Code of Practice for the Governance of State Bodies 2016

A Guide to the Implications for the Annual Financial Statements and the Annual Report

November 2017

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Introduction

In 2016 an updated *Code of Practice for the Governance of State Bodies* ("the Code") was published, replacing the previous Code of Practice published in 2009 ("the 2009 Code").

The Code is presented in a suite of documents, including the Code itself and the following additional documents setting out the Code requirements in more detail:

a. Business and Financial Reporting Requirements,
b. Audit and Risk Committee Guidance,
c. Remuneration and Superannuation, and
d. Board Self-assessment Evaluation Questionnaire.

Code and related guidance available on: http://govacc.per.gov.ie/governance-of-state-bodies/

The Code is effective for financial reporting periods beginning on or after 1 September 2016.

This guidance[1] is focused on the financial statements and the additional disclosure requirements and provides guidance in relation to each of the additional requirements. The guidance clarifies the definition and location of certain additional disclosures in the annual financial statements and the annual report.

Where users identify any apparent inconsistency between the requirements as specified in the Code and those specified here, this guidance should take precedence. The following sections are included:

1. ***Statement on Internal Control*** – which replaces the previous Statement on Internal Financial Control.
2. ***Governance Statement and Board Members' Report*** – Additional disclosures in relation to how the Board operates, including the types of decisions to be taken by the Board and those delegated to management, and disclosures in relation to certain categories of expenditure including breakdown of short-term employee benefits, legal costs and settlements, travel and subsistence, consultancy costs, hospitality expenditure, Board fees and Board attendance.
3. ***Remuneration*** – Additional disclosures related to employee benefits for key management personnel and CEO.

This document has been developed to provide guidance to all those with responsibility for preparing the annual financial statements and the annual report including the Board, the Audit and Risk Committee and the Finance, Compliance and Corporate Governance teams.

[1] This guidance was developed by the Office of the Comptroller and Auditor General in consultation with the Department of Public Expenditure and Reform.

Disclaimer

These sample extracts provide guidance in relation to the format and contents of the disclosures required by the Code of Practice for the Governance of State Bodies (August 2016).

These are template examples for **illustrative purposes only**, and do not include all possible scenarios that might arise in the preparation of these disclosures. Each State body should tailor these examples as **appropriate to its own situation**. In particular, if additional information is required in order to make the disclosures more transparent and/or user friendly, such additional disclosures should be made.

1. Statement on Internal Control

1.1. Statement on Internal Control - Key Requirements

Section 1.6 of the Code (Business and Financial Reporting Requirements) stipulates that the Chairperson's report to the Minister should include a statement on the system of internal control and this statement should be included in the annual report of the body. Historically this statement only provided details of the system of internal **financial** control. The statement also requires:

- disclosure of weaknesses that have resulted in material losses, contingencies or uncertainties, and
- confirmation of compliance with procurement rules or disclosure of departure from those rules.

The Purpose and Content of the Statement on Internal Control

The Statement on Internal Control (SIC) is a mandatory requirement[2] whereby entities set out the approach to, and responsibility for, risk management, internal control and corporate governance.

While the Code sets out a prescribed format for the SIC[3], it is important that the statement is tailored to reflect the size and complexity of the organisation in order to provide a full understanding of the procedures, which have been put in place by the Board, to provide effective internal control.

The purpose of the statement is also to highlight weaknesses which existed in the internal control system within the organisation during the reporting period.

Scope of Responsibility

The Board of the State body is responsible for ensuring that effective systems of internal control are instituted and implemented in the State body including financial, operational and compliance controls and risk management and the Board should review the effectiveness of these systems annually[4].

The Board should ensure that it has appropriate policies for internal control and seek regular assurances to determine if the system of internal control is functioning effectively. The Board's responsibility for the State body's system of internal control is acknowledged in the Statement on Internal Control.

[2] Code of Practice 2.7
[3] Prescribed format for the Statement on Internal Control under the Code can be found at Code of Practice (Business and Financial Reporting Requirements) Appendix D.
[4] Code of Practice 7.3

Purpose of the System of Internal Control

This section of the Statement on Internal Control sets out the overall purpose of a system of internal control.

The SIC explains that the system of internal control is designed to manage rather than eliminate risk. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or detected in a timely manner.

Capacity to Handle Risk

Describes how the risk management process is conducted, how staff are equipped to manage risk and how the organisation has adapted to changes in the risk environment.

SIC to include[5] a description of:

- overall management of risk in the organisation e.g. Risk Management Committee or Audit and Risk Committee,
- internal audit function,
- the risk management policy, and
- embedding of risk management through promulgation of policies and training on risk management.

Risk and Control Framework

Control and risk management are intrinsically linked. The control environment should provide assurance that the organisation will achieve its objectives with an acceptable degree of residual risk. The systems employed should ensure that risks are identified, analysed and assessed, and controls put in place to manage identified risks. The system should also include ongoing monitoring to ensure that control activities are operating effectively.

Page 34 of the Code sets out the following key internal control procedures designed to provide effective internal control:

- processes used to identify business risks and to evaluate their financial implications,
- procedures for addressing the financial implications of major business risks – financial instructions, delegation practices such as authorisation limits, segregation of duties and methods of preventing and detecting fraud,
- the steps taken to ensure an appropriate control environment (such as clearly defined management responsibilities and evidence of reaction to control failures),
- details of the major information systems in place such as budgets, and means of comparing actual results with budgets during the year,
- procedures for monitoring the effectiveness of the internal control system, and
- review of effectiveness of the system of internal control.

[5] Specific requirements under the Code can be found at Code of Practice (Business and Financial Reporting Requirements) Appendix D.

The description of the risk and control framework should provide a high level overview of the framework including the following elements:

- Confirmation that the entity has a risk management strategy which has been agreed and signed off at Board level.
- A high level description of systems in place for risk identification and evaluation.
- An indication of the type and frequency of reporting on risk and control e.g. regular risk management reporting at various levels within the organisation.
- The key organisational processes for the control of risks:
    - ❖ documented procedures for all key business processes,
    - ❖ management controls — assignment of responsibilities with corresponding accountability and reporting arrangements,
    - ❖ management information — appropriate budgeting system and regular reviews by senior management of periodic and annual financial reports which indicate financial performance against budgets,
    - ❖ the systems aimed at ensuring the security and resilience of the ICT systems,
    - ❖ the systems in place to safeguard the assets, and
    - ❖ control procedures over grant funding to outside agencies to ensure adequate control over approval of grants and monitoring and review of grantees to ensure grant funding has been applied for the purpose intended.

Ongoing Monitoring and Review

Monitoring is implemented to ensure that the control framework is operating effectively. It is essential that there is a framework in place to provide continuous and reliable assurance on the management of risks. This information is used to identify control deficiencies which are communicated in a timely manner to management and the Board as appropriate. The procedures may include reports from the Audit and Risk Committee or Internal Audit or reviews conducted by management, external consultants or other external assessors.

Ongoing monitoring should include information from the three lines of defence as follows:

- ***First line of defence*** — information coming from business operational areas that can be used to derive assurance in relation to how risks are being managed. These would include risk registers, reports on the routine system controls, performance data and other management information.
- ***Second line of defence*** — work associated with oversight of management activity. This might include compliance assessments or reviews to determine that quality arrangements are being met in line with expectations for specific areas of risk across the organisation e.g. procurement, information assurance, etc.
- ***Third line of defence*** — independent and objective assurance. This focuses on the role of internal audit which carries out a programme of work specifically designed to provide an independent and objective opinion on the framework of governance, risk management and control.

Procurement

The Code requires a specific disclosure in relation to a State body's compliance with procurement rules and guidelines as set out by the Office of Government Procurement.[6]

The following matters should be considered to facilitate the sign off on compliance with procurement rules.

There is a distinction between non-competitive procurement and non-compliant procurement.

- Non-competitive procurement covers all instances where goods or services were procured without a competitive process.
- Non-compliant procurement relates to instances where goods or services were procured without a competitive process and the circumstances did not include exceptions allowed under procurement rules e.g. purchases from a sole supplier, force majeure, maintenance contracts tied to a given contractor, etc. In general, this should happen in limited circumstances.

The Board should have documented policies and procedures in place in relation to procurement. Such policies and procedures should be in line with Government procurement rules as established by the Office of Government Procurement and by EU procurement guidelines.

The Board should have a process in place for monitoring compliance with such policies and procedures. This process may include the work of Internal Audit and confirmation from the State body's line management that the policies and procedures operated throughout the period under review.

The Board should receive details of instances where the State body incurred expenditure in excess of €25,000 (exclusive of VAT) with one supplier and the procurement procedures did not involve a competitive process. Best practice within the public sector entails the reporting by the Executive to the Board (on an annual or, for larger public sector entities, a more regular basis) of such expenditure. This reporting should distinguish between instances of non-competitive procurement supported by a valid reason or non-compliant procurement, for example, where contracts are simply rolled over without a competitive process.

The SIC should disclose details of **non-compliant** expenditure setting out:

(a) the amounts involved,

(b) the circumstance giving rise to the purchase not being compliant, and

(c) where appropriate, the steps being taken to rectify the breaches.

[6] Specific disclosure requirement under the Code can be found at Code of Practice (Business and Financial Reporting Requirements) Appendix D.

Annual Review of Effectiveness

Reviewing the effectiveness of internal control is an essential part of the Board's responsibilities. The Code requires the Statement on Internal Control to provide details of when the annual review of the effectiveness of control was conducted, or where such a review was not conducted, a statement that it was not conducted.[7]

The annual review allows the Board to assess the effectiveness of controls for the reporting period and identify areas where corrective action needs to be taken, consider lessons learned and also identify any material control weaknesses that may need to be reported in the SIC.

The Board should define the process for the annual assessment to support its Statement on Internal Control in the annual report and financial statements.

Timely completion of the annual review is critical if it is to fulfil its objectives of providing assurance in relation to the operation of controls in the reporting period. The annual review should be conducted close to the end of the period under review or as soon as possible after the end of the period, and no later than three months after the period end.

The Board's annual review should consider the following in the relation to the reporting period:

- Risk Management Committee — reports in relation to the design and operation of the risk management system.
- Management/Staff — results of assurance statements provided by management (see further discussion on management assurances in Section 1.2 below — Audit and Risk Committee).
- Internal Audit — a review of audit coverage and the results of internal audits conducted in the period.
- External Audit — issues raised in management letter or other correspondence with the Audit and Risk Committee and/or State body.
- Audit and Risk Committee — reports on the effectiveness of internal controls and progress in implementing recommendations from internal audit, external audit or other reviews.

The review should conclude on the extent to which controls are adequate and were operating, and should consider actions required to address deficiencies identified. The review should also consider whether any weaknesses in control procedures in the reporting period should be disclosed in the Statement on Internal Control (see below).

[7] Code of Practice (Business and Financial Reporting Requirements) Appendix D Section 3(i).

Internal Control Issues

The Statement on Internal Control sets out the controls in place to manage the key risks. If key controls were not operational for part of the reporting period, the SIC should disclose this matter.[8]

In relation to the year under review:

- material changes or the absence of an element of the risk management process for a material period should be disclosed, and
- information should also be disclosed in relation to weaknesses in internal control that have resulted in material losses, contingencies or uncertainties.

This section should also describe the action taken or intended to be taken to address the control weakness, or an explanation of why no action is considered necessary.

The SIC should provide an update in relation to issues, if any, reported in the prior year including an update on progress in implementing changes to control systems referenced in the previous year's statement.

Having conducted the annual review of the effectiveness of internal control, the Board will decide what, if any, weaknesses in internal control should be disclosed in the SIC. While this is a matter of judgement, the following tests might indicate a significant control weakness:

- Could the issue have a material impact on the financial statements?
- Does the issue indicate irregular expenditure? This includes an assessment of whether amounts expended have been applied by the entity concerned for the purposes intended and whether transactions recorded in the account conform with the authority under which they purport to have been carried out.
- Does the issue point towards propriety issues? Propriety is concerned with standards of conduct, behaviour and corporate governance. It is concerned with fairness and integrity including avoidance of personal profit from public business, even-handedness in the appointment of staff, open competition in the award of contracts and the avoidance of waste and extravagance.
- Does the evidence indicate that a key element of the control system, e.g. internal audit, was not operating effectively for the reporting period?
- Does the Audit and Risk Committee/internal audit/external audit advise that the issue is significant?
- Does the issue give rise to reputational damage?

[8] Specific disclosure requirements under the Code can be found at Code of Practice (Business and Financial Reporting Requirements) Appendix D.

1.2. Statement on Internal Control — Roles and Responsibilities

Board

As outlined above, the Board is responsible for maintaining a sound system of internal control, reviewing the effectiveness of the system and preparing the Statement on Internal Control. The statement is signed by the Chairperson of the Board in acknowledgment of this.

While the Audit and Risk Committee supports the Board in reviewing the effectiveness of internal control, ultimately it is the Board that signs off on the SIC and the Board cannot delegate this function.

Executive

The executive normally prepare the draft Statement on Internal Control for submission to the Audit and Risk Committee.

This will require a review of the control system and the extent to which it has operated during the period. This process is frequently supported by the preparation of assurance statements by senior management to support the review of effectiveness. The assurance statements set out the governance, risk and control arrangements in each directorate/business area and any weaknesses identified. The assurance statements are collectively reviewed and challenged by the Audit and Risk Committee.

Internal Audit

Internal Audit provides an objective evaluation of and opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Audit and Risk Committee

The Audit and Risk Committee (ARC) plays a key role in the preparation of the Statement on Internal Control as follows.

- ***Executive*** — The ARC reviews assurance statements from management with a particular focus on references to specified controls not operating during the reporting period. These assurance statements, in the form of a self-assessment document, are normally completed by department/divisional heads. The assurance statements should be based on the risk register/control framework. Each manager should provide assurance that the specified controls operated in their area for the period under review and should indicate any control which did not operate as specified for the period. The ARC plays a key role in the evaluation of these assurance statements by summarising the results emerging and identifying weaknesses in the operation of the control system and 'reality checking' the results emerging by reference to other evidence available from internal and external audit. For example, the ARC will challenge results in situations where assurance statements provide positive assurance in relation to the operation of controls which is contradicted by results of internal audit work or external audit findings.

- ***Internal Audit*** — The ARC will consider the adequacy of IA resources, audit coverage, reports from Internal Audit for the reporting period and management response to Internal Audit recommendations.
- ***External Audit*** – The ARC will discuss issues arising on the current year's audit and progress on implementation of previous recommendations outlined in management letters with external auditors.

The ARC supports the Board by reviewing the comprehensiveness of assurances and reviewing the reliability and integrity of those assurances. The ARC also advises the Board in relation to control issues that could be considered significant and therefore, appropriate for disclosure in the Statement on Internal Control.

1.3. Example of Statement on Internal Control

Statement on Internal Control[9]

Scope of Responsibility

On behalf of *[Name of State body]* I acknowledge the Board's responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in *[Name of State body]* for the year ended 31 December 2017 and up to the date of approval of the financial statements.

Or

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in *[Name of State body]* for the year ended 31 December 2017 and up to the date of approval of the financial statements except for the internal control issues outlined below.

Capacity to Handle Risk

[Name of State body] has an Audit and Risk Committee (ARC) comprising two Board members and three external members, with financial and audit expertise, one of whom is the Chair. The ARC met four times in 2017.

[Name of State body] has also established an internal audit function which is adequately resourced and conducts a programme of work agreed with the ARC.

The ARC has developed a risk management policy which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff who are expected to work within *[Name of State body]*'s risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work.

[9] Requirements for the Statement on Internal Control under the Code can be found at Code of Practice (Business and Financial Reporting Requirements) Appendix D.

Risk and Control Framework

[Name of State body] has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing *[Name of State body]* and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the ARC on a *[insert timeframe e.g. quarterly]* basis. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff. I confirm that a control environment containing the following elements is in place:

- procedures for all key business processes have been documented,
- financial responsibilities have been assigned at management level with corresponding accountability,
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management,
- there are systems aimed at ensuring the security of the information and communication technology systems,
- there are systems in place to safeguard the assets, and
- control procedures over grant funding to outside agencies ensure adequate control over approval of grants and monitoring and review of grantees to ensure grant funding has been applied for the purpose intended.

Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Board, where relevant, in a timely way. I confirm that the following ongoing monitoring systems are in place:

- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- there are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

I confirm that *[Name of State body]* has procedures in place to ensure compliance with current procurement rules and guidelines and that during 2017 *[Name of State body]* complied with those procedures.

Or

I confirm that *[Name of State body]* has procedures in place to ensure compliance with current procurement rules and guidelines. Matters arising regarding controls over procurement are highlighted under internal control issues below.

Review of Effectiveness

I confirm that *[Name of State body]* has procedures to monitor the effectiveness of its risk management and control procedures. *[Name of State body]*'s monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the Audit and Risk Committee which oversees their work, and the senior management within *[Name of State body]* responsible for the development and maintenance of the internal financial control framework.

I confirm that the Board conducted an annual review of the effectiveness of the internal controls for 2017.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2017 that require disclosure in the financial statements.

Or

Where weaknesses in internal control were identified, provide details a description of the action taken, or intended to be taken, to correct the weaknesses, or an explanation of why no action is considered necessary. Some examples are provided below.

Examples of Disclosures in Relation to Weaknesses in Internal Controls in Reporting Period

It is important to state that these are just examples of breaches that entities should disclose.

It is not meant to represent guidance on what should be disclosed under various headings. This will ultimately be a matter for the Board to decide.

Non-Compliant Procurement

During 2017, expenditure of €300,000 was incurred in relation to goods and services where the procedures employed did not comply with procurement guidelines. This was due to the rollover of an existing contract pending finalisation of a new tender. The new tender competition was completed in September 2017.

Weaknesses in Control over Grants to Outside Agencies

A number of issues have been identified in relation to the *[Name of State body]*'s control over grants to outside agencies which include:

- delays in the signing of some Service Level Agreements, and
- specified monitoring procedures including submission of performance and financial information by the funded agency not being complied with.

In 2018, *[Name of State body]* has *[insert plans to address issues arising]*.

Weaknesses in Control over Fixed Assets

An internal audit report on *[date]* identified a number of weaknesses in control over fixed assets and made a number of recommendations. It recommended systematic and independent spot checks on fixed assets and the introduction of a formal system for quickly and easily tracking the location of assets.

In 2017, *[Name of State body]* conducted a physical inventory reconciliation of its assets. This identified that a number of assets cannot be physically located. Accordingly, as reported in *[Note X]* to the financial statements, an adjustment of €x has been made to fixed assets to reflect the reduction in asset values.

All internal audit recommendations related to the physical security of assets have now been implemented.

Grant Scheme Irregularity

During 2017, *[Name of State body]* identified a number of irregularities associated with *[name of grant scheme]*. *[Name of State body]* management informed the Board, the Comptroller and Auditor General, the Gardaí and the Department. The Garda investigation is on-going and demand letters for repayment have been issued by *[Name of State body]*'s legal advisors.

As at 30th March 2018, the total amount under investigation is €524,000 (see *[Note X]* to the financial statements).

Internal audit conducted an extensive review of the *[name of grant scheme]* which resulted in a number of recommendations. The audit report was issued in February 2018. The recommendations made are now implemented or in the process of implementation.

Tax Compliance

A comprehensive self-review of tax compliance was completed in 2017 with external specialist tax assistance. Details of the underpayment of tax identified in the course of the self-review were set out in an unprompted voluntary disclosure submitted to Revenue (including interest and penalties) in December 2017. The total amount paid was €450,000.

[Name of State body] has taken the following steps to address areas of non-compliance identified during the self-review

1. Where compliance risks have been identified, written rulings from Revenue have been received following formal submissions from *[Name of State body]*.

2. Scheduled meetings with Revenue are conducted as part of the co-operative compliance programme.

3. A formal tax policy has been developed for *[Name of State body]* which encompasses all tax policies, procedures and guidance notes. Training has been delivered to financial processing staff in 2017.

[Name of State body] remains committed to compliance with taxation laws.

2. Governance Statement and Board Members' Report

2.1 Additional Disclosures in Relation to How the Board Operates

The Board is responsible for the governance and strategic direction of a State body. The implementation of the strategy and day to day decisions are conducted by the executive, under the guidance of the Chief Executive Officer (CEO). While the CEO may advise the Board on a course of action in respect of the State body, responsibility for the strategic decision taken remains with the Board. There are a number of matters for which the Board may not delegate responsibility. While Section 1.7 of the Code sets out a number of these matters this list is not exhaustive.

Section 4.7 of the Code requires State bodies to provide a statement on how the Board operates as well as a high level statement of the types of decisions that are delegated to the Executive.

Governance

This statement sets out the basis by which the State body and the Board were established. Section 1.3 of the Code (Business and Financial Reporting Requirements) requires a high level statement of how the Board operates, the types of decisions reserved for the Board, those delegated to the Executive and the reporting mechanism between the Board and the Executive.

Board Responsibilities

The Board members' responsibilities statement previously formed a separate statement signed by the Chairperson and the CEO. This statement has now been incorporated into the Governance Statement and Board Members' report and has been expanded to include reference to the standing agenda items at Board meetings. Section 2.3 of this document provides a sample of these standing items. However, this is not an exhaustive listing and should be tailored to reflect the situation in individual state bodies.

Board Structure

This section sets out an overview of the Board, details of members and dates of appointment and the number of meetings held in the year. The structure and responsibilities of established committees also forms part of this document.

Where the Board has conducted or commenced an external review of the effectiveness of the Board, as required by 4.6 of the Code, this should be disclosed.

Schedule of Attendance, Fees and Expenses

The schedule of attendance provides a user of the annual report with an overview of a Board member's contribution during the reporting period.[10] This statement should also highlight those members impacted by the 'one person one salary' principle. The expenditure disclosed should include both amounts paid directly to Board members and amounts paid on their behalf by the State body.

Key Personnel Changes

This statement highlights the significant changes, if any, impacting the Board and the Executive in the financial year.

2.2 Additional Disclosures in Relation to Certain Categories of Expenditure

Section 1.3 of the Code (Business and Financial Reporting Requirements) sets out the additional disclosures in respect of certain expenditure. Section 2.3 of this document provides an illustrative example of these disclosures in the example Governance Statement and Board Members' Report.

The categories of expenditure are detailed below. The Board should ensure that it has a robust methodology in place to extract the required information for disclosure from its accounting records. This may require changes to the State body's chart of accounts.

Short-Term Employee Benefits where Benefits Exceed Specified Thresholds

The Code requires that State bodies provide information in relation to short-term employee benefits in relation to services rendered during the reporting period where those benefits exceed thresholds as follows:

- Commercial State bodies – data should be provided in bands of €25,000 over the threshold of €50,000.
- Non-commercial State bodies – data should be provided in bands of €10,000 over the threshold of €60,000.

For the purposes of this disclosure, short-term employee benefits includes salary, overtime allowances and other payments made on behalf of the employee, but excludes employer's PRSI. The disclosure should be based on:

- short-term benefits in the financial period (excluding employer PRSI), and
- the numbers of staff falling within the relevant band (as opposed to the whole time equivalent numbers) in the reporting period.

[10] Required by Code of Practice 4.9.

In accordance with DPER *Circular 13/2014 Management of and Accountability for Grants from Exchequer Funds* this information should be presented in the remuneration note in the financial statements. For entities not covered by the requirements of Circular 13/2014, this information may be presented in the Governance statement.

Example: The details of a sample of employees in a State body for 2016 and 2017 are set out below.

Staff Member	Status	Salary (per Contract)	Employee short-term benefits) 2017	Employee short-term benefits) 2016
A	Starter (1 July 2017) – full time	94,000	47,000	-
B	Permanent – half time	62,000	31,000	31,000
C	Permanent – full time	64,000	64,000	64,000
D	Leaver (30 April 2017) – full time	126,000	42,000	126,000

The requisite band disclosure would be as follows (for a non-commercial State body):

Short-term employee benefits €	2017 No. of Employees in Band	2016 No. of Employees in Band
60,000 - 69,999	1	1
70,000 - 79,999	-	-
80,000 - 89,999	-	-
90,000 - 99,999	-	-
100,000, 109,999	-	-
110,000 - 119,999	-	-
120,000 - 129,999	-	1

Legal Costs and Settlements

Where total legal costs and settlements recognised as expenditure in a reporting period exceed €50,000, these amounts should be disclosed. This does not include costs paid to legal firms for general legal advice — these costs are disclosed under consultancy costs (see below).

It includes details of legal costs incurred by a State body in relation to legal proceedings initiated by the State body itself or legal proceedings taken against it and should include details of:

- all legal costs incurred directly by the State body (excluding general legal advice included under consultancy),
- counterparty legal costs paid by the State body, and
- settlements paid by the State body.

The narrative should provide some indication as to the number of cases involved.

In some cases, the State body's insurance policy provides for reimbursement or payment of some or all of legal costs and settlements incurred. In these instances the disclosure should disclose the net cost to the State body of such cases e.g. net of insurance proceeds. The disclosure should indicate that additional legal costs and settlements were paid by the State body's insurance company.

Where there is expenditure in respect of conciliation and arbitration payments, these should be disclosed separately.

Additionally, where a State body incurred legal costs in respect of matters involving proceedings against another State body, this disclosure should include the level of expenditure incurred in the year (where the expenditure exceeds €25,000) as well as details of the State body concerned.

Consultancy Costs

Consultancy is where a person, organisation or group is engaged to provide intellectual or knowledge-based services (e.g. expert analysis and advice) through delivering reports, studies, assessments, recommendations, proposals, etc. that contribute to decision-making or policy-making in a contracting authority. The engagement should be for a limited time period to carry out a specific finite task or set of tasks involving expert skills or capabilities that would not normally be expected to reside within the contracting authority.[11]

The information sought by this disclosure is to reflect the level of consultancy expenditure incurred by the State body in the financial year. It is not intended to include expenditure on processes which have been outsourced under 'business as usual'. The Code provides suggested categories for this disclosure, but this should be amended to suit the requirements of the State body. The following are suggested as possible categories:

[11] Extracted from the "Guidelines for the Engagement of Consultants and Other External Support by the Civil Service" issued by the Department of Finance, 2006

Category	Examples of types of expenditure included
Legal	general legal advice (for example, in respect of the impact of GDPR on the body)
Financial	excludes the cost of the external audit, as this is disclosed in the notes to the financial statements, but would, for example, include professional advice received in respect of changes to a financial reporting framework
PR/ marketing	advertising and branding
HR and pensions	advice in relation to restructuring a pension scheme
Business improvement	advice received in respect of change management
Other	a 'catch all' for other categories of consultancy

Where some of the consultancy costs have been capitalised (for example ICT development), this disclosure should highlight the split between amounts capitalised and those included as current expenditure.

Travel and Subsistence — Domestic and International

The total of travel and subsistence expenditure incurred should be disclosed split between domestic and international. This should include amounts paid directly to the staff member and payments made by the State body in relation to travel and subsistence costs for the employee/Board member[12].

Hospitality Expenditure

Hospitality expenditure captures a wide variety of expenditure and may have been previously referred to as entertainment expenditure. This category of expenditure is ancillary, but not necessary, to carrying out the functions of the State body. In practice, this expenditure relates to items which do not have a clear business purpose and would include (but not limited to) Christmas and retirement parties, contribution to sports and social clubs, gifts or gift vouchers for staff etc. It would also include expenditure incurred in relation to client hospitality. This expenditure should be categorised as either internal hospitality provided to staff or external hospitality provided to clients/third parties (see example Governance Statement and Board Members' Report in Section 2.3 of this document).

Statement of Compliance

The Code includes a 'Comply or Explain' provision. It provides that a State body may obtain derogation (from its parent Department) in relation to specific provisions of the Code. State bodies are required to confirm to their relevant Minister that they comply with the Code. The Governance statement should provide information on the extent to which the State body has complied with the requirements of the Code or explain any areas of non-compliance.

[12] Board members' travel and subsistence will also be disclosed separately under Board fees and expenses (see example Governance Statement and Board Members' Report in Section 2.3 of this document).

2.3 Example Governance Statement and Board Members' Report

Governance Statement and Board Members' Report

Governance

The Board of *[Name of State body]* was established under the *[relevant legislation establishing the State body]*. The functions of the Board are set out in section *[section number]* of this Act. The Board is accountable to the Minister for *[Name of Government Department]* and is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of *[Name of State body]* are the responsibility of the Chief Executive Officer (CEO) and the senior management team. The CEO and the senior management team must follow the broad strategic direction set by the Board, and must ensure that all Board members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise.[13] The CEO acts as a direct liaison between the Board and management of *[Name of State body]*.

Board Responsibilities

The work and responsibilities of the Board are set out in *[Name of Document(s)]*, which also contain the matters specifically reserved for Board decision. Standing items considered by the Board include:

- declaration of interests,
- reports from committees,
- financial reports/management accounts,
- performance reports, and
- reserved matters.

Section *[section number]* of the *[relevant legislation establishing the State body]* requires the Board of *[Name of State body]* to keep, in such form as may be approved by the Minister for [*relevant Department*] with consent of the Minister for Public Expenditure and Reform, all proper and usual accounts of money received and expended by it.

In preparing these financial statements, the Board of *[Name of State body]* is required to:

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that it will continue in operation, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

[13] Code of Practice (Business and Financial Reporting Requirements) 1.3 – Financial statements to include a statement of how the Board operates, including the types of decisions to be taken by the Board and to be delegated to management.

The Board is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, its financial position and enables it to ensure that the financial statements comply with *[Section X]* of the [*relevant legislation establishing the State body*]. The maintenance and integrity of the corporate and financial information on the *[Name of State body]*'s website is the responsibility of the Board.

The Board is responsible for approving the annual plan and budget. An evaluation of the performance of *[Name of State body]* by reference to the annual plan and budget was carried out on *[date].*[14]

The Board is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board considers that the financial statements of *[Name of State body]* give a true and fair view of the financial performance and the financial position of *[Name of State body]* at 31 December 2017.

Board Structure

The Board consists of a Chairperson, Deputy Chairperson and four ordinary members, all of whom are appointed by the Minister for *[Name of Government Department]*. The members of the Board were appointed for a period of four years and meet on a monthly basis. The table below details the appointment period for current members:

Board Member	Role	Date Appointed
Joe Bloggs	Chairperson	1 April 2015
Mary Jones	Deputy Chairperson	30 June 2016
Michael Smith	Ordinary Member	30 June 2016
Patricia Kelly	Ordinary Member	29 September 2017
Michael Dolem	Ordinary Member	29 September 2017
Donna Walsh	Ordinary Member	29 September 2017

The Board commenced an external Board Effectiveness and Evaluation Review in [*Month, Year*], which will be completed in [*Month, Year*].[15]

[14] Code of Practice 1.19 – Implementation of the strategy by the management of each State body should be supported through an annual planning and budgeting cycle. The Board of each State body should approve an annual plan and/or budget and should formally undertake an evaluation of actual performance by reference to the plan and/or budget on an annual basis.

[15] Code of Practice 4.6 – the Board should undertake an annual self-assessment evaluation of its own performance and that of its committees. An external evaluation proportionate to the size and requirements of the State body should be carried out at least every 3 years.

The Board has established three committees, as follows:

1. **Audit and Risk Committee**[16]: comprises three Board members and one independent member. The role of the Audit and Risk Committee (ARC) is to support the Board in relation to its responsibilities for issues of risk, control and governance and associated assurance. The ARC is independent from the financial management of the organisation. In particular the Committee ensures that the internal control systems including audit activities are monitored actively and independently. The ARC reports to the Board after each meeting, and formally in writing annually.

   The members of the Audit and Risk Committee are: [*Name1*] (Chairperson), [*Name2], [Name3] and [Name 4].* There were 8 meetings of the ARC in 2017.

2. **Organisation Development Committee**: comprises three Board members. The members of this committee are: *[Name1]* (Chairperson), *[Name2] and [Name3].* There were 3 meetings of the ODC in 2017.

3. **Governance Committee**: comprises two Board members. The role of the Governance Committee (GC) is to support the Board in meeting legal and statutory requirements, as well as adopting good practice. The members of this committee are: *[Name1]* (Chairperson), *[Name2].* There were 2 meetings of the GC in 2017.

Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Board and Committee meetings for 2017 is set out below including the fees and expenses received by each member:

	Board	**Audit & Risk Committee**	**Organisation Development Committee**	**Governance Committee**	**Fees 2017 €**	**Expenses 2017 €**
Number of meetings	12	8	3	2		
Joe Bloggs	12		1		20,000	2,000
Mary Jones	12	8			8,400	733
Michael Smith	10	7		2	8,400	979
Lola Perry	9				6,300	-
Emma Nicholson	9				4,900	-
Keira Gray	9				1,400	-
Patricia Kelly	3		3		2,100	488
Michael Dolem	3	3		2	2,100	1,019
Donna Walsh	3		3		-	1,107
Tracy Murphy	-	8			8,400	308
					62,000	**6,634**

There was one director, Donna Walsh, who did not receive a Board fee under the One Person One Salary (OPOS) principle.

[16] Code of Practice 7.2 – State bodies must establish an Audit and Risk Committee to give an independent view in relation to risks and risk management systems.

Key Personnel Changes

Three members of the Board resigned during the year at the end of their appointments. In accordance with the *[Name of Act]* the Minister appointed three new members.

The Chief Financial Officer (CFO), Mr John Doe, resigned from his position with effect from 12 May 2017. Ms Amy O'Reilly was appointed as CFO with effect from 15 May 2017.

Disclosures Required by Code of Practice for the Governance of State Bodies (2016)

The Board is responsible for ensuring that *[Name of State body]* has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are required by the Code:[17]

Employee Short-Term Benefits Breakdown

Employees' short-term benefits in excess of €60,000 are categorised into the following bands:

Range		Number of employees	
From	To	2017	2016
€60,000 -	€69,999	368	316
€70,000 -	€79,999	210	202
€80,000 -	€89,999	124	128
€90,000 -	€99,999	32	30
€100,000 -	€109,999	-	-
€110,000 -	€119,999	14	15
€120,000 -	€129,999	7	8
€130,000 -	€139,999	2	-
€140,000 -	€149,999	-	-
€150,000 -	€159,999	-	-
€160,000 -	€169,999	1	1

Note: For the purposes of this disclosure, short-term employee benefits in relation to services rendered during the reporting period include salary, overtime allowances and other payments made on behalf of the employee, but exclude employer's PRSI.

[17] Full details of the disclosure requirements for these areas under the Code can be found at Code of Practice (Business and Financial Reporting Requirements) 1.3-1.5.

Consultancy Costs

Consultancy costs include the cost of external advice to management and exclude outsourced 'business-as-usual' functions.

	2017 €	2016 €
Legal advice	600,000	400,000
Financial/actuarial advice	90,000	90,000
Public relations/marketing	15,000	5,000
Human Resources	10,000	30,000
Business improvement	90,000	2,000
Other	15,000	20,000
Total consultancy costs	**820,000**	**547,000**
Consultancy costs capitalised	300,000	250,000
Consultancy costs charged to the Income and Expenditure and Retained Revenue Reserves	520,000	297,000
Total	**820,000**	**547,000**

Legal Costs and Settlements

The table below provides a breakdown of amounts recognised as expenditure in the reporting period in relation to legal costs, settlements and conciliation and arbitration proceedings relating to contracts with third parties. This does not include expenditure incurred in relation to general legal advice received by (Name of State body) which is disclosed in Consultancy costs above.

	2017 €	2016 €
Legal fees – legal proceedings	350,000	400,000
Conciliation and arbitration payments	100,000	80,000
Settlements	600,000	800,000
Total	**1,050,000**	**1,280,000**

Included in these legal costs is an amount of €62,500 in relation to on-going matters involving *[State body's name]*.

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2017 €	2016 €
Domestic		
- Board*	8,634	7,167
- Employees	26,366	24,833
International		
- Board	-	1,000
- Employees	6,000	7,000
Total	**41,000**	**40,000**

* includes travel and subsistence of €6,634 paid directly to Board members in 2017 (2016: €6,167). The balance of €2,000 (2016: €1,000) relates to expenditure paid by (entity) on behalf of the Board members.

Hospitality Expenditure

The Income and Expenditure Account includes the following hospitality expenditure:

	2017	2016
	€	€
Staff hospitality	2,700	2,300
Client hospitality	1,100	2,800
Total	**3,800**	**5,100**

Statement of Compliance

The Board has adopted the Code of Practice for the Governance of State Bodies (2016) and has put procedures in place to ensure compliance with the Code. *[Name of State body]* was in full compliance with the Code of Practice for the Governance of State Bodies for 2017.

Or

Where the State body has not fully complied with all the requirements of the Code, this should be stated in the following format:

"*[Name of State body]* has complied with the requirements of the Code of Practice for the Governance of State Bodies, as published by the Department of Public Expenditure and Reform in August 2016, with the following exceptions:

[Details of exception, e.g. *[Name of State body]* does not disclose details of employee short-term benefits over €60,000 in bands of €10,000 as required by the Code due to the commercial sensitivity of this information. This departure from the Code has been agreed with *[Name of Department]*].

3. Remuneration

3.1 Additional Disclosures Related to Remuneration

Remuneration, in the context of State bodies, is usually the largest element of expenditure and as a result is subject to a greater element of interest from the public. As a result it is incumbent on State bodies to be as open and transparent as possible, without compromising employees' rights. Section 1.4 of the Code (Business and Financial Reporting Requirements) requires State bodies to disclose certain information in respect of employee remuneration.

The objective of the disclosure is to provide information on remuneration in State bodies, in terms of the total expenditure incurred by the State body and remuneration arrangements of key staff including the CEO and other key management.

This guidance defines the specified disclosures using FRS102 terminology. It is acknowledged that state bodies may be preparing financial statements under a framework other than FRS102 (e.g. Companies Act) which may use different definitions. In these cases, the following applies:

- In cases where there is a difference between the disclosure requirements of the Code (as defined under FRS102) and prescribed legislative/accounting framework disclosures for relevant State bodies the Code provides that the legislative provisions prevail. The Preface to the Code states that '*this Code should be read in conjunction with the legislative provisions which govern the State body. Existing legislative provisions applying to a State body on matters that are also the subject of this Code, continue to apply and for the avoidance of doubt, in the event of any conflict or inconsistency, legislative provisions prevail'*.

  Therefore, if the State body is required (under its framework) to make disclosures in relation to remuneration which satisfy the requirements set out above (total pay, key management and CEO) but the definitions differ from those outlined below which use FRS102 definitions, the remuneration disclosures of the Code will be deemed to be satisfied.

- If the State body's accounting framework does not specify an element of remuneration which is required by the Code e.g. total pay, key management pay and termination benefits, the required disclosure should be included as defined below. Alternatively the absence of the disclosure should be addressed under the "Comply or Explain" principle.

Employee Benefits

Employee benefits include all forms of consideration given by a State body to its employees (including directors and management) in exchange for services rendered to the State body. Employee benefits, as defined by FRS102, includes short-term benefits, termination benefits, post-employment benefits, other long-term benefits and share based payment transactions. These categories are defined further below.

Category	What is included
Short-term benefits — benefits earned in the reporting period and are expected to be settled wholly within 12 months of the period end	• Salary • Overtime • Allowances • health or life insurance[18] • accumulating compensated absences (untaken annual leave) • Short-term bonus or profit sharing plans • Non-monetary benefits e.g. housing, cars and free or subsidised goods and services provided to employees • Employer's PRSI
Termination benefits — provided in exchange for the termination of an employee's employment as a result of either: • an entity's decision to terminate an employment before the normal retirement date, or • an employee's decision to accept voluntary redundancy in exchange for those benefits.	• Disclosed where aggregate value of termination benefits in the reporting period exceeds €10,000.
Post-employment benefits — employee benefits payable after the completion of employment (other than termination payments and short-term benefits).	• Retirement benefits such as pensions (see note below in relation to inclusion of value of retirement benefits). • Other post-employment benefits such as post-employment life insurance or health insurance.
Other long-term benefits — benefits expected to be settled after 12 months of the annual reporting period.	• Benefits that would not be classed as short-term benefits, termination payments or post-employment benefits. • Examples might include long-term incentive plans, anniversary or long-term disability payments.
Share-based payment arrangements	Agreements between a State body and an employee that entitle the employee to receive, in return for employee services, either: • shares/share options over equity of state body, or • cash payments at an amount that is based on the value of these shares/share options.

The code requires specific disclosures in relation to remuneration arrangements as set out in the following table. Further guidance on these disclosure requirements is set out below.

[18] This does not include instances where State bodies deduct payments from employee benefits and pay amounts to third parties, but do not contribute to these deductions. In this case the employer is simply facilitating pay-over of relevant amounts on behalf of the employee.

	Short-term benefits	Termination benefits	Post-employment benefits	Other
Aggregate employee benefits	✔	✔	✔	✔
Termination benefits		✔		
Key management personnel	✔ (excluding employers PRSI)	✔	✔	✔
Chief Executive Officer	✔ (excluding employers PRSI)	✔	✔	✔

Aggregate Employee Benefits

State bodies should disclose the aggregate employee benefits, for the financial period, split between:

- short-term benefits – with a breakdown between salary, overtime, allowances, employer's PRSI and any other short-term benefits,
- Termination benefits,
- Post-employment benefits, and
- Other long-term benefits and share based payment arrangements.

The note should also disclose staff numbers at year end on a whole time equivalent[19] basis.

Termination and Severance Payments/Benefits

Termination benefits are defined as amounts provided for in exchange for the termination of an employment before the normal retirement date or due to redundancy agreements.

The Code requires disclosure where the aggregate cost (to the State) of termination benefits exceeds €10,000. Termination benefits should include:

- severance/termination payments, and
- the value attributed to enhanced pension arrangements (granting of added years for pension purposes or early retirement without normal actuarial reduction).

Terminations and severance payments do not include pension lump sums paid in line with standard public sector pension arrangements, or payments in respect of untaken annual leave.

This disclosure should provide the aggregate cost (to the State) and the number of cases involved in the financial year. The disclosure should also provide details of legal costs, if any, incurred in relation to concluding the settlement arrangement. The disclosure should form part of the remuneration note in the financial statements.

[19] Whole time equivalent (WTE) is a measure of staff resources which takes account of individual work arrangements. It measures this by taking account of a staff member's contracted hours by reference to the total working hours in the period. A staff member working half time is defined as 0.5 WTE.

It is expected that the requirement for termination and severance payments (outside of the standard public sector pension arrangements) would arise very occasionally and in limited circumstances, and all such arrangements are subject to normal prior approval of the Department of Public Expenditure and Reform.

In some cases, in addition to a settlement/termination payment a termination agreement may provide for enhanced pension arrangements such as added years of service for pension purposes or early retirement without normal actuarial reduction. Details of these cases should be included in the financial statements. The disclosure should describe the nature of the enhancements and should provide an estimate of the cost (to the State) of the enhancements and provide the basis on which this cost has been arrived at.

Measurement of Value of Enhanced Pension Benefits

In order to calculate the value of the enhanced pension benefit the following should apply:

- Where added years or early retirement are granted without actuarial reduction, cases should be referred to the Remuneration, Industrial Relations and Pensions (RIRP) Division of the Department of Public Expenditure and Reform for valuation in accordance with relevant actuarial guidance. This value is disclosed by way of a note in the financial statements and the valuation is attributed to DPER (very similar to obtaining a property valuation).
- In other cases an entity can determine the value of the enhanced pension benefits by reference to the methodology and assumptions used in calculating the entity's overall retirement benefit obligation (included in the financial statements). The value of the enhanced pension arrangements is the difference between the value of the retirement benefit obligation for that individual using standard pension arrangements and that calculated using the enhanced arrangements. This is disclosed by way of a note in the financial statements together with a description of the methodology used to calculate the value.
- If for some reason, an entity cannot comply with either of the above the relevant note should at a minimum set out details of the nature of the enhancements granted in narrative form and the comply or explain section of the governance statement should include the reason for not valuing the pension enhancements.

Key Management Employee Benefits

Under FRS102 key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Code acknowledges that governance structures applying to State bodies differ from those in non-State bodies. Instead of a Board structure, some State bodies may be constituted in the form of an individual office holder, tribunal, commission or regulatory body.

As a result, the composition of key management will vary across State bodies. In recognition of the differing structures applying in State bodies, the Code suggests that the disclosures in relation to key management compensation would be expected to include at a minimum, Board members, the CEO and the top layer of management reporting to the CEO.

State bodies should define key management as it relates to their individual circumstances and include that definition as part of this disclosure.

The Code requires that employee benefits for these individuals should be disclosed in total, split between:

- short-term employee benefits (excluding employer's PRSI),
- termination benefits,
- post-employment benefits — (See section below in relation to value of retirement benefits). Where key management are in a defined contribution scheme, the value of contributions made on their behalf should be disclosed; if they are members of a defined benefit scheme, the note should include a narrative description of their retirement benefits stating either that they are members of the State body's pension scheme and pension entitlements do not extend beyond the model public sector pension scheme or set out what their retirement benefits will be, and
- other long-term benefits and any share based payment arrangements, if relevant.

Chief Executive Officer Salary and Benefits

The notes to the financial statements should include the details of the CEO's total employee benefits for the financial period. This note should include all benefits in the same format as the disclosure for key management personnel (above) and include short-term benefits (excluding employer's PRSI), termination benefits if relevant, post-employment benefits, other long-term benefits and any share based payment arrangements.

Value of Retirement Benefits

Retirement benefits plans are classified as either defined contribution or defined benefit plans.

- **Defined Contribution Plans –** in this case the value of retirement benefits (included for key management personnel and the Chief Executive or equivalent) is the amount of pension contributions payable by a State body for that staff member.
- **Defined Benefits Plans –** the cost of a defined benefit plan included as expenditure is determined using an actuarial valuation. The value attributed to pension earned in the reporting period by individual staff members is not normally separately identified. The remuneration disclosures in relation to key management personnel and the Chief Executive require disclosure of post-employment benefits. This disclosure will be satisfied by including the following narrative:

  (a) the employee/(s) are members of (named) pension scheme which is a defined benefit scheme and their entitlements do not extend beyond the terms of the model public sector pension scheme or,

  (b) the employee/(s) are members of (named) pension scheme which is a defined benefit scheme and include main terms of that scheme.

3.2 Example Remuneration Note

Remuneration

(a) Aggregate Employee Benefits

	2017	2016
	€000	€000
Staff short-term benefits	52,110	47,214
Termination benefits	140	0
Retirement benefit costs	5,143	5,028
Employer's contribution to social welfare	1,404	1,188
	58,797	**53,430**

The total number of staff employed (WTE) at year end was 823 (2015:766).

(b) Staff Short-Term Benefits

	2017	2016
	€000	€000
Basic pay	41,198	38,305
Overtime	7,625	6,545
Allowances	3,287	2,364
	52,110	**47,214**

(c) Termination Benefits

	2017	2016
	€000	€000
Termination benefits charged to I&E (or equivalent)	140	0
	140	**0**

The termination benefits above relate to settlements with 4 staff during the reporting period.

In addition to the payments outlined above, two staff were granted added years on termination. The value of the enhanced pension arrangements was €560,000. The value of the enhanced pension arrangements was calculated by DPER.

Legal costs of €60,000 were also incurred in relation to concluding the termination agreements.

(d) Key Management Personnel

Key management personnel[20] in *[Name of State body]* consists of the members of the Board, the Chief Executive Officer, the Chief Financial Officer and the Chief Operations Officer. The total value of employee benefits for key management personnel is set out below:

	2017	**2016**
	€'000	**€'000**
Salary	408,038	468,016
Allowances	8,000	5,000
Termination benefits	70,000	0
Health insurance	3,000	2,800
	489,038	475,816

This does not include the value of retirement benefits earned in the period. The key management personnel are members of (*[Name of State body]* pension scheme) and their entitlements in that regard do not extend beyond the terms of the model public service pension scheme.

(e) Chief Executive Officer Salary and Benefits

The CEO remuneration package for the financial period was as follows:

	2017	**2016**
	€'000	**€'000**
Basic pay	149,388	148,166
BIK (company car)	12,650	12,650
	162,038	160,816

The Chief Executive Officer is a member of *[Name of State body]*'s pension scheme, and his entitlements in that regard do not extend beyond the terms of the model public service pension scheme. The value of retirement benefits earned in the period is not included above.

[20] IAS 24 & FRS 102 33.7 An entity shall disclose <u>key management personnel compensation in total.</u> [Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity]. The Code provides guidance as to the levels of management that constitute key management personnel in the context of a State body.

Tithe an Rialtais,
Sráid Mhuirfean Uacht,
Baile Átha Cliath 2,
Éire.
D02 R583

Government Buildings,
Upper Merrion Street,
Dublin 2,
Ireland.
D02 R583

T: +353 1 676 7571
E: govacc@per.gov.ie