



Appropriation Account 2012

Vote 35

Army Pensions

Introduction

As Accounting Officer for Vote 35, 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 2012 for retired pay, pensions, compensation, allowances and gratuities payable under sundry statutes to or in respect of members of the Defence Forces and certain other Military Organisations, etc., and for sundry contributions and expenses in connection therewith; for certain extra-statutory children's allowances and other payments and for sundry grants.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2012 including the amount that could be used as appropriations-in-aid of expenditure for the year.

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, transactions 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.

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 is compliant with all relevant guidelines regarding procurement and is complying with all circulars relating to the mandatory use of framework agreements and contracts.

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.

Michael Howard
Accounting Officer
Department of Defence

21 February 2013

Comptroller and Auditor General Report for presentation to the Houses of the Oireachtas

Vote 35 Army Pensions

I have audited the appropriation account for Vote 35 Army Pensions for the year ended 31 December 2012 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, 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 in his Department and for the regularity and propriety of all transactions in the appropriation accounts.

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 a report each year 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 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 35 Army Pensions for the year ended 31 December 2012.

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.

Seamus McCarthy
Comptroller and Auditor General

28 June 2013

Vote 35 Army Pensions Appropriation Account 2012

		2012		2011
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme Expenditure				
A	Provision for Defence Forces' pension benefits			
	<i>Original</i>	214,414		
	<i>Supplementary</i>	29,500	243,914	223,379
Gross expenditure				
	<i>Original</i>	214,414		
	<i>Supplementary</i>	29,500	243,914	223,379
<i>Deduct</i>				
B	Appropriations-in-aid			
	<i>Original</i>	6,500		
	<i>Supplementary</i>	(500)	6,000	6,125
Net expenditure			237,914	217,254

Surplus for surrender

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

	2012	2011
	€	€
Surplus to be surrendered	4,732	212,526

Analysis of administration expenditure

		2012		2011
		Estimate provision	Outturn	Outturn
		€000	€000	€000
i	Salaries, wages and allowances			
	<i>Original</i>	103		
	<i>Supplementary</i>	(22)	81	100
			81	100

Notes to the Appropriation Account

1 Operating Cost Statement 2012

	2012	2011
	€000	€000
Programme cost	243,768	223,279
Pay	69	96
Non pay	12	4
Gross expenditure	243,849	223,379
<i>Deduct</i>		
Appropriations-in-aid	5,940	6,125
Direct expenditure	237,909	217,254
Net allied services expenditure (note 1.1)	1,738	1,726
Net programme cost	239,647	218,980

1.1 Net Allied Services Expenditure

This is the estimated amount in relation to Vote 35 borne on Vote 36 Defence, in relation to administration salaries and other expenses.

2 Balance Sheet as at 31 December 2012

	Note	2012 €000	2011 €000
Current assets			
Bank and cash	2.3	5	216
Other debit balances	2.4	9	1
Total current assets		14	217
Less current liabilities			
Other credit balances	2.5	10	5
Net liability to the Exchequer	2.6	4	212
Total current liabilities		14	217
Net current assets		—	—
Net assets		—	—
Represented by:			
State funding account	2.1	—	—

2.1 State Funding Account	Note	2012 €000	2011 €000
Balance at 1 January		—	—
Funding drawn down	2.2	239,647	218,980
Net programme cost	1	(239,647)	(218,980)
Balance at 31 December		—	—

2.2 Funding drawn down	Note	2012 €000	2011 €000
Disbursements from the Vote			
Estimate provision	Account	237,914	217,467
Surplus to be surrendered	Account	(5)	(213)
		237,909	217,254
Expenditure (cash) borne elsewhere	1	1,738	1,726
Total funding drawn down		239,647	218,980

2.3 Bank and Cash	2012	2011
at 31 December	€000	€000
PMG balances and cash	414	664
Orders outstanding	(409)	(448)
	<u>5</u>	<u>216</u>

2.4 Other Debit Balances	2012	2011
at 31 December	€000	€000
Other debit suspense items	9	1
	<u>9</u>	<u>1</u>

2.5 Other Credit Balances	2012	2011
at 31 December	€000	€000
Amounts due to the State		
Income Tax	4	3
	<u>4</u>	<u>3</u>
Payroll deductions held in suspense	6	2
	<u>10</u>	<u>5</u>

2.6 Net Liability to the Exchequer	2012	2011
at 31 December	€000	€000
Surplus to be surrendered	5	213
Exchequer grant undrawn	(1)	(1)
Net liability to the Exchequer	<u>4</u>	<u>212</u>

Represented by:**Debtors**

Bank and cash	5	216
Debit balances: suspense	9	1
	<u>14</u>	<u>217</u>

Creditors

Due to State	(4)	(3)
Credit balances: suspense	(6)	(2)
	<u>(10)</u>	<u>(5)</u>
	<u>4</u>	<u>212</u>

3 Programme Expenditure by Subhead

		2012		2011
		Estimate provision		Outturn
		€000	€000	€000
A	Provision for Defence Forces' pension benefits			
A.1	Administration - pay			
	<i>Original</i>	103		
	<i>Supplementary</i>	(22)	81	100
A.2	Defence Forces (pensions) schemes and payments in respect of transferred service			
	<i>Original</i>	204,031		
	<i>Supplementary</i>	29,947	233,978	213,681
A.3	Wound and disability pensions, allowances and gratuities to or in respect of former members of the Defence Forces			
	<i>Original</i>	9,000		
	<i>Supplementary</i>	(154)	8,846	8,420
A.4	Payments to dependents of veterans of the war of independence			
	<i>Original</i>	980		
	<i>Supplementary</i>	(50)	930	1,124
A.5	Compensation payments			
	<i>Original</i>	200		
	<i>Supplementary</i>	(190)	10	18
A.6	Medical appliances and travelling and incidental expenses			
	<i>Original</i>	100		
	<i>Supplementary</i>	(31)	69	36
			<u>243,914</u>	<u>223,379</u>
			243,849	

Significant variations

Overall, net expenditure in relation to the Programme was €4,732 lower than provided. The outturn on each expenditure heading was not significantly different from the amount provided.

4 Receipts

4.1 Appropriations-in-aid

	2012		2011
	Estimated	Realised	Realised
	€000	€000	€000
1. Contributions to Defence Forces Spouses' and Children's Pension Schemes			
	<i>Original</i> 5,400		
	<i>Supplementary</i> (500)	4,900	4,406
			4,677
2. Contributions to Defence Forces Contributory (Main) Pensions Schemes		945	1,447
3. Recoveries of overpayments		40	55
4. Payments received in respect of transferred service		40	7
5. Miscellaneous		70	22
6. Receipts from pension-related deduction on public service remuneration		5	3
Total		6,000	5,940
			6,125

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 provided €000	Explanation
Contributions to Defence Forces Spouses' and Children's Pension Schemes	494	The shortfall is due to the higher than anticipated number of exits from the Defence Forces in 2012, particularly in the early part of the year prior to the end of the 'grace period'.
Contributions to Defence Forces Contributory (Main) Pensions Schemes	(502)	It is difficult to accurately predict receipts as the number paying contributions vary during the year.

5 Employee Numbers and Pay

	2012	2011
Number of staff at year end (full time equivalents)	2	2
	2012	2011
	€000	€000
Pay	67	94
Employer's PRSI	2	2
Total Pay	69	96

The two staff members are administrative support to the Army Pensions Board. In addition to these payroll costs, €12,268 was paid in respect of travel and subsistence in 2012.

27 employees of the Department of Defence are engaged in the administration of pensions and other related payments. Their remuneration, which amounts to approximately €1.2 million, is charged to Vote 36.

6 Miscellaneous

6.1 Overpayments

There are currently 72 cases of overpayments amounting to €233,072, of which €12,923 relates to prior years. Included in this outstanding figure are three large cases with amounts owing of €189,494. Investigations are on-going for some time and will continue in an effort to recoup the monies owing. During 2012, new overpayments of €105,785 were detected of which €83,060 was recouped in the year.

6.2 Irrecoverable Overpayments

In respect of 35 cases in 2012, gross overpayments of €5,831 less a sum of €1,712 recovered during the year resulted in net overpayments of €4,118. This sum was deemed to be irrecoverable and was written off in accordance with Circular S4/11/62.