

Appropriation Account 2015

Vote 12

Superannuation and Retired Allowances

Introduction

As Accounting Officer for Vote 12, I am required each year to prepare the appropriation account for the Vote, and to submit the account to the Comptroller and Auditor General for audit.

In accordance with this requirement, I have prepared the attached account of the amount expended in the year ended 31 December 2015 for pensions, superannuation, occupational injuries, and additional and other allowances and gratuities under the Superannuation Acts 1834 to 2004 and sundry other statutes; extra-statutory pensions, allowances and gratuities awarded by the Minister for Public Expenditure and Reform; fees to medical referees and occasional fees to doctors; compensation and other payments in respect of personal injuries; fees to Pensions Board, miscellaneous payments, etc.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2015, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €24 million is liable for surrender to the Exchequer.

The Statement of Accounting Policies and Principles and notes 1 to 6 form part of the account.

Statement of Accounting Policies and Principles

The standard accounting policies and principles for the production of appropriation accounts have been applied in the preparation of the account.

Statement on Internal Financial Control

Responsibility for system of internal financial control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Department.

This responsibility is exercised in the context of the resources available to me and my other obligations as Secretary General. Also, any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, all transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under ongoing review.

The statement on internal financial control for the Department of Finance is also relevant given that it made superannuation payments, on an agency basis, for Vote 12 until December 2015. The payments service transferred to the National Shared Services Office in December 2015 so the statement on internal financial control for Shared Services is also relevant.

Financial control environment

I confirm that a control environment containing the following elements is in place:

- financial responsibilities have been assigned at management level with corresponding accountability
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned
- formal procedures have been established for reporting significant control failures and ensuring appropriate corrective action
- there is an Audit Committee to advise me in discharging my responsibilities for the internal financial control system.

Administrative controls and management reporting

I confirm that a framework of administrative procedures and regular management reporting is in place including segregation of duties and a system of delegation and accountability and, in particular, that

- There is an appropriate budgeting system with an annual budget which is kept under review by senior management
- There are regular reviews by senior management of periodic and annual financial reports which indicate financial performance against forecasts
- A risk management system operates within the Department
- There are systems aimed at ensuring the security of the ICT systems
- There are appropriate capital investment control guidelines and formal project management disciplines
- The Department ensures that there is an appropriate focus on good practice in purchasing and that procedures are in place to ensure compliance with all relevant guidelines. The Department complied with the guidelines.

Internal Audit and Audit Committee

I confirm that the Department has an internal audit function with appropriately trained personnel, which operates in accordance with a written charter which I have approved. Its work is informed by analysis of the financial risks to which the Department is exposed and its annual internal audit plans, approved by me, are based on this analysis. These plans aim to cover the key controls on a rolling basis over a reasonable period. The internal audit function is reviewed periodically by me and by the Audit Committee. I have put procedures in place to ensure that the reports of the internal audit function are followed up.

Robert Watt
Accounting Officer
Superannuation and Retired Allowances

9 March 2016

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 12 Superannuation and Retired Allowances

I have audited the appropriation account for Vote 12 Superannuation and Retired Allowances for the year ended 31 December 2015 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993. The account has been prepared in the form prescribed by the Minister for Public Expenditure and Reform, and in accordance with standard accounting policies and principles for appropriation accounts.

Responsibility of the Accounting Officer

In accordance with Section 22 of the Exchequer and Audit Departments Act 1866, the Accounting Officer is required to prepare the appropriation account. By law, the account must be submitted to me by 31 March following the end of the year of account.

The Accounting Officer is also responsible for the safeguarding of public funds and property under his control, for the efficiency and economy of administration by his Department and for the regularity and propriety of all transactions in the appropriation account.

Responsibility of the Comptroller and Auditor General

I am required under Section 3 of the Comptroller and Auditor General (Amendment) Act 1993 to audit the appropriation accounts of all Votes and to perform such tests as I consider appropriate for the purpose of the audit.

Upon completion of the audit of an appropriation account, I am obliged to provide a certificate stating whether, in my opinion, the account properly presents the receipts and expenditure related to the Vote. I am also required to refer to any material case in which

- a department or office has failed to apply expenditure recorded in the account for the purposes for which the appropriations made by the Oireachtas were intended, or
- transactions recorded in the account do not conform with the authority under which they purport to have been carried out.

Under Section 3 (10) of the Comptroller and Auditor General (Amendment) Act 1993, I am required to prepare each year, a report on any matters that arise from the audits of the appropriation accounts or examinations of accounting controls.

Scope of audit

An audit includes examination, on a test basis, of evidence relevant to the amounts and regularity of financial transactions included in the account and an assessment of whether the accounting provisions of the Department of Public Expenditure and Reform's *Public Financial Procedures* have been complied with.

The audit involves obtaining sufficient evidence to give reasonable assurance that the appropriation account is free from material misstatement, whether caused by fraud or other irregularity or error. I also seek to obtain evidence about the regularity of financial transactions in the course of the audit. In forming the audit opinion, the overall adequacy of the presentation of the information in the appropriation account is evaluated.

Opinion on the appropriation account

In my opinion, the appropriation account properly presents the receipts and expenditure of Vote 12 Superannuation and Retired Allowances for the year ended 31 December 2015.

I have obtained all the information and explanations I considered necessary for the purposes of my audit. In my opinion, adequate accounting records have been kept by the Department of Public Expenditure and Reform. The appropriation account is in agreement with the accounting records.

Seamus McCarthy
Comptroller and Auditor General

15 August 2016

Vote 12 Superannuation and Retired Allowances

Appropriation Account 2015

		2015		2014
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme expenditure				
A	Superannuation and retired allowances			
	<i>Original</i>	474,000		
	<i>Supplementary</i>	37,000		
			511,000	499,175
				473,868
Gross expenditure				
	<i>Original</i>	474,000		
	<i>Supplementary</i>	37,000		
			511,000	499,175
				473,868
<i>Deduct</i>				
B	Appropriations-in-aid			
	<i>Original</i>	104,000		
	<i>Supplementary</i>	20,230		
			124,230	136,404
				105,129
Net expenditure				
	<i>Original</i>	370,000		
	<i>Supplementary</i>	16,770		
			386,770	362,771
				368,739

Surplus for surrender

The surplus of the amount provided over the net amount applied is liable for surrender to the Exchequer.

	2015	2014
	€	€
Surplus to be surrendered	23,999,338	16,061,215

Notes to the Appropriation Account

1 Operating Cost Statement 2015

This note is not applicable. The administration costs of this Vote were borne on Vote 7 – Office of the Minister for Finance, until the payments process transferred to Vote 18 – Shared Services in December 2015. The costs involved in formulation of superannuation policy are borne on Vote 11 - Office of the Minister for Public Expenditure and Reform.

2 Balance Sheet as at 31 December 2015

	Note	2015 €000	2014 €000
Current Assets			
Other debit balances	2.3	106	22,620
Bank and cash	2.2	33,285	(14,102)
Total current assets		33,391	8,518
Less current liabilities			
Other credit balances	2.4	12,858	8,590
Net Liability to the Exchequer	2.5	20,533	(72)
Total current liabilities		33,391	8,518
Net current assets		—	—
Net assets		—	—
Represented by:			
State funding account	2.1	—	—

2.1 State Funding Account	Note	2015 €000	2014 €000
Balance at 1 January		—	—
Disbursements from the Vote			
Estimate provision	Account	386,770	
Surplus to be surrendered	Account	(23,999)	
Net vote		362,771	368,739
Net programme cost		(362,771)	(368,739)
Balance at 31 December		—	—

2.2 Bank and Cash	2015	2014
at 31 December	€000	€000

PMG balances and cash	33,155	(14,327)
Commercial bank account balance	130	225
	<u>33,285</u>	<u>(14,102)</u>

2.3 Other Debit Balances	2015	2014
at 31 December	€000	€000

Recoupable pensions owed by other Departments	106	17
Other debit suspense items	—	22,603
	<u>106</u>	<u>22,620</u>

2.4 Other Credit Balances	2015	2014
at 31 December	€000	€000

Amounts due to the State		
Income Tax	7,895	5,051
Universal Social Charge	2,645	1,950
Local Property Tax	103	116
	<u>10,643</u>	<u>7,117</u>
Voluntary pension deductions held in suspense	—	13
Other credit suspense items	2,215	1,460
	<u>12,858</u>	<u>8,590</u>

2.5 Net Liability to the Exchequer	2015	2014
at 31 December	€000	€000

Surplus to be surrendered	23,999	16,061
Exchequer grant undrawn	(3,466)	(16,133)
Net liability to the Exchequer	<u>20,533</u>	<u>(72)</u>

Represented by:

Debtors

Debit balances: suspense	106	22,620
Bank and cash	33,285	(14,102)
	<u>33,391</u>	<u>8,518</u>

Creditors

Due to State	(10,643)	(7,117)
Credit balances: suspense	(2,215)	(1,473)
	<u>(12,858)</u>	<u>(8,590)</u>
	<u>20,533</u>	<u>(72)</u>

3 Programme Expenditure by Subhead

		2015		2014
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A	Superannuation and Retired Allowances			
A.1	Superannuation allowances, compensation allowances, pensions and certain children's allowances			
	<i>Original</i>	342,000		
	<i>Supplementary</i>	14,000	356,000	323,985
A.2	Payments under the contributory pensions schemes for spouses and children of civil servants, members of the judiciary and court officers			
	<i>Original</i>	40,500		
	<i>Supplementary</i>	1,700	42,200	40,832
A.3	Ex-gratia pensions for widows and children of civil servants, members of the judiciary and court officers			
	<i>Original</i>	800		
	<i>Supplementary</i>	(60)	740	772
A.4	Additional allowances and gratuities in respect of established officers and payments in respect of transferred service			
	<i>Original</i>	66,000		
	<i>Supplementary</i>	22,669	88,669	83,328
A.5	Pensions, allowances and gratuities in respect of unestablished officers and their spouses and children and other pensions and payments in respect of transferred service			
	<i>Original</i>	23,190		
	<i>Supplementary</i>	(490)	22,700	21,687
A.6	Injury grants and medical fees			
	<i>Original</i>	400		
	<i>Supplementary</i>	40	440	380
A.7	Fees to Pensions Board			
	<i>Original</i>	55		
	<i>Supplementary</i>	41	96	96
A.8	Payments in respect of liability under Chapter 2C of the Taxes Consolidation Act 1997			
	<i>Original</i>	1,000		
	<i>Supplementary</i>	(900)	100	101
A.9	Pension liabilities of former public service bodies payable under statute		55	55
		511,000	499,175	473,868

Significant variations

Overall, the expenditure in relation to Programme A was €11.8 million lower than provided. This was mainly due to the following:

Description	Less/(more) than provided €000	Explanation
Superannuation allowances, compensation allowances, pensions and certain children's allowances	2,141	Expenditure on this subhead is impacted by the numbers entering and leaving the scheme, and the grade mix, all of which can vary from year to year. It is therefore difficult to estimate expenditure from one year to the next. The original estimate was based on an assumption that there would be 14,200 persons on the A1 payroll at year end. At the time the supplementary estimate was prepared and based on experience to that date, this estimate was revised up to an estimate of 14,530 by year end. However, the actual year end number of pensioners ended up lower, at 14,428.
Additional allowances and gratuities in respect of established officers and payments in respect of transferred services	8,402	Expenditure on this subhead is impacted by the numbers entering and leaving the scheme, and the grade mix, all of which can vary from year to year. It is therefore difficult to estimate expenditure from one year to the next. The original estimate was based on 950 retirements expected for 2015. At the time the supplementary estimate was prepared, around 1,050 retirements had already occurred and so the expected total for the year was increased to 1,200 retirements. At the year end, the actual number of retirements (1,174) was broadly in line with the revised estimate. However, the average lump sum paid out was around €4,000 lower than used for the estimate calculation due to a change in grade mix. The estimate also allowed for a prudent contingency, which in the event was not required.
Pensions, allowances and gratuities in respect of unestablished officers and their spouses and children and other pensions and payments in respect of transferred service	1,013	The variation is almost entirely attributable to the amount of lump sums paid to unestablished officers in 2015. The lump sum estimate was €5.1 million, but €4 million was paid out for the year. As is the case for the established scheme, the amount paid out in respect of total unestablished lump sums in any year is particularly sensitive to both the number of retirees and their grade.
Payments in respect of liability under Chapter 2C of the taxes Consolidation Act 1997	(1)	The Finance (No 2) Act 2013 provides that individuals who became liable for "chargeable excess" income tax can choose to repay any chargeable excess over a post retirement period of up to 20 years, but the full amount owing must be paid by the pension administrator to the Collector General within 3 months of the person's retirement. Where this occurs, it is shown as a charge under this subhead. The original 2015 estimate of €1 million was based on eight higher paid civil servants exercising their right to create such a charge for the Vote. The actual experience in 2015 was that one retiree opted to defer an amount of €101,175. This has been paid out of Voted monies and will be reimbursed over a 20 year period. If the individual chooses to pay their liability up front, there is no charge to the Vote, and this was the case with respect to two other retirees in the year.

4 Receipts

4.1 Appropriations-in-aid		2015		2014
		Estimated	Realised	
	€000	€000	€000	€000
1. Receipt as provided for in the Social Welfare Consolidation Act 2005 in respect of pension liability of staff		28,000	28,000	28,000
2. Receipts in respect of pension liability of staff on loan, etc.				
	<i>Original</i> 2,000			
	<i>Supplementary</i> (300)	1,700	2,149	2,498
3. Contributions to spouses' and children's pension scheme for civil servants and others				
	<i>Original</i> 18,000			
	<i>Supplementary</i> (100)	17,900	19,739	20,021
4. Receipts in respect of the contributory scheme introduced for established civil servants who were appointed on and after 6 April 1995 (Circular 6/95)				
	<i>Original</i> 25,000			
	<i>Supplementary</i> 1,000	26,000	29,872	28,455
5. Repayment of gratuities, etc.				
	<i>Original</i> 1,300			
	<i>Supplementary</i> (620)	680	851	1,312
6. Purchase of notional service				
	<i>Original</i> 4,600			
	<i>Supplementary</i> (250)	4,350	4,816	5,484
7. Single scheme contributions				
	<i>Original</i> 25,000			
	<i>Supplementary</i> 20,500	45,500	50,874	17,958
8. Miscellaneous		100	103	1,401
Total		124,230	136,404	105,129

Explanation of significant variations

An explanation is provided below in the case of each heading where the outturn varied from the amount estimated by more than €100,000, and by more than 5%.

Description	Less/(more) than estimated €000	Explanation
Receipts in respect of pension liability of staff on loan, etc.	(449)	It is difficult to predict the number of staff on loan year to year.
Contributions to spouses' and children's pension scheme for civil servants and others	(1,839)	Contributions will vary according to staff changes across the service and are therefore difficult to predict. This was compounded by the timing of cash receipts – a larger proportion of receipts was received in the final month than was the case in previous years.
Receipts in respect of the contributory scheme introduced for established civil servants who were appointed on and after 6 April 1995 (Circular 6/95)	(3,872)	Contributions will vary according to staff changes across the service and are therefore difficult to predict. Timing issues also apply with respect to this subhead – a larger proportion of receipts was received in the final month than was the case in previous years.
Repayment of gratuities, etc.	(171)	It is difficult to predict the number of gratuities that will be repaid in any one year.
Purchase of notional service	(466)	Purchase of notional service is at the discretion of officers, and therefore it is difficult to accurately forecast receipts on this subhead.
Single scheme contributions	(5,374)	The Public Service Single Scheme was put in place for all new entrants to the public service from January 2013. The amount credited to the Vote represents contributions made by all new entrant public servants in the year. While there is central oversight of total public service employee numbers, the number of new entrants, the timing of their engagement and the grade and pay level at which they are engaged in individual sectors in any year is managed in those sectors and is subject to wide variation, as evidenced by the fact that the original estimate of €25 million was surpassed by an amount of €26 million. A major project to assess and recommend the optimal operating model for the Single Scheme began in 2016.

5 Employee Numbers and Pay

5.1 Staff

All staff employed in the administration and payment of superannuation charged to this Vote were paid from Vote 7 – Office of the Minister for Finance until transfer of relevant section to Vote 18 – Shared Services in December 2015 and staff engaged on the formulation of superannuation policy are charged to Vote 11 - Office of the Minister for Public Expenditure and Reform.

5.2 Pensioners

A breakdown of the total numbers of pensioners in payment by heading at year end is set out below.

		2015	2014
A.1	Superannuation allowances, compensation allowances, pensions and certain children's allowances	14,428	13,633
A.2	Payments under the contributory pensions schemes for spouses and children of civil servants, members of the judiciary and court officers	2,783	2,781
A.3	Ex-gratia pensions for widows and children of civil servants, members of the judiciary and court officers	44	37
A.5	Pensions, allowances and gratuities in respect of unestablished officers and their spouses and children and other pensions and payments in respect of transferred service	4,614	4,674
A.9	Pension liabilities of former public service bodies payable under statute	3	3
		<hr/> 21,872	<hr/> 21,128

5.3 Pension Payment Agency Services

The Department (Vote 12) makes pension payments, on an agency basis, to former staff of the bodies detailed below

Name of body	Number of pensioners	Gross value (per annum) €m
Vocational Education Committee/Institute of Technology/Education Training Board pensions	9,206	253
FÁS/Solas pensions	1,608	31

The amounts are charged to the Vote for Education and Skills (Vote 26).

5.4 Overpayments

Overpayments at year end were €257,832.27 (81 cases) (2014: €4,450). Of this €257,722.54 (80 cases) have recovery plans in place.

5.5 Severance Payments

Severance payments totalling €299,072 were paid to three civil servants in 2015 under a scheme which was terminated for new appointees in November 2011.

6 Miscellaneous

6.1 Abatement of Pensions

The Pensions (Abatement) Act 1965 and the Public Service (Single Scheme and other Provisions) Act 2012 provides that the pensions of civil servants who are retained or re-employed after normal retirement age are abated as necessary to ensure that their total pay in the period of retention or re-employment does not exceed the remuneration which they would have received if they had remained in the posts they had held on the last day of their reckonable service. The legislation also provides that such abatements may be waived at the discretion of the Minister for Public Expenditure and Reform.

In 2015, the pensions of eighteen retired civil servants were fully or partially abated. The total amount abated in 2015 was €106,097.