension to its orders of reference for the purpose of examining the matter; and

(b) the approval of the Dáil by way of an appropriate motion under Standing Order 93B to instruct the Committee in conducting its examination of the matter.

(11) The Committee shall refrain from—

(a) enquiring into in public session, or publishing, confidential information regarding the activities and plans of a Government Department or office, or of a body which is subject to audit, examination or inspection by the Comptroller and Auditor General, if so requested either by a member of the Government, or the body concerned; or

(b) enquiring into the merits of a policy or policies of the Government or a member of the Government or the merits of the objectives of such policies.

(12) The Committee may, without prejudice to the independence of the Comptroller and Auditor General in determining the work to be carried out by his or her Office or the manner in which it is carried out, in private communication, make such suggestions to the Comptroller and Auditor General regarding that work as it sees fit.

(13) The Committee shall consist of thirteen members, none of whom shall be a member of the Government or a Minister of State, and four of whom shall constitute a quorum. The Committee and any sub-Committee which it may appoint shall be constituted so as to be impartially representative of the Dáil.

Appendix 3 Witnesses

The Comptroller and Auditor General Mr. Seamus McCarthy is a permanent witness to the Committee and attends all of its engagements.

The following table contains the names of witnesses who provided information to the Committee during its meeting on 22 October 2020:

Department of Public Expenditure and Reform	
Mr. Robert Watt	Secretary General
Mr. David Feeney	Chief Operations Officer – Corporate Office
Mr. John Pender	Principal Officer – Public Service Pay and Pensions Division

The following table contains the names of witnesses who provided information to the Committee during its meeting on 5 November 2020:

Department of Finance	
Mr. Derek Moran	Secretary General
Mr. John McCarthy	Assistant Secretary and Chief Economist
Mr. Gary Tobin	Assistant Secretary EU and International Division
Department of Public Expenditure and Reform	
Mr. Brian O'Malley	Principal Officer – Finance Vote Section
Ms Victoria Cahill	Assistant Principal Officer - Finance Vote Section

Appendix 4 References

Information from the following sources informed the Committee's recommendation to the Department of Public Expenditure and Reform: -

References
Transcript 22.10.2020
Appropriation Account 2019 Vote 11 – Office of the Minister for Public Expenditure and Reform
Appropriation Account 2019 Vote 12 – Superannuation and Retired Allowances
2018 Report on the Accounts of the Public Service Chapter 3 – Vote Accounting and Budget Management
2018 Report on the Accounts of the Public Service Chapter 4 – Accounting for Capital Assets
2018 Report on the Accounts of the Public Service Chapter 5 – Accounting for Allied Services
R0204PAC33
Financial Reporting in Ireland 2019 (OECD)

Information from the following sources informed the Committee's recommendation to the Department of Finance: -

References
Transcript 05.11.2020
Appropriation Account 2019 Vote 7 – Office of the Minister for Finance
2019 Report on the Accounts of the Public Service Chapter 1 – Exchequer Financial Outturn for 2019
2019 Report on the Accounts of the Public Service Chapter 17 – Ireland Apple Escrow Fund
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