

## **Appropriation Account 2021**

---

### **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 2021 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 2021, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €2.73 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, 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 Services Office for the provision of pension 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 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, with an independent Chair, 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. The internal audit unit operates independently and its work is informed by analysis of the financial risks to which the Department, including the Army Pensions Vote 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. During 2021 internal audit completed an audit in the Army Pensions Vote area. 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.

### ***Compliance with procurement rules***

I confirm that the Department ensures that there is an appropriate focus on good practice in purchasing and that procedures are in place to ensure compliance with all relevant guidelines.

### ***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 monthly 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 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 require disclosure in the appropriation account.

***Covid-19 control issues***

The onset of the Covid-19 pandemic in early 2020 resulted in some changes to the working and control environment with the introduction of remote and virtual working where practicable and appropriate, having regard to the nature of the work in the Department. As a result, the Department introduced a number of procedural and control changes. Under the Department's risk and control framework, management carried out a full risk assessment of the Covid-19 impact on the control environment. I confirm that the controls, both existing and those introduced as a result of Covid-19, continue to be effective.

**Jacqui McCrum**  
Accounting Officer  
Army Pensions

30 March 2022

## **Comptroller and Auditor General**

### **Report for presentation to the Houses of the Oireachtas**

#### **Vote 35 Army Pensions**

##### **Opinion on the appropriation account**

I have audited the appropriation account for Vote 35 Army Pensions 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 35 Army Pensions 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 Defence 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

28 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 35 Army Pensions

### Appropriation Account 2021

	2021		2020
	Estimate provision	Outturn	Outturn
	€000	€000	€000
<b>Programme expenditure</b>			
A Provision for Defence Forces' pension benefits	262,650	259,903	251,027
<b>Gross expenditure</b>	<b>262,650</b>	<b>259,903</b>	<b>251,027</b>
<i>Deduct</i>			
B Appropriations-in-aid	5,000	4,983	4,986
<b>Net expenditure</b>	<b>257,650</b>	<b>254,920</b>	<b>246,041</b>

#### Surplus

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

	2021	2020
	€	€
<b>Surplus to be surrendered</b>	<b>2,729,751</b>	<b>8,109,287</b>

**Jacqui McCrum**  
Accounting Officer  
Army Pensions

30 March 2022

## Notes to the Appropriation Account

### Note 1 Operating Cost Statement 2021

	<b>2021</b>	<b>2020</b>
		<b>€000</b>
Programme cost	259,835	250,963
Pay	64	61
Non pay	4	3
<b>Gross expenditure</b>	<b>259,903</b>	<b>251,027</b>
<i>Deduct</i>		
<b>Appropriations-in-aid</b>	<b>4,983</b>	<b>4,986</b>
<b>Net expenditure</b>	<b>254,920</b>	<b>246,041</b>
 <b>Expenditure borne elsewhere</b>		
Net allied services expenditure (note 1.1)	2,875	2,793
<b>Net programme cost</b>	<b>257,795</b>	<b>248,834</b>

#### 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 the administration of pension benefits and other services.

	<b>2021</b>	<b>2020</b>
	<b>€000</b>	<b>€000</b>
Vote 18 National Shared Services Office	1,121	1,147
Vote 36 Defence	1,728	1,646
Vote 43 Office of the Government Chief Information Officer	26	—
	<b>2,875</b>	<b>2,793</b>

**Note 2 Statement of Financial Position as at 31 December 2021**

	<b>Note</b>	<b>2021</b> <b>€000</b>	<b>2020</b> <b>€000</b>
<b>Current assets</b>			
Bank and cash		2,819	51
Other debit balances		1	—
<b>Total current assets</b>		<b>2,820</b>	<b>51</b>
<b>Less current liabilities</b>			
Other credit balances	2.1	2,499	36
Net Exchequer funding	2.2	321	15
<b>Total current liabilities</b>		<b>2,820</b>	<b>51</b>
<b>Net current assets</b>		<b>—</b>	<b>—</b>
<b>Net assets</b>		<b>—</b>	<b>—</b>
<b>Represented by:</b>			
<b>State funding account</b>	2.3	<b>—</b>	<b>—</b>

**2.1 Other credit balances**

<b>at 31 December</b>	<b>2021</b> <b>€000</b>	<b>2020</b> <b>€000</b>
<b>Amounts due to the State</b>		
Income tax	2,054	1
Universal social charge	327	—
Local property tax	61	—
Professional services withholding tax	1	—
	<b>2,443</b>	<b>1</b>
 Pension payments held in suspense	 56	 35
	<b>2,499</b>	<b>36</b>

**2.2 Net Exchequer funding**

at 31 December	<b>2021</b>	<b>2020</b>
	<b>€000</b>	<b>€000</b>
Surplus to be surrendered	2,730	8,109
Exchequer grant undrawn	(2,409)	(8,094)
<b>Net Exchequer funding</b>	<b>321</b>	<b>15</b>
<b>Represented by:</b>		
<b>Debtors</b>		
Bank and cash	2,819	51
Debit balances: suspense	1	—
	2,820	51
<b>Creditors</b>		
Due to the State	(2,443)	(1)
Credit balances: suspense	(56)	(35)
	(2,499)	(36)
	<b>321</b>	<b>15</b>

**2.3 State funding account**

	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>€000</b>	<b>€000</b>
Balance at 1 January		—	—
Disbursements from the Vote			
Estimate provision	Account	257,650	
Surplus to be surrendered	Account	(2,730)	
Net vote		254,920	246,041
Expenditure (cash) borne elsewhere	1.1	2,875	2,793
Net programme cost	1	(257,795)	(248,834)
<b>Balance at 31 December</b>		<b>—</b>	<b>—</b>

### Note 3 Vote Expenditure

#### Programme A Provision for Defence Forces' pensions benefits

		2021		2020
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A.1	Administration – pay	70	68	64
A.2	Defence Forces (pensions) schemes and payments in respect of transferred service	253,105	251,230	242,855
A.3	Wound and disability pensions, allowances and gratuities to or in respect of former members of the Defences Forces	9,000	8,290	7,820
A.4	Payments to spouses of veterans of the War of Independence	150	104	154
A.5	Compensation payments	225	73	74
A.6	Medical appliances and travelling and incidental expenses	100	138	60
		<b>262,650</b>	<b>259,903</b>	<b>251,027</b>

#### Significant variations

Overall, the expenditure in relation to Programme A was €2.747 million lower than originally provided. The following outlines the reasons for significant variations in programme expenditures (+/- 5% and €100,000).

#### A.3 Wound and disability pensions, allowances and gratuities to or in respect of former members of the Defences Forces

*Estimate provision €9 million; outturn €8.29 million*

The underspend of €710,000 is due to fewer than expected new disability pension and disablement lump sum awards coming into payment in 2021. Factors impacting on spend are the numbers and outcome of new disability pension applications. Because of its demand driven nature it is difficult to predict expenditure in this subhead from year to year. A further factor in 2021 was that the Army Pensions Board which investigates applications for disability pensions and disablement gratuities was unable to hold meetings at certain times during the year due to Covid-19 restrictions.

#### A.5 Compensation payments

*Estimate provision €225,000; outturn €73,000*

The underspend of €152,000 arises as the main 'contingency' element of this subhead provides for payment of special lump sum compensation by the Department of Defence for service-related deaths or disablement of members of the Defence Forces while serving overseas with the UN and certain other missions. There were no such payments in this category during 2021.

## Note 4 Receipts

### 4.1 Appropriations-in-aid

		2021		2020
		Estimated	Realised	Realised
		€000	€000	€000
1	Contributions to Defence Forces Spouses' and Children's Pension Schemes	3,347	3,169	3,223
2	Contributions to Defence Forces Contributory (Main) Pensions Schemes	1,500	1,762	1,692
3	Recoveries of overpayments	40	48	70
4	Payments received in respect of transferred service	40	—	—
5	Miscellaneous	70	2	—
6	Receipts from additional superannuation contributions on public service remuneration	3	2	1
<b>Total</b>		<b>5,000</b>	<b>4,983</b>	<b>4,986</b>

### Significant variations

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

#### 1 Contributions to Defence Forces Spouses' and Children's Pension Schemes

*Estimate €3.347 million; realised €3.169 million*

The shortfall of €178,000 was due to the fact that contributions to the Spouses' and Children's Pension Schemes by serving Permanent Defence Force personnel were lower than anticipated. Contributions will vary according to personnel turnover changes, pensionable earnings and career progression across the Permanent Defence Force. The level of receipts is therefore difficult to predict in any given year.

#### 2 Contributions to Defence Forces Contributory (Main) Pensions Schemes

*Estimate €1.5 million; realised €1.762 million*

The surplus of €262,000 was due to the fact that contributions to the pensions schemes by serving Permanent Defence Force personnel were higher than anticipated. Contributions will vary according to personnel turnover changes, pensionable earnings and career progression across the Permanent Defence Force. The level of receipts is therefore difficult to predict in any given year.

## Note 5 Staffing and Remuneration

### 5.1 Employee numbers

Full time equivalents at year end	2021	2020
Number of staff	<u>1</u>	<u>1</u>

### 5.2 Pay

	2021 €000	2020 €000
Pay	62	59
Employer's PRSI	<u>2</u>	<u>2</u>
<b>Total pay <sup>a</sup></b>	<b><u>64</u></b>	<b><u>61</u></b>

Note <sup>a</sup> The pay figure above includes the salary of one full time Department of Defence staff member (see Note 5.1) who provides administrative support to the Army Pensions Board, and fees paid to two members of the Board in 2021. These pay costs and associated travel costs of €4,000 are charged to A.1 subhead.

Currently there are 23.9 employees (FTEs) of the Department of Defence engaged solely in the administration of Defence Forces superannuation and disability arrangements. Their remuneration, which amounts to some €1,149,000 is charged to Vote 36.

### 5.3 Retirement pension (annual) – average payments to retired Defence Force personnel <sup>a</sup>

Category of pensioner	Number of pension recipients at year-end		Average individual payment (rounded)	
	2021	2020	2021	2020
			€	€
Retired officers	1,854	1,853	32,580	32,100
Retired NCOs and privates	9,202	9,086	17,700	17,100
Dependants and other <sup>b</sup>	1,834	1,833		
<b>Total</b>	<b>12,890</b>	<b>12,772</b>		

Note <sup>a</sup> Table 5.3 shows the total headcount for all categories of recipients from all relevant subheads as at year-end within Vote 35. 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. The average individual pension payment recorded for retired personnel is calculated by reference to total expenditure on retirement pensions as at year-end under subhead A2.

<sup>b</sup> The average individual 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 for 1,417 recipients in 2021 was €9,500, broadly the same as in 2020.

### 5.4 Retirement gratuity (lump sum) – average payments where retiring on pension <sup>a</sup>

Category of pensioner	Number of recipients		Average individual payment (rounded)	
	2021	2020	2021	2020
			€	€
<b>New retirees on pension during the year</b>				
Officers	20	25	122,752	99,250
NCOs and privates	278	267	41,976	44,550
<b>Total</b>	<b>298</b>	<b>292</b>		

Note <sup>a</sup> The level of pension and retirement gratuity varies with retiring rank, pensionable earnings, overall reckonable service, etc.

### 5.5 Salary of Accounting Officer

The Accounting Officer's salary is charged to Vote 36 Defence.

## Note 6 Miscellaneous

### 6.1 Payments in excess of entitlements

There were 91 overpayments outstanding at year end (2020: 83), amounting to €83,659, of which €31,617 relates to previous years. Overpayments of €129,869 came to light in 2021 of which €75,146 was recovered and €2,681 written off. Efforts are ongoing to recover outstanding amounts. The vast majority of these overpayments relate to the portion of pension paid in the period after the date of a pensioner's death, when the monthly payroll had already been processed for that month.

	<b>2021</b>		<b>2020</b>
	€	€	€
<b>Opening balance</b>		<b>64,686</b>	<b>54,224</b>
Overpayments identified in year		129,869	102,652
		<u>194,555</u>	<u>156,876</u>
<b>Recouped</b>			
Overpayments identified 2021	75,146		
Overpayments identified pre-2021	27,306	102,452	87,676
		<u>92,103</u>	<u>69,200</u>
<b>Written off</b>			
Overpayments identified 2021	2,681		
Overpayments identified pre-2021	5,763	8,444	4,514
<b>Closing balance</b>		<u><b>83,659</b></u>	<u><b>64,686</b></u>

## 6.2 Payments subject to public service pension abatement

Separately from the figures at 6.1 above, there were 16 other overpayments outstanding at year-end amounting to €53,969 (see table below). These were in respect of former members of the Permanent Defence Force in receipt of military retirement pensions, who had subsequently taken up employment elsewhere in the public service. Such pensions are subject to the abatement provisions of Section 52 of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012. In each case, the pension overpayments arose due to delays on the part of the relevant public service employer in notifying the Department of Defence of the pensioner's re-employment. Overpayments of €22,993 came to light in 2021 in respect of seven cases, of which €1,091 has been recovered.

	<b>2021</b>		<b>2020</b>
	€	€	€
<b>Opening balance</b>		<b>40,327</b>	<b>50,201</b>
Overpayments identified in the year		22,993	8,136
		<u>63,320</u>	<u>58,337</u>
<b>Recouped</b>			
Overpayments identified 2021	1,091		
Overpayments identified pre-2021	8,260	9,351	18,010
<b>Closing balance</b>		<b><u>53,969</u></b>	<b><u>40,327</u></b>