

Appropriation Account 2021

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 2021 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, and other professional fees, miscellaneous payments, etc.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2021, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €75.124 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, as set out by the Department of Public Expenditure and Reform in circulars 1 and 9 of 2022, 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 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 Office and the National Shared Services Office for the provision of pension processing and payment 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.

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 responsibility for operation of controls assigned 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 2021 that resulted in, or may result in, a material loss.

Covid-19 control issues

Assessments of the impact of Covid-19 were carried out and measures put in place allowing nearly all staff to be fully operational through remote access thereby minimising losses in labour productivity due to Covid related disruption. Due to the arrangements outlined above and the availability of shared IT platforms, Vote 12 was working remotely throughout 2021, and the pandemic had little effect on the financial control environment.

David Moloney
Accounting Officer
Superannuation and Retired Allowances

23 March 2022

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 2021 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 2021, and
- 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 appendix to this report. 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 appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy

Comptroller and Auditor General

24 June 2022

Appendix to the report

Responsibilities of the Accounting Officer

The Accounting Officer is responsible for

- the preparation of the appropriation account in accordance with Section 22 of the Exchequer and Audit Departments Act 1866
- ensuring the appropriation account complies with the requirements of the Department of Public Expenditure and Reform's *Public Financial Procedures*, and with other directions of the Minister for Public Expenditure and Reform
- ensuring the regularity of transactions, and
- implementing such internal control as the Accounting Officer determines is necessary to enable the preparation of the appropriation account free from material misstatement, whether due to fraud or error.

Responsibilities 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 account and to report thereon to the Houses of the Oireachtas stating whether, in my opinion, the account properly presents the receipts and expenditure related to the vote.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the appropriation account.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I assess whether the accounting provisions of the Department of Public Expenditure and Reform's *Public Financial Procedures* have been complied with.

I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the appropriation account to be readily and properly audited, or
- the appropriation account is not in agreement with the accounting records.

Reporting on the statement on internal financial control

My opinion on the appropriation account does not cover the Accounting Officer's statement on internal financial control, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the appropriation account, I am required under the ISAs to read the statement on internal financial control and, in doing so, consider whether the information contained therein is materially inconsistent with the appropriation account or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement, I am required to report that fact.

Reporting on other matters

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I am required to report under section 3 of the Comptroller and Auditor General (Amendment) Act 1993 if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I am also required under the 1993 Act to prepare, in each year, a report on such matters arising from my audits of the appropriation accounts as I consider appropriate. In such cases, the certificates of opinion on the relevant appropriation accounts refer to the relevant chapter(s) in my annual *Report on the Accounts of the Public Services*.

Vote 12 Superannuation and Retired Allowances

Appropriation Account 2021

		2021		2020
		Estimate provision		Outturn
		€000	€000	€000
Programme expenditure				
A	Superannuation and retired allowances			
	<i>Original</i>	666,268		
	<i>Supplementary</i>	34,001		
			700,269	698,543
				628,412
Gross expenditure				
	<i>Original</i>	666,268		
	<i>Supplementary</i>	34,001		
			700,269	698,543
				628,412
B	Appropriations-in-aid			
	<i>Original</i>	326,400		
	<i>Supplementary</i>	34,000		
			360,400	433,798
				366,104
Net expenditure				
	<i>Original</i>	339,868		
	<i>Supplementary</i>	1		
			339,869	264,745
				262,308

Surplus

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

	2021	2020
	€	€
Surplus to be surrendered	75,123,535	113,209,239

David Moloney
Accounting Officer
Superannuation and Retired Allowances

23 March 2022

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2021

	2021	2020
	€000	€000
Programme cost	698,231	628,140
Pay	—	—
Non pay	312	272
Gross expenditure	698,543	628,412
<i>Deduct</i>		
Appropriations-in-aid	433,798	366,104
Net expenditure	264,745	262,308
 Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	3,804	3,803
Net programme cost	268,549	266,111

1.1 Net allied services expenditure

The net allied services expenditure amount is made up of the following amounts in relation to Vote 12 borne elsewhere.

	2021	2020
	€000	€000
Vote 7 Office of the Minister for Finance	57	44
Vote 18 National Shared Services Office	2,732	2,674
Central Fund ^a	1,015	1,085
	3,804	3,803

Note ^a Central fund expenditure arises on Ministerial Spouses and Children, Cathaoirleach, Leas Cathaoirleach, Ceann Comhairle and Leas Ceann Comhairle pensions and related costs.

Note 2 Statement of Financial Position as at 31 December 2021

	Note	2021 €000	2020 €000
Current assets			
Bank and cash	2.1	30,730	18,454
Other debit balances	2.2	350	267
Total current assets		31,080	18,721
Less current liabilities			
Other credit balances	2.3	11,468	11,439
Net Exchequer funding	2.4	19,612	7,282
Total current liabilities		31,080	18,721
Net current assets		—	—
Net assets		—	—
Represented by:			
State funding account	2.5	—	—

2.1 Bank and cash

at 31 December	2021	2020
	€000	€000
PMG balances and cash	30,730	17,755
Commercial bank account balance	—	699
	30,730	18,454

2.2 Other debit balances

at 31 December	2021	2020
	€000	€000
Recoupable pensions owed by other departments	350	267
	350	267

2.3 Other credit balances

at 31 December	2021	2020
	€000	€000
Amounts due to the State		
Income tax	8,337	7,656
Universal social charge	1,350	1,258
Local property tax	151	141
	9,838	9,055
Voluntary pension deductions held in suspense	35	17
Other credit suspense items	1,595	2,367
	11,468	11,439

2.4 Net Exchequer funding

at 31 December	2021	2020
	€000	€000
Surplus to be surrendered	75,124	113,209
Exchequer grant undrawn	(55,512)	(105,927)
Net Exchequer funding	19,612	7,282
Represented by:		
Debtors		
Bank and cash	30,730	18,454
Debit balances: suspense	350	267
	31,080	18,721
Creditors		
Due to the State	(9,838)	(9,055)
Credit balances: suspense	(1,630)	(2,384)
	(11,468)	(11,439)
	19,612	7,282

2.5 State funding account

	Note	2021	2020
		€000	€000
Balance at 1 January		—	—
Disbursements from the Vote			
Estimate provision	Account	339,869	
Surplus to be surrendered	Account	(75,124)	
Net vote		264,745	262,308
Expenditure (cash) borne elsewhere		3,804	3,803
Net programme cost		(268,549)	(266,111)
Balance at 31 December		—	—

Note 3 Vote Expenditure

Programme A Superannuation and Retired Allowances

		2021		2020
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A.1	Superannuation allowances, compensation allowances, pensions and certain children's allowances			
	<i>Original</i>	490,090		
	<i>Supplementary</i>	<u>4,640</u>		
		494,730	494,352	456,298
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>	42,838		
	<i>Supplementary</i>	<u>(787)</u>		
		42,051	44,036	43,011
A.3	Ex-gratia pensions for widows and children of civil servants, members of the judiciary and court officers			
	<i>Original</i>	260		
	<i>Supplementary</i>	<u>(56)</u>		
		204	199	253
A.4	Additional allowances and gratuities in respect of established officers and payments in respect of transferred service			
	<i>Original</i>	109,800		
	<i>Supplementary</i>	<u>32,008</u>		
		141,808	137,617	106,065
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>	22,000		
	<i>Supplementary</i>	<u>(1,742)</u>		
		20,258	21,551	21,883
A.6	Injury grants and medical fees			
	<i>Original</i>	401		
	<i>Supplementary</i>	<u>(50)</u>		
		351	287	328

		2021		2020
		Estimate provision		Outturn
		€000	€000	€000
A.7	Pension related fees and other expenses			
	<i>Original</i>	424		
	<i>Supplementary</i>	(12)		
			412	312
A.8	Payments in respect of liability under Chapter 2C of the Taxes Consolidation Act 1997		400	135
A.9	Pension liabilities of former public service bodies payable under statute		55	54
		700,269	698,543	628,412

Significant variations

The following outlines the reasons for significant variations in programme expenditures (+/- 5% and €100,000).

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

Estimate provision €109.8 million; outturn €137.6 million

Expenditure on this subhead is impacted by numbers entering and leaving the scheme and the grade mix, all of which can vary from year to year. The increase in expenditure of €27.8 million relative to the estimate provision was due to higher level of lump sums paid relative to that provided for in the estimate due to the higher grade mix of retirees. Given the inherent expenditure variability, and the level of gross expenditure as it stood at the end of October, a supplementary estimate of €32 million was sought for subhead A.4 as a precautionary measure and approved by the Oireachtas. The actual experience at year end was that 1,856 people (112% of the original estimate) retired from the established scheme and received a lump sum under subhead A.4. In the event, the full supplementary provision was not used.

A.7 Pension related fees and other expenses

Estimate provision €424,000; outturn €312,000

A provision for legal fees remained unused at the 2021 year end resulting in a lower than expected 2021 outturn.

A.8 Payments in respect of liability under Chapter 2C of the Taxes Consolidation Act 1997

Estimate provision €400,000; outturn €135,000

This act 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 three months of the person’s retirement. Where this occurs, it is shown as a charge under subhead A.8.

The shortfall in expenditure of €265,000 relative to the estimate provision of €400,000 was due to fewer people exercising their right to create a charge to the Vote than expected.

Note 4 Receipts

4.1 Appropriations-in-aid

		2021		2020
		Estimated	Realised	Realised
		€000	€000	€000
1	Receipts from the Social Welfare Consolidation Act 1993 (No. 38 of 1993) in respect of pension liability of staff	28,000	25,400	25,400
2	Receipts in respect of pension liability of staff on loan, etc.	1,300	888	1,009
3	Contribution to spouses' and children's pension scheme for civil servants and others	17,550	17,624	17,055
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)	33,800	38,815	36,854
5	Repayments of gratuities, etc.	500	624	112
6	Purchase of notional service	5,200	5,594	6,405
7	Single scheme contributions			
	<i>Original</i>	240,000		
	<i>Supplementary</i>	34,000		
		274,000	344,853	279,269
8	Miscellaneous	50	—	—
	Total	360,400	433,798	366,104

Significant variations

The following outlines the reasons for significant variations in appropriations-in-aid (+/- 5% and €100,000). Overall, appropriations-in-aid were €107.398 million more than the estimate. Explanations for variances are set out below.

1 Receipts from the Social Welfare Consolidation Act 1993 (No. 38 of 1993) in respect of pension liability of staff

Estimate €28 million; realised €25.4 million

The receipts due under this legislation were reviewed shortly after the estimates were completed. The outcome of this review was that the receipts due were to be reduced to €25.4 million from €28 million and these receipts were lodged accordingly.

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

Estimate €1.3 million; realised €888,000

The decrease of approximately €400,000 was due to a decrease in the level of receipts 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 €33.8 million; realised €38.8 million

The increase of approximately €5 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 and 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.

5 Repayments of gratuities, etc.

Estimate €500,000; realised €624,000

This subhead varies year on year as it is dependent on the occurrence of civil servants repaying gratuities. As a result, the estimate can be difficult to predict.

6 Purchase of notional service

Estimate €5.2 million; realised €5.594 million

Purchase of notional service is an option which the member may elect in a particular year at their discretion and therefore it is difficult to accurately forecast receipts on this subhead.

7 Single scheme contributions

Estimate €240 million; realised €344.853 million

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 wide variation. Due to the nature of recruitment and retirement processes across the public service, a level of variation in estimates versus receipts will remain.

Note 5 Staffing and Remuneration

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.

	2021	2020
A.1 Superannuation allowances, compensation allowances, pensions and certain children's allowances	21,462	19,961
A.2 Payments under the contributory pensions schemes for spouses and children of civil servants, members of the judiciary and court officers	3,037	2,986
A.3 Ex-gratia pensions for widows and children of civil servants, members of the judiciary and court officers	14	18
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	4,390	4,438
A.9 Pension liabilities of former public service bodies payable under statute	3	3
	28,906	27,406

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) €million
Vocational Education Committee/Institute of Technology/Education Training Board pensions	11,249	316
FÁS/SOLAS pensions	1,472	30

The amounts paid are charged to Vote 26 Education and Vote 45 Further and Higher Education, Research, Innovation and Science.

5.4 Overpayment of pensions

Overpayments at year end were €48,863 (72 cases) (2020: €190,642 (48 cases)). All of these cases have recoupment plans in place.

5.5 Salary of Accounting Officer

The Accounting Officer for Vote 12 Superannuation and Retired Allowances is also the Accounting Officer for Vote 11 Office of the Minister for Public Expenditure and Reform. His salary level is disclosed in the Appropriation Account for Vote 11.

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 2021, the pensions of 30 retired civil servants were fully or partially abated. The total amount abated in 2021 was €185,888.