

Appropriation Account 2017

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 2017 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 Authority, miscellaneous payments, etc.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2017, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €33.5 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 the 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.

I have fulfilled my responsibilities in relation to the requirements of the Service Management Agreement between this Office and the National Shared Service Office for the provision of HR and payroll shared services.

I rely on a letter of assurance from the Accounting Officer of the Vote for the National Shared Services Office that the appropriate controls are exercised in the provision of shared services to this Office.

The position in regard to the financial control environment, the framework of administrative procedures, management reporting and internal audit is as follows.

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
- procedures for all key business processes have been documented
- there are systems in place to safeguard the assets.

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.

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.

Risk and Control Framework

The department 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 the department and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the management board on a 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 assigns responsibility for operation of controls to specific staff.

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 management board, where relevant, in a timely way. I confirm that 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.

Review of Effectiveness

I confirm that the department has procedures to monitor the effectiveness of its risk management and control procedures. The department'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 and the senior management within the department responsible for the development and maintenance of the internal financial control framework.

Internal Financial Control Issues

No weaknesses in internal financial control were identified in relation to 2017 that resulted in, or may result in, a material loss.

Robert Watt

Accounting Officer

Superannuation and Retired Allowances

26 March 2018

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 12 Superannuation and Retired Allowances

Opinion on the appropriation account

I have audited the appropriation account for Vote 12 Superannuation and Retired Allowances for the year ended 31 December 2017 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993.

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 2017
- has been prepared in the form prescribed by the Minister for Public Expenditure and Reform.

Basis of opinion

I conducted my audit of the appropriation account in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the *Preface to the Appropriation Accounts*. I am independent of the Department of Public Expenditure and Reform and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on the statement on internal financial control, and on other matters

The Accounting Officer has presented a statement on internal financial control together with the appropriation account. My responsibilities to report in relation to the information in the statement, and on certain other matters upon which I report by exception, are described in the *Preface to the Appropriation Accounts*.

I have nothing to report in that regard.

Seamus McCarthy
Comptroller and Auditor General

21 September 2018

Vote 12 Superannuation and Retired Allowances

Appropriation Account 2017

		2017		2016
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme expenditure				
A	Superannuation and retired allowances			
	<i>Original</i>	539,900		
	<i>Supplementary</i>	10,500		
			535,478	499,500
	Gross expenditure			
	<i>Original</i>	539,900		
	<i>Supplementary</i>	10,500		
			535,478	499,500
B	Appropriations-in-aid			
	<i>Original</i>	180,000		
	<i>Supplementary</i>	4,000		
			202,555	158,403
	Net expenditure			
	<i>Original</i>	359,900		
	<i>Supplementary</i>	6,500		
			332,923	341,097
		366,400	332,923	341,097

Surplus

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

	2017	2016
	€	€
Surplus to be surrendered	33,476,725	50,783,203

Robert Watt

Accounting Officer
Superannuation and Retired Allowances

26 March 2018

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2017

This note is not applicable. The administration costs of this Vote are borne on Vote 18 – National Shared Services Office. The costs involved in formulation of superannuation policy are borne on Vote 11 - Office of the Minister for Public Expenditure and Reform.

Note 2 Statement of Financial Position as at 31 December 2017

	Note	2017 €000	2016 €000
Current Assets			
Other debit balances	2.3	242	205
Bank and cash	2.2	19,171	29,781
Total current assets		19,413	29,986
Less current liabilities			
Other credit balances	2.4	14,894	12,429
Net Exchequer funding due	2.5	4,519	17,557
Total current liabilities		19,413	29,986
Net current assets		—	—
Net assets		—	—
Represented by:			
State funding account	2.1	—	—

2.1 State funding account

	Note	2017 €000	2016 €000
Balance at 1 January		—	—
Disbursements from the Vote			
Estimate provision	Account	366,400	
Surplus to be surrendered	Account	(33,477)	
Net vote		332,923	341,097
Net programme cost		(332,923)	(341,097)
Balance at 31 December		—	—

2.2 Bank and cash

at 31 December	2017	2016
	€000	€000
PMG balances and cash	18,037	29,781
Commercial bank account balance	1,134	—
	<u>19,171</u>	<u>29,781</u>

2.3 Other debit balances

at 31 December	2017	2016
	€000	€000
Recoupable pensions owed by other departments	242	205
	<u>242</u>	<u>205</u>

2.4 Other credit balances

at 31 December	2017	2016
	€000	€000
Amounts due to the State		
Income Tax	5,996	8,506
Universal Social Charge	1,278	2,209
Local Property Tax	122	152
	<u>7,396</u>	<u>10,867</u>
Voluntary pension deductions held in suspense	4,193	12
Other credit suspense items	3,305	1,550
	<u>14,894</u>	<u>12,429</u>

2.5 Net Exchequer funding due

at 31 December	2017	2016
	€000	€000
Surplus to be surrendered	33,477	50,783
Exchequer grant undrawn	(28,958)	(33,226)
Net Exchequer funding due	4,519	17,557
Represented by:		
Debtors		
Debit balances: suspense	242	205
Bank and cash	19,171	29,781
	19,413	29,986
Creditors		
Due to State	(7,396)	(10,867)
Credit balances: suspense	(7,498)	(1,562)
	(14,894)	(12,429)
	4,519	17,557

Note 3 Vote Expenditure by Subhead

Programme A Superannuation and Retired Allowances

			2017	2016
			Estimate provision	Outturn
		€000	€000	€000
			Outturn	Outturn
		€000	€000	€000
A.1	Superannuation allowances, compensation allowances, pensions and certain children's allowances			
	<i>Original</i>	383,500		
	<i>Supplementary</i>	<u>(2,900)</u>	380,600	378,995
				357,641
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>	41,400		
	<i>Supplementary</i>	<u>500</u>	41,900	41,873
				41,181
A.3	Ex-gratia pensions for widows and children of civil servants, members of the judiciary and court officers			
	<i>Original</i>	600		
	<i>Supplementary</i>	<u>(125)</u>	475	447
				596
A.4	Additional allowances and gratuities in respect of established officers and payments in respect of transferred service			
	<i>Original</i>	90,400		
	<i>Supplementary</i>	<u>13,700</u>	104,100	91,479
				78,049
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>	22,995		
	<i>Supplementary</i>	<u>(595)</u>	22,400	21,915
				21,243
A.6	Injury grants and medical fees		400	350
				359
A.7	Pension related fees and other expenses			
	<i>Original</i>	250		
	<i>Supplementary</i>	<u>(80)</u>	170	151
				202
A.8	Payments in respect of liability under Chapter 2C of the Taxes Consolidation Act 1997		300	214
				176
A.9	Pension liabilities of former public service bodies payable under statute		55	54
			55	53
			550,400	535,478
			550,400	499,500

Significant variations

Overall, the expenditure in relation to Programme A was €14.9 million lower than provided. This was mainly due to the following:

A.4 *Additional allowances and gratuities in respect of established officers and payments in respect of transferred service*

Estimate provision: €104.1 million, outturn: €91.5 million

The shortfall in expenditure of €12.6 million relative to the estimate provision was due to fewer retirements from the established scheme than provided for in the estimate. The original estimate was based on 1,300 retirements expected for 2017. Given the inherent expenditure variability, and the level of gross expenditure as it stood at end October, a supplementary estimate of €13.7 million was sought for subhead A.4 as a precautionary measure and approved by the Oireachtas. The actual experience at year end was that 1,343 people (103.3% of the original estimate) retired from the established scheme and received a lump sum under subhead A.4. An additional 76 former civil servants, who had retired under the Incentivised Scheme for Early Retirement (ISER), received a lump sum payment in 2017 on reaching minimum pension age. The outturn of €91.5 million exceeded the original 2017 estimate by €1.1 million. In the event, the full supplementary provision was not used.

Note 4 Receipts

4.1 Appropriations-in-aid

			2017		2016
	€000	Estimated €000	Realised €000	Realised €000	
1 Receipt from the Social Welfare Consolidation Act 1993 (No. 38 on 1993) 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>	<u>(400)</u>	1,600	1,706	
3 Contributions to spouses' and children's pension scheme for civil servants and others					
	<i>Original</i>	19,500			
	<i>Supplementary</i>	<u>(1,300)</u>	18,200	18,847	
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>	28,500			
	<i>Supplementary</i>	<u>800</u>	29,300	31,704	
5 Repayment of gratuities, etc.					
	<i>Original</i>	900			
	<i>Supplementary</i>	<u>(780)</u>	120	120	
6 Purchase of notional service					
	<i>Original</i>	5,000			
	<i>Supplementary</i>	<u>(250)</u>	4,750	4,956	
7 Single scheme contributions					
	<i>Original</i>	96,000			
	<i>Supplementary</i>	<u>6,000</u>	102,000	117,203	
8 Miscellaneous					
	<i>Original</i>	100			
	<i>Supplementary</i>	<u>(70)</u>	30	19	
Total			184,000	202,555	
				158,403	

Significant variations

Overall, appropriations-in-aid were €18.6 million more than the estimate.

Explanations for variances are set out below:

2 *Receipts in respect of pension liability of staff on loan, etc.*

Estimate provision: €1.6 million, outturn: €1.7 million

The increase of €0.1 million was due to an increased level of receipts in respect of staff on loan. It is difficult to predict the number of staff on loan year to year.

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)*

Estimate provision: €29.3 million, outturn: €31.7 million

The increase of €2.4 million was due to an underestimation of the level of receipts from the cohort of civil servants appointed on or after 6 April 1995 and before 1 January 2013 who are members of the established scheme. The number in this cohort will decrease as retirements occur, however the level of contributions is affected by changes in the salary levels of this cohort which may increase in line with career progression.

7 *Single scheme contributions*

Estimate provision: €102 million, outturn: €117 million

The increase of €15 million was largely due to an increased level of receipts in the final months of the year. The amount credited to the Vote in respect to the Single Public Service Pension Scheme represents contributions made by all new public servants who commence employment after 1 January 2013. 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 fluctuation. Due to the nature of recruitment and the retirement processes across the public service, a level of variation in estimates versus receipts will remain.

Note 5 Employee and Pensioner Numbers

5.1 Staff

All staff employed in the administration and payment of superannuation charged to this Vote are paid from Vote 18 – National Shared Services Office. 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.

	2017	2016
A.1 Superannuation allowances, compensation allowances, pensions and certain children's allowances	16,448	15,414
A.2 Payments under the contributory pensions schemes for spouses and children of civil servants, members of the judiciary and court officers	2,859	2,816
A.3 Ex-gratia pensions for widows and children of civil servants, members of the judiciary and court officers	30	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	4,578	4,634
A.9 Pension liabilities of former public service bodies payable under statute	3	3
	23,918	22,904

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	9,615	267
FÁS/SOLAS pensions	1,564	31

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

5.4 Overpayments of pensions

Overpayments at year end were €158,436 (44 cases), (2016: €123,319 (41 cases)), all of these cases have recoupment plans in place.

5.5 Severance payments

Severance payments totalling €379,349 were paid to four retiring secretaries general in 2017 under a scheme which was terminated for new appointees in November 2011. Severance payments are charged to subhead A.1.

Note 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 2017, the pensions of 27 retired civil servants were fully or partially abated. The total amount abated in 2017 was €175,260.

6.2 Compensation and legal costs

Compensation and legal costs paid during the year are categorised as follows:

			2017		2016
	Number of cases	Legal costs paid by Department €000	Legal costs awarded €000	Total €000	Total €000
Claims in respect of the pension functions of the Minister for Public Expenditure and Reform	—	—	—	—	57
