

## **Appropriation Account 2022**

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### **Vote 35**

### **Army Pensions**

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## 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 2022 for retired pay, pensions, compensation, allowances and gratuities payable under sundry statutes to or in respect of members of the Defence Forces and certain 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 2022, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €1.685 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, National Development Plan Delivery and Reform in circular 22 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. 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.

***Procurement***

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 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 2022 that require disclosure in the appropriation account.

**Jacqui McCrum**  
Accounting Officer  
Army Pensions

31 March 2023

## **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 2022 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 2022, and
- has been prepared in the form prescribed by the Minister for Public Expenditure, National Development Plan Delivery 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

30 June 2023

## 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, National Development Plan Delivery and Reform's *Public Financial Procedures*, and with other directions of the Minister for Public Expenditure, National Development Plan Delivery 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 appropriation account is 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 appropriation account 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, National Development Plan Delivery 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 audit reports 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 2022

		<b>2022</b>		<b>2021</b>
		<b>Estimate provision</b>	<b>Outturn</b>	<b>Outturn</b>
		<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Programme expenditure</b>				
A	Provision for Defence Forces' pension benefits			
	<i>Original</i>	270,650		
	<i>Supplementary</i>	<u>9,287</u>		
		<b>279,937</b>	<b>278,353</b>	<b>259,903</b>
<b>Gross expenditure</b>				
	<i>Original</i>	270,650		
	<i>Supplementary</i>	<u>9,287</u>		
		<b>279,937</b>	<b>278,353</b>	<b>259,903</b>
	<i>Deduct</i>			
B	<b>Appropriations-in-aid</b>			
	<i>Original</i>	5,000		
	<i>Supplementary</i>	<u>(37)</u>		
		<b>4,963</b>	<b>5,064</b>	<b>4,983</b>
<b>Net expenditure</b>				
	<i>Original</i>	265,650		
	<i>Supplementary</i>	<u>9,324</u>		
		<b>274,974</b>	<b>273,289</b>	<b>254,920</b>

### Surplus

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

	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
<b>Surplus to be surrendered</b>	<b><u>1,684,953</u></b>	<b><u>2,729,751</u></b>

**Jacqui McCrum**  
Accounting Officer  
Army Pensions

31 March 2023

## Notes to the Appropriation Account

### Note 1 Operating Cost Statement 2022

	2022 €000	2021 €000
Programme cost	278,276	259,835
Pay	70	64
Non pay	7	4
<b>Gross expenditure</b>	<b>278,353</b>	<b>259,903</b>
<i>Deduct</i>		
<b>Appropriations-in-aid</b>	<b>5,064</b>	<b>4,983</b>
<b>Net expenditure</b>	<b>273,289</b>	<b>254,920</b>
 <b>Expenditure borne elsewhere</b>		
Net allied services expenditure (note 1.1)	2,888	2,875
<b>Net programme cost</b>	<b>276,177</b>	<b>257,795</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.

	2022 €000	2021 €000
Vote 18 National Shared Services Office	1,077	1,121
Vote 36 Defence	1,787	1,728
Vote 43 Office of the Government Chief Information Officer	24	26
	<b>2,888</b>	<b>2,875</b>



## Note 2 Statement of Financial Position as at 31 December 2022

	Note	2022 €000	2021 €000
<b>Current assets</b>			
Bank and cash		188	2,819
Other debit balances		1	1
<b>Total current assets</b>		<b>189</b>	<b>2,820</b>
<b>Less current liabilities</b>			
Other credit balances	2.1	102	2,499
Net Exchequer funding	2.2	87	321
<b>Total current liabilities</b>		<b>189</b>	<b>2,820</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

at 31 December	2022 €000	2021 €000
<b>Amounts due to the State</b>		
Income tax	12	2,054
Universal social charge	(1)	327
Local property tax	—	61
Professional services withholding tax	1	1
	12	2,443
 Pension payments held in suspense	 90	 56
	<b>102</b>	<b>2,499</b>

## 2.2 Net Exchequer funding

at 31 December	2022 €000	2021 €000
Surplus to be surrendered	1,685	2,730
Exchequer grant undrawn	(1,598)	(2,409)
<b>Net Exchequer funding</b>	<b>87</b>	<b>321</b>
<b>Represented by:</b>		
<b>Debtors</b>		
Bank and cash	188	2,819
Debit balances: suspense	1	1
	189	2,820
<b>Creditors</b>		
Due to the State	(12)	(2,443)
Credit balances: suspense	(90)	(56)
	(102)	(2,499)
	<b>87</b>	<b>321</b>

## 2.3 State funding account

	Note	2022 €000	2021 €000
Balance at 1 January		—	—
Disbursements from the Vote			
Estimate provision	Account	274,974	
Surplus to be surrendered	Account	(1,685)	
Net vote		273,289	254,920
Expenditure (cash) borne elsewhere	1.1	2,888	2,875
Net programme cost	1	(276,177)	(257,795)
<b>Balance at 31 December</b>		<b>—</b>	<b>—</b>

### Note 3 Vote Expenditure

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

		<b>2022</b>		<b>2021</b>
		<b>Estimate provision</b>		<b>Outturn</b>
		<b>€000</b>	<b>€000</b>	<b>€000</b>
A.1	Administration – pay		72	77
A.2	Defence Forces (pensions) schemes and payments in respect of transferred service			68
	<i>Original</i>	261,123		
	<i>Supplementary</i>	9,271		
			270,394	268,705
A.3	Wound and disability pensions, allowances and gratuities to or in respect of former members of the Defence Forces			251,230
	<i>Original</i>	9,000		
	<i>Supplementary</i>	224		
			9,224	9,335
A.4	Payments to spouses of veterans of the War of Independence			8,290
	<i>Original</i>	120		
	<i>Supplementary</i>	(33)		
			87	84
A.5	Compensation payments			104
	<i>Original</i>	225		
	<i>Supplementary</i>	(150)		
			75	75
A.6	Medical appliances and travelling and incidental expenses			73
	<i>Original</i>	110		
	<i>Supplementary</i>	(25)		
			85	77
			<b>279,937</b>	<b>278,353</b>
				<b>259,903</b>

**Significant variations**

Overall, gross expenditure in relation to the programme was €7.703 million higher than the original estimate. A supplementary estimate was required to meet additional requirements in respect of gratuities and pensions, primarily arising from the Building Momentum Extension, on subheads A.2 and A.3, partly offset by anticipated savings arising on subheads A.4, A.5 and A.6. The following outlines the reasons for significant variations in programme expenditures (+/- 5% and €100,000).

**A.5 Compensation payments**

*Estimate provision: €225,000; outturn €75,000*

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 made in this category during 2022.

## Note 4 Receipts

### 4.1 Appropriations-in-aid

			2022	2021
	Estimated	Realised	Realised	
	€000	€000	€000	€000
1 Contributions to Defence Forces spouses' and children's pension schemes				
	<i>Original</i>	3,347		
	<i>Supplementary</i>	(37)		
		3,310	3,167	3,169
2 Contributions to Defence Forces contributory (main) pensions schemes		1,500	1,834	1,762
3 Recoveries of overpayments		40	50	48
4 Payments re transferred service		40	1	—
5 Miscellaneous		70	10	2
6 Receipts from additional superannuation contributions on public service remuneration		3	2	2
<b>Total</b>		<b>4,963</b>	<b>5,064</b>	<b>4,983</b>

#### Significant variations

Overall, appropriations-in-aid were €64,000 more than the original estimate. 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 provision: €3.347 million; realised €3.167 million*

Contributions to the spouses' and children's pension schemes 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 €1.834 million*

Part of the surplus of €334,000 was due to additional contributions arising from arrears payments made to serving staff under the extended Building Momentum Agreement. 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	2022	2021
Number of staff	<u>1</u>	<u>1</u>

### 5.2 Pay

	2022	2021
	€000	€000
Pay	68	62
Employer's PRSI	<u>2</u>	<u>2</u>
<b>Total pay <sup>a</sup></b>	<b><u>70</u></b>	<b><u>64</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 2022. These pay costs and associated travel costs of €7,000 are charged to the A.1 subhead.

Currently there are 23.7 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 €1,197,577 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)	
	2022	2021	2022	2021
			€	€
Retired officers	1,856	1,854	33,675	32,580
Retired NCOs and privates	9,422	9,202	18,316	17,700
Dependants and other <sup>b</sup>	1,835	1,834		
<b>Total</b>	<b>13,113</b>	<b>12,890</b>		

Notes <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 A.2.

<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 1,431 recipients in 2022 was €9,858 broadly the same as in 2021.

### 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)	
	2022	2021	2022	2021
			€	€
<b>New retirees on pension during the year</b>				
Officers	29	20	104,299	122,752
NCOs and privates	378	278	40,964	41,976
<b>Total</b>	<b>407</b>	<b>298</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 85 overpayments outstanding at year end (2021: 91), amounting to €75,720 of which €38,732 relates to previous years. Overpayments of €103,128 came to light in 2022 of which €64,614 was recovered and €1,526 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>2022</b>		<b>2021</b>
	€	€	€
<b>Opening balance</b>		<b>83,659</b>	<b>64,686</b>
Overpayments identified in year		103,128	129,869
		<u>186,787</u>	<u>194,555</u>
<b>Recouped</b>			
Overpayments identified 2022	64,614		
Overpayments identified pre-2022	38,440	103,054	102,452
		<u>83,733</u>	<u>92,103</u>
<b>Written off</b>			
Overpayments identified 2022	1,526		
Overpayments identified pre-2022	6,487	8,013	8,444
<b>Closing balance</b>		<u><b>75,720</b></u>	<u><b>83,659</b></u>



## 6.2 Payments subject to public service pension abatement

Separately from the figures at 6.1 above, there were 21 other overpayments outstanding at year-end amounting to €47,612 (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. The pension overpayments arose primarily 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 €3,672 came to light in 2022 in respect of five cases, of which €3,021 has been recovered.

	<b>2022</b>		<b>2021</b>
	€	€	€
<b>Opening balance</b>		<b>53,969</b>	<b>40,327</b>
Overpayments identified in the year		3,672	22,993
		<u>57,641</u>	<u>63,320</u>
<b>Recouped</b>			
Overpayments identified 2022	3,021		
Overpayments identified pre-2022	7,008	10,029	9,351
<b>Closing balance</b>		<b><u>47,612</u></b>	<b><u>53,969</u></b>