

Vote 36 Defence

Introduction

As Accounting Officer for Vote 36, 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 2011 for the salaries and expenses of the Office of the Minister for Defence, including certain services administered by that Office; for the pay and expenses of the Defence Forces; and for payment of certain grants-in-aid.

The expenditure outturn is compared with the sums

- (a) granted by Dáil Éireann under the Appropriation Act 2011, including the amount that could be used as appropriations-in-aid of expenditure for the year, and
- (b) provided for capital supply services in 2011 out of unspent 2010 appropriations, under the deferred surrender arrangements established by section 91 of the Finance Act 2004.

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 except for the following:

Stock valuation

Military stocks are valued at average cost. Other stocks are valued at their most recent purchase price.

Depreciation

Military assets are depreciated to residual values at rates varying between 3% to 20% per annum using the straight line method.

Capital assets

A detailed register is maintained of land and buildings administered by the Department of Defence. However, as valuations for all of these properties are not available, they are not included in the statement of capital assets (Note 2.1).

The statement of capital assets includes all military equipment and IT assets but excludes furniture and fittings that cost less than €600.

Statement on Internal Financial Control

Along with the Account, I have submitted a statement in the standard format on the system of internal financial control that operates in the Department of Defence.

Michael Howard
Accounting Officer
Department of Defence
29 March 2012

Certificate of the Comptroller and Auditor General

I have audited the Appropriation Account of Vote 36: Defence for 2011 under Section 3 of the Comptroller and Auditor General (Amendment) Act 1993. The Account has been prepared in accordance with the Statement of Accounting Policies and Principles. The duties of the Accounting Officer and of the Comptroller and Auditor General in relation to the Appropriation Accounts, and the basis of the audit opinion, are set out in Part 1 to this volume.

I have obtained all the information and explanations I considered necessary for the purposes of my audit. In my opinion, proper books of account have been kept by the Department of Defence. The Appropriation Account is in agreement with the books of account.

In my opinion, the Appropriation Account properly presents the receipts and expenditure of the Vote for the year ended 31 December 2011.

Seamus McCarthy
Comptroller and Auditor General
22 August 2012

Vote 36 Defence Appropriation Account 2011

Service	2011 Estimate provision €000	2011 Outturn €000	2010 Outturn €000
Administration			
A.1. Salaries, wages and allowances	17,485	16,065	16,417
A.2. Travel and subsistence	369	407	210
A.3. Training and development and incidental expenses	280	194	219
A.4. Postal and telecommunications services	900	723	934
A.5. Office equipment and external IT services	2,400	2,065	2,302
A.6. Office premises expenses	1,716	1,262	1,036
A.7. Consultancy services and value for money and policy reviews	50	—	93
Defence Forces			
B. Permanent Defence Force: pay	442,374	421,329	433,235
C. Permanent Defence Force: allowances	43,600	42,245	44,144
D. Reserve Defence Force: pay, etc.	4,386	3,935	4,014
E. Chaplains and officiating clergymen: pay and allowances	1,225	1,172	1,175
F. Civilians attached to units: pay, etc.	35,746	32,779	34,457
G. Defensive equipment	32,000	36,617	37,412
H. Air Corps: equipment and expenses	16,400	15,488	16,800
I. Military transport	15,000	14,372	15,812
J. Naval Service: equipment and expenses	21,400	30,542	37,087
K. Barrack expenses and engineering equipment	15,028	15,119	15,896
L. Buildings			
	<i>Current year provision</i> 17,000		
	<i>Deferred Surrender</i> <u>1,500</u>	18,500	17,875
M. Ordnance, clothing and catering	21,000	19,823	19,627
N. Communications and information technology	7,640	7,683	10,205
O. Military training	2,400	2,390	3,716
P. Travel and freight services	5,200	2,600	10,489
Q. Medical expenses	3,000	2,896	3,019
R. Lands	1,049	1,179	1,037
S. Equitation	900	898	868
T. Compensation and associated costs	6,000	4,884	4,135
U. Miscellaneous expenditure	3,495	2,722	4,054

Service	2011		2010
	Estimate provision €000	Outturn €000	Outturn €000
V. Costs arising directly from Ireland's participation in the EU's Common Security and Defence Policy	900	583	600
W. Civil Defence Board (grant-in-aid)	5,585	5,585	6,061
X. Irish Red Cross Society (grant-in-aid)	951	951	951
Gross expenditure			
<i>Current year provision</i>	725,479		
<i>Deferred surrender</i>	<u>1,500</u>	726,979	743,880
Deduct			
Y. Appropriations-in-aid		46,749	50,149
Net expenditure			
<i>Current year provision</i>	678,730		
<i>Deferred surrender</i>	<u>1,500</u>	680,230	693,731
		660,942	
Surplus for the year		€19,288,433	€12,793,851
Deferred surrender		€500,000	€1,500,000
Surplus to be surrendered		€18,788,433	€11,293,851

Notes to the Appropriation Account

1 Operating Cost Statement 2011

	Note	€000	2011 €000	2010 €000
Expenditure on administration			20,716	21,211
Expenditure on services and programmes			682,735	722,669
Gross expenditure			703,451	743,880
Deduct				
Appropriations-in-aid			42,509	50,149
Net expenditure			660,942	693,731
Changes in capital assets				
Purchases cash		(21,017)		
Depreciation		39,171		
Loss on disposals		2,076	20,230	2,801
Changes in assets under development				
Cash payments			(9,752)	(10,829)
Changes in net current assets				
Decrease in closing accruals		(18,446)		
Increase in stock		(24,206)		
			(42,652)	(32,128)
Direct expenditure			628,768	653,575
Net allied services expenditure	1.1		8,081	7,941
Notional rents			1,951	4,579
Total operating cost			638,800	666,095

1.1 Net Allied Services

The net allied services expenditure amount is made up of the following estimated amounts in relation to Vote 36 borne elsewhere and amounts borne on the vote in respect of other services:

Vote		2011 €000	2010 €000
1	President's Establishment	(413)	(411)
2	Department of the Taoiseach	(75)	(75)
7	Superannuation and Retired Allowances	9,020	9,009
10	Office of Public Works	766	667
20	Garda Síochána	58	207
37	Army Pensions	(1,726)	(1,734)
	Central Fund - Ministerial etc. pensions	451	278
		8,081	7,941

2 Balance Sheet as at 31 December 2011

	Note	2011 €000	2010 €000
Capital assets	2.1	363,474	383,946
Capital assets under development	2.2	3,570	4,062
		367,044	388,008
Current assets			
Bank and cash	2.3	1,419	16,103
Stocks	2.4	269,617	245,411
Prepayments	2.5	49,076	32,098
Accrued income		1,967	550
Other debit balances	2.6	2,524	1,838
Total current assets		324,603	296,000
Less current liabilities			
Accrued expenses		2,319	2,640
Deferred income		44	16
Other credit balances	2.7	254	14,646
Net liability to the Exchequer	2.8	3,689	3,295
Total current liabilities		6,306	20,597
Net current assets		318,297	275,403
Net assets		685,341	663,411
Represented by :			
State funding account		685,341	663,411

2.1 Capital Assets

	Military equipment	Office/IT equipment	Furniture and fittings	Totals
	€000	€000	€000	€000
Gross assets				
Cost or valuation at 1 January 2011	853,394	42,313	3,400	899,107
Additions	18,826	1,751	198	20,775
Disposals	(9,335)	(1,600)	(35)	(10,970)
Cost or valuation at 31 December 2011	<u>862,885</u>	<u>42,464</u>	<u>3,563</u>	<u>908,912</u>
Accumulated depreciation				
Opening balance at 1 January 2011	477,782	35,722	1,657	515,161
Depreciation for the year	36,766	2,183	222	39,171
Depreciation on disposals	(7,359)	(1,507)	(28)	(8,894)
Cumulative depreciation at 31 December 2011	<u>507,189</u>	<u>36,398</u>	<u>1,851</u>	<u>545,438</u>
Net assets at 31 December 2011	<u>355,696</u>	<u>6,066</u>	<u>1,712</u>	<u>363,474</u>
Net assets at 31 December 2010	<u>375,612</u>	<u>6,591</u>	<u>1,743</u>	<u>383,946</u>

The Department of Defence administers land (approx. 8,200 hectares) and buildings at 100 different locations, as well as 20 properties outside of barracks which serve as married quarters. The disposal of these married quarters continues to be pursued. As indicated in the introduction, land and buildings are not included in this statement.

2.2 Capital Assets under Development

	Construction contracts
	€000
at 31 December	
Amounts brought forward at 1 January 2011	4,062
Cash payments for the year	9,752
Transferred to asset register ¹	(10,244)
Amounts carried forward at 31 December 2011	<u>3,570</u>

¹Notional transfer to asset register. Land and buildings are not shown in Capital Assets.

2.3 Bank and Cash

	2011	2010
	€000	€000
at 31 December		
PMG balances, bank and cash	4,783	17,098
Orders outstanding	(3,364)	(995)
	<u>1,419</u>	<u>16,103</u>

2.4 Stocks	2011	2010
at 31 December	€000	€000
Military stocks	269,550	245,342
Stationery, etc.	24	25
IT consumables, etc.	43	44
	<u>269,617</u>	<u>245,411</u>
	<u><u>269,617</u></u>	<u><u>245,411</u></u>
2.5 Prepayments	2011	2010
at 31 December	€000	€000
Naval vessels construction	38,720	22,000
Other	10,356	10,098
	<u>49,076</u>	<u>32,098</u>
	<u><u>49,076</u></u>	<u><u>32,098</u></u>
2.6 Other Debit Balances	2011	2010
at 31 December	€000	€000
Suspense	2,524	1,838
	<u>2,524</u>	<u>1,838</u>
	<u><u>2,524</u></u>	<u><u>1,838</u></u>
2.7 Other Credit Balances	2011	2010
at 31 December	€000	€000
Amounts due to the State		
Pay Related Social Insurance	(13)	6,303
Income Tax	64	4,083
Value Added Tax	(23)	3,240
Income Levy	—	743
Relevant Contracts Tax	—	97
Professional Services Withholding Tax	148	96
Pension contributions	13	20
	<u>189</u>	<u>14,582</u>
Payroll deductions	6	32
Suspense	59	32
	<u>254</u>	<u>14,646</u>
	<u><u>254</u></u>	<u><u>14,646</u></u>

2.8 Net Liability to the Exchequer	2011	2010
at 31 December	€000	€000
Surplus to be surrendered	18,788	11,294
Deferred surrender	500	1,500
Exchequer grant undrawn	(15,599)	(9,499)
Net liability to the Exchequer	<u>3,689</u>	<u>3,295</u>
Represented by:		
Debtors		
Bank and cash	1,419	16,103
Other debit balances	2,524	1,838
	<u>3,943</u>	<u>17,941</u>
Creditors		
Due to State	(189)	(14,582)
Other credit balances	(65)	(64)
	<u>(254)</u>	<u>(14,646)</u>
	<u>3,689</u>	<u>3,295</u>

2.9 Commitments	2011	2010
at 31 December	€000	€000
Total of legally enforceable commitments	128,727	133,150

(A) Global Commitments

The total of legally enforceable commitments at 31 December 2011 is estimated to be €129m. This includes €89m for the naval vessel replacement programme; €35m for the purchase of defensive equipment and vehicles and €4m for a number of building projects.

(B) Multi-annual capital commitments

Expenditure in 2011 and commitments to be met in subsequent years on foot of projects, to be funded from subheads containing voted capital provisions, where legally enforceable contracts were in place at 31 December :

	2011	2010
	€000	€000
Expenditure	9,752	10,829
Commitments to be met in subsequent years	2,865	5,324

2.10 Matured Liabilities

Matured liabilities outstanding at year end amounted to €808,898.

3 Variations in Expenditure

An explanation is provided below in the case of each expenditure subhead where the outturn varied from the amount provided by more than €100,000 and by more than 5% (25% in the case of administration subheads).

Sub-head	Less/(more) than provided €000	Explanation
A.6	454	The saving is mainly due to delays with certain procurement contracts and lower than anticipated heat, fuel and maintenance costs.
D.	451	The saving is due mainly to lower levels of training activity and the use of more centralised training facilities.
F.	2,967	The saving is due mainly to a reduction in the number of civilian employees.
G.	(4,617)	The excess is due to the requirement to purchase additional essential defensive equipment for operational use by the Defence Forces.
H.	912	The saving is due mainly to a lower than anticipated requirement for air transport services and deferred specialised training costs.
J.	(9,142)	The excess is due mainly to the requirement to make VAT payments relating to the new naval ships contract, which were not provided for in the Estimate for 2011, and additional fuel costs.
L.	1,557	The saving is mainly due to slower than anticipated progress on some projects.
M.	1,177	The saving is due mainly to delays on certain clothing orders and reduced catering costs, and is partly offset by a requirement for additional ordnance equipment.
P.	2,600	The saving is mainly due to lower than estimated travel and freight costs associated with overseas commitments.
R.	(130)	The excess is mainly due to the requirement for additional safety and security work and other necessary procurement.
T.	1,116	Expenditure under this subhead is subject to a number of unpredictable variables, including the number, value and timing of awards and settlements.
U.	773	The saving is due to a number of variables including costs associated with interview boards, court martials, overseas mission support, and deferred military archive costs.
V.	317	The saving is due to lower than anticipated common costs relating to EU missions and European Defence Agency costs.

4 Receipts

4.1 Appropriations-in-aid

	2011 Estimated €000	2011 Realised €000	2010 Realised €000
1. Receipts from United Nations in respect of overseas allowances, etc.	6,000	3,662	7,108
2. Receipts from EU in respect of fishery protection costs	50	1,073	325
3. Receipts from banks and other organisations	8,500	8,913	8,839
4. Receipts from occupation of official quarters	165	196	166
5. Receipts from rations on repayment	500	966	582
6. Receipts from other issues on repayment	60	54	65
7. Receipts for aviation fuel	70	71	70
8. Receipts on discharge by purchase	50	47	41
9. Lands and premises :-			
(a) Rents, etc.	350	567	423
(b) Sales	6,000	50	4,140
10. Sale of surplus stores	200	105	388
11. Refunds in respect of services of seconded personnel	80	35	82
12. Miscellaneous	400	267	593
13. Receipts from pension-related deduction on public service remuneration	24,324	26,503	27,327
Total	46,749	42,509	50,149

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%.

Heading	Less/(more) than estimated €000	Explanation
1.	2,338	Deployment to Lebanon took place later than had been planned resulting in fewer reimbursable months than had been anticipated.
2.	(1,023)	The surplus is due to receipts from the European Commission in 2011 which were not expected until 2012.
5.	(466)	The surplus is due to higher than projected numbers of personnel availing of rations during 2011.
9.b	5,950	The shortfall in sales receipts is due to a number of property sales not progressing as expected.
12.	133	Receipts under this heading are difficult to forecast because there are a number of variable factors involved.
13.	(2,179)	Receipts under this heading are difficult to forecast accurately due to a number of factors including variable allowances paid to military personnel.

5 Employee Numbers and Pay

Overall Totals

	2011	2010
Numbers at year end (full time equivalents)	10,448	10,634
	2011	2010
	€000	€000
Pay	427,732	441,041
Higher, special or additional duties allowances	181	173
Overtime	579	736
Shift and roster allowance	143	156
Military allowances	32,864	35,025
Employer's PRSI	38,422	38,943
Total pay	499,921	516,074

The overall totals do not include the Civil Defence Board and the Office of the Ombudsman for the Defence Forces which account for personnel numbers of 28 and total pay and allowances of €1.5m. Each of these bodies produces its own accounts.

The total pay figures above exclude non-pay expenditure charged to some pay subheads.

5.1 Civil Servants

	2011	2010
Numbers at year end (full time equivalents)	320	324
	2011	2010
	€000	€000
Pay	15,341	15,740
Higher, special or additional duties allowances	116	102
Overtime	71	103
Shift and roster allowance	—	2
Employer's PRSI	537	534
Total pay	16,065	16,481

Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2011 €	Maximum individual payment 2010 €
Higher, special or additional duties allowances	31	4	19,585	19,605
Overtime	80	—	5,369	6,085
Shift and roster allowance	—	—	—	1,590

Some individuals received both allowances and overtime payments.

5.2 Civilian Employees

	2011	2010
Numbers at year end (full time equivalents)	660	728
	2011	2010
	€000	€000
Pay	25,180	26,575
Higher, special or additional duties allowances	65	71
Overtime	508	633
Shift and roster allowance	143	154
Employer's PRSI	2,617	2,748
Total pay	28,513	30,181

Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment	Maximum individual payment
			2011	2010
			€	€
Higher, special or additional duties allowances	30	—	7,461	7,951
Overtime	239	5	21,143	13,912
Shift and roster allowance	23	5	16,903	16,804

Some individuals received payments under more than one heading.

5.3 Permanent Defence Force (incl. Army Nursing Service and Chaplaincy)

	2011	2010
Numbers at year end	9,468	9,582
	2011	2010
	€000	€000
Pay and military service allowance	387,211	398,726
Overseas allowances	10,915	12,727
Security duty allowances	12,072	11,691
Border duty allowance	4,468	4,941
Patrol duty allowance	3,403	3,510
Miscellaneous allowances	2,006	2,156
Employer's PRSI	35,268	35,661
Total pay	455,343	469,412

Allowances

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment	Maximum individual payment
			2011	2010
			€	€
Overseas allowances	1,223	565	38,325	38,790
Security duty allowances	8,180	40	19,441	19,449
Border duty allowance	1,043	—	7,891	10,011
Patrol duty allowance	794	4	11,126	11,839
Miscellaneous allowances	1,064	11	20,086	21,456

Certain individuals received allowances in more than one category.

The security duty and miscellaneous headings include a number of different allowances and some recipients in each category received more than one allowance and are counted more than once.

6 Miscellaneous Items

6.1 Overseas Missions

This account includes the sums indicated below in respect of the remuneration of military personnel serving with UN and EU peace support operations and various organisations, together with travel and subsistence and transportation costs:

	2011	2010
	€000	€000
UN and EU Missions:		
UNIFIL (Lebanon)	19,982	—
MINURCAT (Chad - 15 March 2009 to 20 May 2010)	—	21,217
KFOR (Kosovo)	1,285	7,794
EUFOR (Bosnia Herzegovina)	2,720	3,968
Other UN and EU Missions	2,893	3,710
	<u>26,880</u>	<u>36,689</u>
Other:		
Military representatives and advisors	1,813	1,978
Nordic Battle Group	953	1,392
Organisation for Security and Co-operation in Europe	433	533
Total	<u>30,079</u>	<u>40,592</u>

Of the sum of €27m for UN and EU missions, €7m relates to missions the full costs of which are borne by the State. The remaining €20m relates to UNIFIL in respect of which arrangements for the reimbursement of certain costs have been agreed with the UN. The amount actually received from the UN by way of appropriations-in-aid in 2011 was €3.66m (Note 4.1), of which €2.16m related to personnel costs, and €1.5m to equipment costs. The amount outstanding at year end was €1.7m (€0.4m personnel costs and €1.3m equipment costs).

A claim was submitted to the UN relating to costs associated with the withdrawal from MINURCAT. This is still under negotiation.

6.2 Support for Representative Associations

This account includes a total of €461,788 in respect of the remuneration of military personnel seconded to representative associations and certain related administrative costs.

6.3 Seconded Staff

This account includes a total of €121,540 in respect of the remuneration of a military officer and a civil servant on secondment.

6.4 Assistance to other Departments

Assistance was rendered without charge to the Garda Síochána in disposing of explosive materials.

Air Corps aircraft were provided without charge to other Government Departments and the Garda Síochána.

This account includes the full operating costs of the Garda fixed-wing aircraft and the pilot costs only of the two Garda helicopters.

Air Corps aircraft were provided without charge to the Health Service Executive for ambulance missions.

6.5 Write-offs

Two hundred and fifteen cases of irrecoverable debts resulted in the sum of €179,601 being written off.

Loss of or damage to stores, equipment or property for which negligence could not be attributed to any person resulted in the sum of €16,812 being written off.

Twelve cases of damage to military vehicles resulted in the sum of €15,023 being written off.

6.6 Carryover to 2012

Under the provisions of section 91 of the Finance Act 2004, €500,000 of unspent allocation in respect of the capital element of Subhead L was carried forward to 2012.

6.7 Claims

At 31 December 2011, there were 462 personal injury and employment case claims on hand, of which 319 have been referred to the State Claims Agency.

6.8 Medical Treatment

Institutional and outpatient services were afforded to Defence Forces personnel and to the dependants of enlisted personnel in civilian hospitals without application of the statutory charge and in military hospitals without charge to the Health Service Executive.

6.9 EU Funding

Appropriations-in-aid of €1,073,430 were received from the EU Fishery Protection Surveillance Programme in respect of expenditure incurred for the conservation and management of fishery resources under subheads H. and J.

6.10 Special Payments

Payments totalling €1,461,965 were made to the Office of the Revenue Commissioners in 2011 in settlement of the liability which arose in respect of the taxation of the Reserve Defence Force cadre daily allowance for the period January 2007 to February 2011.