



Office of the Comptroller and Auditor General  
Oifig an Ard-Reachtaire Cuntas agus Ciste

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# **Accrual Financial Statements**

**for the year ended 31 December 2016**

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**Contents:**

Report of the Independent Auditor	2 - 3
Statement of Income and Expenditure	4
Statement of Financial Position	5
Statement of changes in Revenue Reserves and State Funding Account	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 16

## **REPORT OF THE INDEPENDENT AUDITOR TO THE COMPTROLLER AND AUDITOR GENERAL**

I have audited the financial statements of the Office of the Comptroller and Auditor General for the year ended 31 December 2016 which comprise the Statement of Income and Expenditure, the Statement of Financial Position, the Statement of changes in Revenue Reserves and State Funding Account, Statement of Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Comptroller and Auditor General. My audit work has been undertaken so that I might state to the Comptroller and Auditor General those matters I am required to state to him in an auditors' report and for no other purpose. To the fullest extent permitted by the law, I do not accept or assume responsibility to anyone other than the Comptroller and Auditor General, for my audit work, for this report, or for the opinions I have formed.

### **Respective responsibilities of the Accounting Officer and the Auditor**

The Accounting Officer is responsible for the preparation of the financial statements in accordance with the Accounting Policies set out in the Statement of Accounting Policies. He is also responsible for the safeguarding of public funds and property under his control and for the regularity and propriety of all transactions in the financial statements.

It is my responsibility as independent auditor, to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view. I also report to you whether in our opinion proper accounting records have been kept by the Office. In addition, I state whether I have obtained all the information and explanations necessary for the purposes of my audit, and whether the Office's Statement of Financial Position and Statement of Income and Expenditure are in agreement with the accounting records.

### **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements and of whether the accounting policies are appropriate to the Office's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of information in the financial statements.



## REPORT OF THE INDEPENDENT AUDITOR TO THE COMPTROLLER AND AUDITOR GENERAL

### Opinion

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the Office of the Comptroller and Auditor General at 31 December 2016 and of its net cost of audits for the year then ended.

I have obtained all the information and explanations which I considered necessary for the purposes of my audit. In my opinion, proper accounting records have been kept by the Office of the Comptroller and Auditor General. The Office's Statement of Financial Position and Statement of Income and Expenditure are in agreement with the accounting records.

Tommy Doherty  
For and on behalf of Mazars,  
Chartered Accountants and  
Registered Auditors  
Harcourt Centre  
Block 3  
Dublin 2

18 May 2017

**Statement of Income and Expenditure  
For the year ended 31 December 2016**

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	Notes	2016 €000	2015 €000
Expenditure	2	13,000	13,243
Audit fees earned	4	(5,874)	(5,565)
Pension levy income		<u>(402)</u>	<u>(535)</u>
<b>Net Cost of Audits</b>		<b>6,724</b>	<b>7,143</b>

There was no other comprehensive income for the financial year (2015 €nil).

All amounts relate to continuing activities.

The notes 1 to 17 form part of these financial statements.

**Andrew Harkness**  
**Accounting Officer**  
**18 May 2017**

**Statement of Financial Position**  
**At 31 December 2016**

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	Notes	2016	2015
		€000	€000
<b>Fixed Assets</b>			
Equipment, Fixtures and Fittings	9	1,879	2,156
<b>Work in Progress</b>	10	484	464
<b>Current Assets</b>			
Inventory		6	15
Receivables	11	<u>2,488</u>	<u>3,694</u>
		2,494	3,709
<b>Current Liabilities (amounts falling due within one year)</b>	12	345	1,183
Cash and cash equivalents	13	<u>642</u>	<u>676</u>
Payables		987	1,859
<b>Net Current Assets</b>		1,507	1,850
<b>Total Net Assets</b>		<u>3,870</u>	<u>4,470</u>
<b>Representing</b>			
State Funding Account	7	<u>3,870</u>	<u>4,470</u>

The notes 1 to 17 form part of these financial statements.

**Andrew Harkness**  
**Accounting Officer**  
**18 May 2017**

**Statement of changes in Revenue Reserves and State Funding Account  
For the Year Ended 31 December 2016**

	Notes	Revenue Reserves	State Funding Account	Total
		€000	€000	€000
At 1 January 2015		—	2,915	2,915
Net Cost of Audits		7,143	(7,143)	—
Drawdown from State	5	—	8,698	8,698
Transfer from State Funding Account		(7,143)	—	(7,143)
At 31 December 2015	7	—	4,470	4,470
At 1 January 2016	7	—	4,470	4,470
Net Cost of Audits		6,724	(6,724)	—
Drawdown from State	5	—	6,124	6,124
Transfer from State Funding Account		(6,724)	—	(6,724)
<b>At 31 December 2016</b>	<b>7</b>	<b>—</b>	<b>3,870</b>	<b>3,870</b>

The notes 1 to 17 form part of these financial statements.

**Statement of Cash Flows**  
**For the year ended 31 December 2016**

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	<b>Notes</b>	<b>2016</b>	<b>2015</b>
		<b>€000</b>	<b>€000</b>
<b>Net Cash Outflow from Operating Activities</b>	14.1	(4,125)	(6,951)
<b>Cash Flows from Investing Activities</b>			
Payments to acquire equipment, fixtures and fittings		(90)	(325)
<b>Cash Flows from Financing Activities</b>			
Disbursements from the Exchequer	6	<u>5,053</u>	<u>6,017</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>838</b>	(1,259)
Cash and cash equivalents at 1 January		(1,183)	76
<b>Cash and cash equivalents at 31 December</b>		<b>(345)</b>	<b>(1,183)</b>

The notes 1 to 17 form part of these financial statements.

**Andrew Harkness**  
**Accounting Officer**  
**18 May 2017**



## **Notes to the Financial Statements for the year ended 31 December 2016**

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### **1. Accounting Policies**

The principal accounting policies, which have been adopted in the preparation of the financial statements, are set out below.

#### **a) General Information**

The Comptroller and Auditor General (C&AG) holds office under Article 33 of the Constitution. As provided for by law, the C&AG is responsible for auditing the public accounts, undertaking examinations on the management and use of public resources and reporting the results of the work to Dáil Éireann.

The Office of the Comptroller and Auditor-General supports the C&AG in discharging his or her duties. The Office is staffed by civil servants.

The Secretary and Director of Audit, in his capacity of Accounting Officer, is responsible for the administration of funds and the system of internal financial control. He or she is assigned the responsibility for preparing the annual Appropriation Account of the Office by the Minister for Public Expenditure and Reform in accordance with Section 22 of the Exchequer and Audit Departments Act 1866.

#### **b) Statement of Compliance**

The financial statements of the Office for the year ended 31 December 2016 have been prepared in accordance with FRS 102, the financial reporting standard applicable in the UK and Ireland issued by the Financial Reporting Council (FRC), as promulgated by Chartered Accountants Ireland.

#### **c) Basis of Preparation**

The financial statements have been prepared in accordance with the historical cost convention. The financial statements are prepared on an accruals basis. They reflect the cost of running the Office borne on the Vote of the Office and by other State agencies. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Office's financial statements.

#### **d) Income Earned**

Income earned consists mainly of audit fees. Fees are charged on a basis approved by the Department of Finance in respect of audit work on the accounts of State Sponsored bodies and most Departmental Funds. Fees are not charged for any other work.

#### **e) Work in Progress**

Work in progress represents the estimated recoverable value associated with audit work completed at year end in cases where an audit opinion has not been reported.

## **Notes to the Financial Statements for the year ended 31 December 2016 (continued)**

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### **f) Fixed Assets**

Tangible Fixed Assets owned by the Office are valued at their cost less accumulated depreciation and impairment. Fixed assets are depreciated at rates calculated to write off the cost or valuation, less estimated residual value, over their expected useful lives, or lease period if shorter. The estimated useful life of the main categories of fixed assets are:

Equipment	5 years
Furniture & Fittings	10 years

A full year's depreciation is charged in the year of acquisition.

### **g) Office Premises/Rental Charges**

Office staff are accommodated in premises located in Dublin which are provided by the Office of Public Works (OPW). The financial statements recognise rental charges representing the cost incurred by the OPW in respect of leasehold premises occupied by the Office.

### **h) Holiday Pay**

Holiday pay is recognised as an expense in the year, and benefits that are accrued at year-end are included in payables figure in the Statement of Financial position.

### **i) Pension Costs**

The Office has no liability in respect of pensions. All staff are members of the civil service pension schemes which are administered by the Department of Public Expenditure and Reform. No employer contribution is payable to these schemes. These accounts do not include any provision or charge for benefits payable in the year nor are the cost of future pension liabilities recognised.

### **j) Taxation**

No provision has been made for taxation on revenue, as the Office is a department of State and thereby exempt from taxation.

VAT on purchases is absorbed by the Office. No VAT is levied on audit fees.

### **k) Inventory**

Stocks of stationery and consumables are stated at the lower of cost or net realisable value.

### **l) State Funding Account**

The State Funding Account records the recourse by the Office to the Exchequer in respect of funding for operations and net asset additions.

The balance on the State Funding Account represents the cumulative amount of Exchequer funding invested in the net assets held by the Office at each year-end. It consists of:

- A capital account which represents the unamortised value of Exchequer funding applied to the acquisition of fixed assets.

**Notes to the Financial Statements for the year ended 31 December 2016  
(continued)**

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- An exchequer drawing account which represents the net recourse to the Exchequer in respect of the recoverable value of work completed in cases where an audit opinion has not been reported (work-in-progress).
- A current account which represents the net amount drawn from the Exchequer to fund the working capital requirements of the Office.

**m) Critical Accounting Judgements and Estimates**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the financial year end and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognized in the financial statements.

Work in Progress

The value of the work in progress is determined by the status of the audit and the agreed audit fee for that year.

Cleared for certification	90%
Audit review stage	75%
Fieldwork complete	60%
Final audit in progress	30%
Interim audit completed	15%
Interim audit in progress	10%

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 2. Expenditure

The total expenditure was applied on the following matters:

	Notes		2016 €000	2015 €000
<b>Staff Costs</b>				
Salaries, Wages & Allowances	8	9,605		10,192
Travel & Subsistence		527		452
Staff Training & Development		335		254
			<b>10,467</b>	<b>10,898</b>
<b>Cost of Outsourcing of Audits</b>				
			<b>497</b>	<b>416</b>
<b>Administrative Expenses</b>				
Incidental Expenses <sup>1</sup>		50		125
Postal and Telecommunications Services		70		128
Office Supplies		368		342
Loss arising from relocation		-		62
Depreciation		367		360
			<b>855</b>	<b>1,017</b>
<b>Consultancy and Legal Fees</b>				
			<b>125</b>	<b>79</b>
<b>Establishment Costs</b>				
Office Premises Expenses		206		218
Office of Public Works Services	3	850		615
			<b>1,056</b>	<b>833</b>
			<b>13,000</b>	<b>13,243</b>

<sup>1</sup> Included in Incidental Expenses is an amount of €388 (2015: €240) incurred for the hosting of foreign delegations.

### 3. Expenditure borne by other Departments

Included in the total expenditure reported in Note 2 is €0.850m (€0.615m in 2015) in respect of services discharged by the OPW on behalf of the Office. Of this amount €0.613m is in respect of rental charges on leasehold premises at 3A Mayor Street Upper

These accounts do not reflect the rental value of State owned premises at Dublin Castle provided free of charge by the OPW and which is estimated at €0.02m (€0.244m in 2015).

Included in the accounts is an amount of €30,000 in respect of services discharged by the Office of the Revenue Commissioners in relation to IT server hosting.

Included in the accounts is an amount of €15,000 in respect of services discharged by the National Shared Service Office in relation to payroll processing.

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 4. Income Earned

	Audit Fee Income 2016 €000	Audit Fee Income 2015 €000
Balance at 1 January		
Amount Receivable	1,441	170
Work In Progress	464	942
Accrued Income	<u>503</u>	<u>1,320</u>
	2,408	2,432
<b>Income Earned</b>	<b>5,874</b>	<b>5,565</b>
Receipts during the year	(6,112)	(5,589)
Balance at 31 December		
Amount Receivable	385	1,441
Work In Progress (Note 10)	484	464
Accrued Income	<u>1,301</u>	<u>503</u>
	2,170	2,408

### 5. Drawdowns from State Sources

	2016 €000	2015 €000
Disbursements from the Exchequer (Note 6)	5,053	6,017
Costs of Office borne by other Departments (Note 3)	895	645
Salary costs borne on the Central Fund	176	183
Fit Out Costs and assets provided by OPW	<u>-</u>	<u>1,853</u>
	6,124	8,698

### 6. Disbursements from the Exchequer

Disbursements represent the difference between amounts voted by Dáil Éireann and the surplus to be surrendered.

	2016 €000	2015 €000
Estimate Provision	6,761	6,682
Appropriation Account Surplus to be Surrendered	<u>(1,708)</u>	<u>(665)</u>
	5,053	6,017

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 7. State Funding Account

	2016 €000	2015 €000
Capital Account	1,879	2,156
Drawing Account	484	464
Current Account	<u>1,507</u>	<u>1,850</u>
	<b>3,870</b>	<b>4,470</b>

### 8. Salaries, Wages and Allowances

The number of staff at year end (full time equivalents) was 143 (139 in 2015)

The related costs were as follows:

	2016 €000	2015 €000
Salaries, Wages and Allowances	8,307	8,953
Employers PRSI	<u>670</u>	<u>681</u>
	8,977	9,634
Contracting in	<u>628</u>	<u>558</u>
	<b>9,605</b>	<b>10,192</b>

- a) The salary of the Comptroller and Auditor General is paid directly out of the Central Fund of the Exchequer, as provided for in Section 14 of the Comptroller and Auditor General (Amendment) Act 1993 and therefore is not included in the above amounts. The charge in relation to the remuneration of the Comptroller and Auditor General was €175,742 (2015: €182,500). As provided for in Article 33 of the Constitution, the Comptroller and Auditor General may not hold any other office or position of emolument.
- b) The cumulative remuneration costs of the Directors of Audit amounted to €392,787 (2015: €389,175) included in this amount is the remuneration of the Accounting Officer €138,546 (2015: €135,809).
- c) Employee salary breakdown

Salary pay scale range

		Number of Employees	
From	To	2016	2015
€60,000	- €69,999	29	26
€70,000	- €79,999	17	21
€80,000	- €89,999	9	7
€90,000	- €99,999	2	2
€110,000	- €119,999	-	1
€120,000	- €129,999	2	1
€130,000	- €139,999	1	1

A breakdown of total employee remuneration over €60,000, in increments of €10,000, is disclosed pursuant to DPER circular 13/2014

**Notes to the Financial Statements for the year ended 31 December 2016  
(continued)**
**d) Hospitality Expenses**

Hospitality expenditure in the year was €12,277 (2015: €5,495). This includes expenditure on staff wellbeing and events to mark staff retirements.

**9. Equipment, Fixtures and Fittings**

	Office equipment	Fixtures, furniture and fittings	Total
	€000	€000	€000
<b>Gross assets</b>			
Cost or valuation at 1 January 2016	2,152	1,921	4,073
Additions	79	11	90
Cost or valuation at 31 December 2016	2,231	1,932	4,163
<b>Accumulated depreciation</b>			
Opening balance at 1 January 2016	1,719	198	1,917
Depreciation for the year	174	193	367
Cumulative depreciation at 31 December 2016	1,893	391	2,284
<b>Net book value at 31 December 2016</b>	<b>338</b>	<b>1,541</b>	<b>1,879</b>
Net book value at 31 December 2015	433	1,723	2,156

**10. Work in Progress**

Work in progress assigns a value to audit work where a fee is charged but where the audit has not yet been completed. The value of work in progress is calculated as a percentage of the agreed audit fee, based on the status of the audit at year end. The value of work in progress at year end was €484,000 (2015: €464,000).

**11. Receivables**

	2016	2015
	€000	€000
Audit Fee Debtors	385	1,441
Accrued Income	1,301	503
Other Debtors	129	116
Prepayments	106	107
Grant Money due (to)/from the Exchequer	567	1,527
	<b>2,488</b>	<b>3,694</b>

**Notes to the Financial Statements for the year ended 31 December 2016  
(continued)**


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**12. Cash and Cash Equivalents**

	<b>2016</b>	<b>2015</b>
	<b>€000</b>	<b>€000</b>
PMG Account overdrawn	(543)	(1,228)
Bank Account	<u>198</u>	<u>45</u>
	<b>(345)</b>	<b>(1,183)</b>

**13. Payables (amounts falling due within one year)**

	<b>2016</b>	<b>2015</b>
	<b>€000</b>	<b>€000</b>
Accrued Expenses	125	76
Due to the State	351	416
Holiday Pay Accrual	166	140
Payroll deductions held in suspense	<u>-</u>	<u>44</u>
	<b>642</b>	<b>676</b>

**14. Cash Flow Statement - Reconciliation of Operating Cost to Net Cash Outflow**

	<b>2016</b>	<b>2015</b>
	<b>€000</b>	<b>€000</b>
Net Operating Cost for the Year (Net Cost of Audits)	(6,724)	(7,143)
Expenditure borne by other Departments/Central Fund (non capital)	1,071	828
Loss on Disposal of Fixed Assets	<u>-</u>	<u>62</u>
	<b>(5,653)</b>	<b>(6,253)</b>

**Adjustment for non cash transactions**

Depreciation	<u>367</u>	<u>360</u>
	<b>(5,286)</b>	<b>(5,893)</b>

**Movement in Net Current Assets and Work-in-Progress**

Decrease /(Increase) in Inventory	9	1
(Increase)/Decrease in Work-in-Progress	(20)	478
Decrease/(Increase) in Receivables	1,206	(1,848)
(Decrease)/Increase in Payables	<u>(34)</u>	<u>311</u>
<b>Net Cash Outflow from Operating Activities</b>	<b>(4,125)</b>	<b>(6,951)</b>



**Notes to the Financial Statements for the year ended 31 December 2016  
(continued)**

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**15. Commitments and Contingencies**

Contracted commitments at 31 December 2016 amounted to €34,000 (€18,000 in 2015).

**16. Related Party Disclosures**

The remuneration costs of key management personnel in the Office consisting of members of the Audit Board comprising the Comptroller and Auditor General, the Accounting Officer and the Directors of Audit is disclosed in note 8.

No management, staff or other related parties have undertaken any material transactions with the Office during the year. The Office of Public Works provided accommodation and related services. The financial statements include the cost of these services.

**17. Retirement Benefit Costs**

In 2016 €1.752m (€1.368m in 2015) of pension payments were made to former members of staff and office holders from the Central Fund and the Superannuation and Retired Allowances Vote. The accounts do not reflect this charge.