

Appropriation Account 2015

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 2015 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 2015 including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €23,896 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, 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.

Shared Services

I have fulfilled my responsibilities in relation to the requirements of the service management agreement between this Department and the National Shared Service Office for the provision of shared service.

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

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.

Significant financial risks

No significant financial risks have been identified for Vote 35 Army Pensions.

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.

Maurice Quinn
Accounting Officer
Department of Defence

26 February 2016

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 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 35 Army Pensions 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 Defence. The appropriation account is in agreement with the accounting records.

Seamus McCarthy

Comptroller and Auditor General

8 September 2016

Vote 35 Army Pensions Appropriation Account 2015

		2015		2014
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme expenditure				
A	Provision for Defence Forces' pension benefits			
	<i>Original</i>	220,990		
	<i>Supplementary</i>	6,500		
			227,490	225,674
	Gross expenditure		227,442	225,674
	<i>Original</i>	220,990		
	<i>Supplementary</i>	6,500		
			227,490	225,674
	<i>Deduct</i>			
B	Appropriations-in-aid		5,376	5,503
Net expenditure				
	<i>Original</i>	215,590		
	<i>Supplementary</i>	6,500		
			222,066	220,171

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	23,896	19,326

Notes to the Appropriation Account

1 Operating Cost Statement 2015

	2015	2014
	€000	€000
Programme cost	227,369	225,604
Pay	58	56
Non pay	15	14
Gross expenditure	227,442	225,674
<i>Deduct</i>		
Appropriations-in-aid	5,376	5,503
Net expenditure	222,066	220,171
Net allied services expenditure (note 1.1)	2,079	1,672
Net programme cost	224,145	221,843

1.1 Net Allied Services Expenditure

The net allied services expenditure amount is made up of the following amounts in relation to Vote 35 borne elsewhere in respect of administration salaries and other services.

	2015	2014
	€000	€000
Vote 18 Shared Services	229	—
Vote 36 Defence	e 1,850	1,672
	<u>2,079</u>	<u>1,672</u>

'e' indicates that the number is an estimated value or an apportioned cost.

2 Balance Sheet as at 31 December 2015

	Note	2015 €000	2014 €000
Current assets			
Bank and cash	2.2	40	61
Other debit balances	2.3	5	1
Total current assets		45	62
Less current liabilities			
Other credit balances	2.4	23	45
Net liability to the Exchequer	2.5	22	17
Total current liabilities		45	62
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	222,090	
Surplus to be surrendered	Account	(24)	
Net vote		222,066	220,171
Expenditure (cash) borne elsewhere	1.1	2,079	1,672
Net programme cost	1	(224,145)	(221,843)
Balance at 31 December		—	—

2.2 Bank and Cash	2015	2014
at 31 December	€000	€000
PMG balances	36	61
Commercial bank account	4	—
	<u>40</u>	<u>61</u>

2.3 Other Debit Balances	2015	2014
at 31 December	€000	€000
Other debit suspense items	5	1
	<u>5</u>	<u>1</u>

2.4 Other Credit Balances	2015	2014
at 31 December	€000	€000
Amounts due to the State		
Income Tax, etc.	3	3
	<u>3</u>	<u>3</u>
Payroll payments held in suspense	20	42
	<u>23</u>	<u>45</u>

2.5 Net Liability to the Exchequer	2015	2014
at 31 December	€000	€000
Surplus appropriations to be surrendered	24	19
Exchequer grant undrawn	(2)	(2)
Net liability to the Exchequer	<u>22</u>	<u>17</u>

Represented by:**Debtors**

Bank and cash	40	61
Debit balances: suspense	5	1
	<u>45</u>	<u>62</u>

Creditors

Due to State	(3)	(3)
Credit balances: suspense	(20)	(42)
	<u>(23)</u>	<u>(45)</u>
	<u>22</u>	<u>17</u>

3 Programme Expenditure by Subhead

		2015		2014
		Estimate provision		Outturn
		€000	€000	€000
A	Provision for Defence Forces' pension benefits			
A.1	Administration – pay		70	73
A.2	Defence Forces pensions schemes and payments in respect of transferred service			70
		<i>Original</i>	211,395	
		<i>Supplementary</i>	7,210	
			218,605	218,563
A.3	Wound and disability pensions, allowances and gratuities to or in respect of former members of the Defence Forces			216,717
		<i>Original</i>	8,700	
		<i>Supplementary</i>	(428)	
			8,272	8,256
A.4	Payments to dependents of veterans of the War of Independence			8,281
		<i>Original</i>	500	
		<i>Supplementary</i>	(77)	
			423	426
A.5	Compensation payments			563
		<i>Original</i>	225	
		<i>Supplementary</i>	(152)	
			73	73
A.6	Medical appliances and travelling and incidental expenses			4
		<i>Original</i>	100	
		<i>Supplementary</i>	(53)	
			47	51
			227,490	227,442
				225,674

Significant variations

A supplementary estimate of €7.21 million was required on Subhead A2 to meet the costs of increased numbers of army pensioners. This was partly offset by savings of €0.71 million arising on Subheads A3 to A6, which are demand driven. In any given year, it is very difficult to accurately predict the exact numbers of voluntary retirements from the Defence Forces with entitlement to immediate retirement benefits, the level of which will vary depending on service, retiring rank and pensionable pay. This can contribute to greater than expected expenditure. The original allocation was not sufficient to meet all requirements in 2015.

4 Receipts

4.1 Appropriations-in-aid

	2015		2014
	Estimated	Realised	Realised
	€000	€000	€000
1. Contributions to Defence Forces Spouses' and Children's Pension Schemes	3,747	3,809	3,952
2. Contributions to Defence Forces Contributory (Main) Pensions Schemes	1,500	1,513	1,514
3. Recoveries of overpayments	40	43	22
4. Payments received in respect of transferred service	40	2	12
5. Miscellaneous	70	6	—
6. Receipts from pension-related deduction on public service remuneration	3	3	3
Total	5,400	5,376	5,503

5 Employee Numbers and Pay

	2015	2014
Number of staff at year end (full time equivalents)	1	1
	2015	2014
	€000	€000
Pay	57	55
Employer's PRSI	1	1
Total pay	58	56

One staff member provides administrative support to the Army Pensions Board

Currently there are 17.8 employees (FTEs) of the Department of Defence engaged solely in the administration of pensions and other related payments. (The numbers so engaged has reduced as a result of the transfer of the military pensions payroll and its associated 6.5 employees (FTEs) in October 2015 to the Payroll Shared Services Centre in the Department of Public Expenditure and Reform). The payroll costs in 2015 amounted to some €1.1 million which was charged to Vote 36.

5.1 Retirement pension (annual) – average payments to retired Defence Forces personnel^a

Category of pensioner	Number of pension recipients at year-end		Average individual payment (rounded)	
	2015	2014	2015	2014
			€	€
Retired officers	1,736	1,696	30,500	30,600
Retired NCOs and privates	8,425	8,309	16,400	16,500
Dependants and other ^b	1,967	2,033		
Totals	12,128	12,038		

^a Table 5.1 shows the total headcount for all categories of recipient from all subheads within Vote 35 as at year-end. Superannuation-type benefits by way of pension and gratuity (lump sum) payable to former members of the Permanent Defence Force and the dependants of deceased members account for some 95% of all military pensions' expenditure. Some retired personnel are in receipt of both a military retirement pension and a military disability pension, and similar payments are also payable to some spouses/children of deceased personnel: such dual recipients are counted only once for headcount purposes above.

^b The average payment has not been recorded above under 'Dependants and other' as the amounts vary due to the different categories of recipients within this sub-group. The overall average dependants' superannuation-related pension in 2015 was €9,000, broadly the same as in 2014.

5.2 Retirement gratuity (lump sum) – average payments where retiring on pension^a

Category of pensioner	Number of recipients		Average individual payment (rounded)	
	2015	2014	2015	2014
			€	€
Officers – new retirees on pension during the year	59	71	73,100	85,500
NCOs and privates – new retirees on pension during the year	259	188	35,300	42,500

^a The level of pension and retirement gratuity will vary with retiring rank, pensionable earnings, overall reckonable service and so on.

6 Miscellaneous**6.1 Overpayments**

There were 56 overpayment cases at year end (2014: 81) amounting to €31,193, of which €5,698 relates to previous years. Overpayments of €62,287 came to light in 2015 of which €35,885 was recovered and €907 written off. Efforts are ongoing to recover the outstanding amounts.

		2015	2014
	€	€	€
Opening balance		50,303	46,015
Identified overpayment in year		62,287	58,921
		<u>112,590</u>	<u>104,936</u>
Recouped			
Overpayments Identified 2015	35,885		
Overpayments Identified Pre-2015	<u>29,934</u>		
		<u>65,819</u>	<u>51,395</u>
		46,771	53,541
Written off			
Overpayments Identified 2015	907		
Overpayments Identified Pre-2015	<u>14,671</u>		
		<u>15,578</u>	<u>3,238</u>
Closing balance		<u>31,193</u>	<u>50,303</u>

