

Statement of Accounting Policies and Principles¹

Basis of accounts

Appropriation accounts showing the financial transactions of Government departments,² are prepared in accordance with the Exchequer and Audit Departments Act 1866 (as amended by the Comptroller and Auditor General (Amendment) Act 1993) and with accounting rules and procedures laid down by the Minister for Public Expenditure, National Development Plan Delivery and Reform.

The accounts are a cash-based record of the receipts and payments in the year compared with the amounts provided under the Appropriation Act. The accounts also include information prepared on an accruals basis in the statement of financial position and other notes. Throughout, the accounts show prior year amounts for comparison purposes.

Departments should obtain prior approval from the Department of Public Expenditure, National Development Plan Delivery and Reform for any departures from, or changes or additions to, the standard accounting policies. Information regarding divergence from the standard accounting policies should be included in the Accounting Officer's introduction to the appropriation account.

Reporting period

The reporting period is the year ended 31 December 2023.

Receipts

As a general rule, all revenues of the State are paid into the Exchequer.

Subject to the express approval of the Department of Public Expenditure, National Development Plan Delivery and Reform, certain departmental receipts may be appropriated in aid of expenditure borne on a vote. Without such sanction, receipts must be surrendered directly to the Central Fund as Exchequer 'extra' receipts.

Appropriations-in-aid are receipts that may, under section 2 of the Public Accounts and Charges Act 1891, be used to meet expenditure to the extent authorised by the annual Appropriation Act. In general, these are receipts arising in the normal course of a department's business under the vote and can include such items as

- charges for services³
- employee pension contributions
- rent and proceeds from certain sales
- with the prior agreement of the Minister for Public Expenditure, National Development Plan Delivery and Reform, the proceeds from the sale of assets for the funding of high-priority capital programmes or projects
- fines, forfeitures or costs recovered.

In general, receipts of departments to be credited directly to the Exchequer as 'extra' receipts are those that have no direct connection with the vote expenditure or are 'windfall' receipts. Such extra receipts may not be used to meet expenditure from the vote. Where they arise, they are reported in a note to the appropriation account. They include items such as

- receipts on foot of surplus income or profits of State companies
- interest, dividends or capital repayments
- compensation.

¹ The Department of Public Expenditure, National Development Plan Delivery and Reform sets the standard accounting policies and principles applied in the preparation of appropriation accounts. These are stated in the Department's circular 22 of 2023.

² In this statement, the term 'department' includes central Government departments, offices and agencies responsible for Vote management and accounting, unless otherwise indicated.

³ Some offices, such as the Office of Public Works and the Office of the Attorney General, receive expenses in the course of carrying out their functions. These expenses should also be taken in as appropriations-in-aid.

Where Exchequer extra receipts arise, they are reported in a note to the appropriation account (note 4). Departments are required to provide a breakdown of such receipts and an explanation where the amounts are material in nature. In addition, departments are required to disclose both the amounts lodged to the Exchequer (via the Sundry Moneys Deposit Account) and the opening and closing balances due to the Exchequer.

Payments

Payments consist of those sums which have come in course of payment during the year. Sums are deemed to have come in course of payment where the liability has been incurred, payment is due and the instruction for the payment has been executed.

Where a liability has been incurred and payment is due (i.e. the liability has matured), payment should be completed before the year end to ensure the integrity of the appropriation account. In cases where payment has not been effected and matured liabilities are outstanding at year end, the amount of such liabilities should be given in a note to the account (note 2).

An exception to this general principal is where a department is acting as an agent for another Government department (the principal) resulting in financial transactions between the principal and the agent. The general rule is that the agent should put the transactions through suspense, the service being a final charge in the principal's appropriation account.

In situations where the agent requires the principal to provide advance funding to enable payment to be made, only amounts certified by the agent as having been disbursed by it in the year of account should be charged to the principal's appropriation account.

As a general principle, Government accounting is on a gross basis i.e. receipts are not netted off against payments. Government departments, offices and vote holders should obtain prior approval from the Department of Public Expenditure, National Development Plan Delivery and Reform for any proposed netting off.

Net allied services

Allied services are services provided centrally to, or on behalf of, department votes on the basis that, as specialists, the supplying department (whose primary function is the provision of these central services) is able to perform the services more efficiently than the vote holder. This includes shared services.

The net allied services note (in note 1) details the expenditure amount in relation to the department which is borne elsewhere. There are various measurement bases for the calculation of the allied services expenditure figures.

Accruals

Each appropriation account incorporates information of an accruals nature in the notes to the account, including

- an operating cost statement (note 1), showing the total amount of resources consumed by a vote in the year
- a statement of financial position showing the vote's assets and liabilities at year end (note 2), and
- explanatory notes providing details regarding capital assets, the net funding due to the Exchequer, and any commitments.

The statement of financial position includes the position at year-end in relation to the following.

- **Accrued expenses** — these represent all liabilities at the year end, with the exception of liabilities in regard to remuneration and pensions. In the case of goods and services, an accrued liability is recognised when the payee has met the contractual requirement to provide the goods or services ordered. Amounts due for goods delivered, but not yet paid for, even if un-inspected and not taken to inventory, are treated as a liability. In the case of grants, a liability is recognised when the grantee has met all the requirements of the grant scheme but has yet to receive payment. Travel and subsistence liabilities are recognised when travel has been completed.
- **Prepayments** — these are payments made before the end of the year of account where the related goods or service will not be received until a future period.
- **Accrued income** — this is income due to the vote at the end of the year of account which has yet to be received.
- **Deferred income** — this represents income received by the vote during, or prior to, the year of account for goods/services which it has yet to provide.

Capital assets

As part of the transition to increased accrual reporting based on international accounting standards, acquired and developed software assets have been identified separately as intangible assets with effect from 1 January 2023. Accordingly, capital assets have been separated into two components in the statement of financial position, and in the related notes: property, plant and equipment (note 2.1); and intangible assets (note 2.2). Comparatives have been restated to reflect this.

Expenditure on assets under development within the department should be included in the relevant category of capital assets in the statement of financial position and notes 2.1 and 2.2, e.g. construction projects (property, plant and equipment), or software development (intangible assets).

The following are not included in capital assets

- individual assets purchased since 1 January 2021 (or 1 January 2020 if threshold was applied earlier) where the cost was less than €10,000
- heritage assets, the value of which cannot be adequately expressed in financial terms. (Heritage assets which can be valued are included in capital assets.)

Valuation of assets

Land and buildings

All lands and buildings owned by the State and controlled or managed by a department are included in the statement of financial position (and note 2.1). Where relevant, the basis of valuation of land and buildings is explained in the Accounting Officer's introduction to the appropriation account.

Where ownership of land and buildings is (a) vested in the Office of Public Works or (b) vested in a Minister but in fact controlled/managed by the Office of Public Works, they are included in the account for the Office of Public Works.

Where lands or buildings are vested in a Minister but are, in fact, controlled/managed by an outside body, they are not included as assets of the department's vote, but the ownership of the asset is noted in the department's account. Otherwise, land and buildings vested in a Minister are included on the account for the relevant vote.

Government departments/offices that for technical reasons cannot provide valuations for State-owned lands and buildings controlled or managed by them should append to the appropriation account a schedule of these assets.

Equipment, furniture and fittings

Equipment, furniture and fittings are valued at cost.

Other assets

Where required, accounting policies in respect of valuation of other assets (e.g. specialised vehicles) are set out in the Accounting Officer's introduction to the appropriation account.

Intangible assets

Intangible assets, comprising acquired or developed software, are initially recognised at cost, where that cost is at least equal to the threshold of €10,000. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Where the licence period is for only one year, the related cost is not capitalised.

Costs directly associated with the development of software for internal use are recognised as an intangible asset where the future economic benefit can be demonstrated and the cost of the asset can be measured reliably. Direct costs include the cost of services, identifiable software development employee costs and specific overheads. Other development expenditure is not capitalised and is reflected in the appropriation account in the period in which the expenditure is incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits or service potential of the specific asset to which it relates. All other expenditure is reflected in the appropriation account in the period in which the expenditure is incurred.

Depreciation policy

Depreciation is calculated and charged on a monthly basis from the month of acquisition/commissioning until the month of disposal.¹

Departmental property, plant and equipment assets fall into different categories for depreciation purposes. Depreciation is on a straight line basis. The principal categories which will apply are set out in the following table.

	Depreciation rate
Category A – Items depreciated to a nil value over 10 years	
Furniture and fittings	10%
Plant and machinery	10%
Category B – Items depreciated to a nil value over 5 years	
IT equipment	20%
Office equipment	20%
Other specialist equipment	20%
Motor vehicles	20%

¹ Departments may continue to charge depreciation on an annual basis as an interim arrangement where appropriate systems are not in place to calculate depreciation on a monthly basis. Only departments that do not use the monthly depreciation method must state what depreciation method they used.

Category C – Other items

Land	0%
Buildings	0% to 5%
Military assets	3% to 20%

The carrying value of an intangible asset with a finite useful life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for each year and the rate applied to each class of intangible asset is disclosed in the statement of accounting policies and principles.

Bank and cash

‘Bank and cash’ should include all commercial bank account balances (payroll and other vote related accounts) held at the year-end which are funded by the Exchequer through voted expenditure or that contain receipts liable to be paid to the Exchequer. The note should separately identify Paymaster General (PMG) bank accounts from other commercial bank accounts.

Details of any other commercial bank accounts not funded by or liable to be paid to the Exchequer are disclosed by way of a note to the account. This includes non-vote balances that are not recorded/accounted for in another set of accounts that are audited.

Inventories

Inventories are held for distribution or for use in the provision of goods and services. Inventories are stated at the lower of cost or departmental valuations. Consumables are generally expensed unless items have significant individual value or are subject to certain security considerations.

Net Exchequer funding

The net Exchequer funding note shows the funding position of the vote at the year end, taking account of the surplus and issues from the Exchequer on a cumulative/rolling basis. The breakdown of that figure in terms of bank/cash balances, debtors’ receipts due and current liabilities is also shown.

Commitments

A commitment is a contractual obligation to pay on delivery for goods or services (including capital projects) which have yet to be supplied at year-end. In the case of grant schemes, a commitment is recognised when the grant is approved but the grantee has yet to fulfil the requirements of the scheme.

Contractual commitments in excess of €10,000 likely to materialise in subsequent years, under the headings: procurement of goods and services, non-capital grant programmes, capital grant programmes, capital projects and public private partnership projects, are disclosed by way of note to the account.

Details of all major capital projects and public private partnership projects, where the project value exceeds €10,000,000, are separately disclosed.

Where the reported commitment level or projected project cost has varied by more than €500,000 compared with the previous year, the reason for the movement should be explained.

Contingent liabilities

A contingent liability arises in any situation where past or current actions or events create a risk of a call on Exchequer funds in the future e.g. provision of a financial guarantee. Contingent liabilities are not recognised in the statement of financial position but are disclosed by way of a note, unless the possibility of an outflow of resources is remote.

Liabilities may arise from ongoing legal cases which can give rise to a contingent liability. Except in cases involving potential litigation or where disclosure would prejudice the Exchequer position and/or future negotiations with third parties contingent liabilities relating to court cases should be disclosed in the appropriation account.

Other arrangements with the potential to give rise to contingent liabilities should only be entered into where necessary and, then, only after the potential expenditure implications have been evaluated and assessed in the light of the possible scenarios that could arise on foot of the contingent liability. The potential benefits should always be compared with the most likely cost and with the range of possible costs to ensure that the contingent liability is properly assessed.

Under no circumstances should a contingent liability be accepted where the risk being assumed has not been assessed and defined as clearly as possible. Where a Minister agrees to accept a contingent liability, it is essential that the decision-making process is properly documented, setting out: (i) the rationale for accepting the contingent liability and (ii) the potential benefit and (iii) the potential costs. The sanction of the Minister for Public Expenditure, National Development Plan Delivery and Reform should be sought for the creation of any contingent liabilities that could give rise to significant Exchequer expenditure.

Judgement is required in determining whether and at what point in time, legally and/or non-legally binding obligations give rise to a liability. Information is material if its omission or misstatement could influence the discharge of accountability by the department for the financial reporting period.

Materiality depends on both the nature and amount of the item judged in the particular circumstance relative to the department and involves consideration of both qualitative and quantitative characteristics.

Assessments of materiality will be made in the context of the legislative, institutional and operating environment within which the department operates and, in respect of prospective financial and non-financial information, the preparer's knowledge and expectations about the future.

Superannuation

Superannuation payments to retired civil servants are provided for in Vote 12 Superannuation and Retired Allowances. An estimate of the amount attributable to each vote is provided by the Department of Public Expenditure, National Development Plan Delivery and Reform and shown under the net allied services note for the relevant votes.

Superannuation payments for gardaí, teachers, army personnel and health service personnel are met on a current basis from the relevant votes.

Foreign currency transactions

Transactions arising in foreign currencies are converted to euro values at the rates of exchange at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted at the year-end rates of exchange.

Other notes to the accounts

General principles

In general, the other notes to the appropriation accounts aim to draw the attention of Dáil Éireann and of the Committee of Public Accounts to matters bearing on parliamentary control, or to provide fuller information about material transactions of an unusual nature recorded in the account e.g. losses, special or *ex gratia* payments¹ and extra remuneration.

Except in the cases outlined below, explanatory notes are provided where an individual transaction, or a category of transactions taken together, involves a sum of €50,000 or more.

Where amounts lower than the threshold values are involved, notes are also provided where a serious issue of principle arises or where the Comptroller and Auditor General or the Minister for Public Expenditure, National Development Plan Delivery and Reform considers that an explanatory note should be given.

Variations from estimate provision

Note 3 provides explanations of variations on outturn versus original estimate provision.

A note is provided where the variation (\pm) relative to the original estimate provision (including any deferred capital funding) is

- €100,000 or more, and
- represents 5% or more of the programme subhead expenditure (25% in the case of administration subheads), or
- represents a significant variation from the original estimate provision that does not meet the above criteria but which warrants explanation.

Notes in relation to significant variations in appropriations-in-aid are included on a similar basis.

Allowance and overtime payments

In the case of allowance and overtime payments, the details given in Note 5 include the total number of recipients of allowance and overtime payments in one or more categories, the number of individuals that received €10,000 or more, and the highest payment to an individual, if over €10,000.

The aggregate amount paid to an individual under the various headings is set out in 'highest individual payment'.

Severance and redundancy payments

Severance and redundancy payments (in excess of €10,000) are required to be disclosed by way of a note to the account.

¹ An ex gratia payment is a payment not legally due under a contract or otherwise – e.g. compensation paid on grounds of hardship.

Compensation and legal costs

The components of the legal costs and compensation awards made to those who have taken legal actions against the department should be disclosed. This does not include the cost of legal advice provided outside of legal proceedings e.g. in context of development of policy or legislation. If the department is represented in legal proceedings, any costs incurred in relation to these cases are included in the tables A and B. The note is presented in two distinct parts

- details of compensation and legal costs paid out by the vote/department directly or to reimburse the State Claims Agency
- details of the cumulative total costs of legal cases finalised in the year of account.

Details of compensation and legal costs paid by the Chief State Solicitor's Office (CSSO) for cases where the CSSO is representing the department are reported in the appropriation account of the CSSO.

Late payments

In the case of interest and compensation payments under the Late Payment in Commercial Transactions Regulations 2012, information is supplied in note 6 where

- the total of interest and compensation payments due was €10,000 or more, or
- an individual payment was €10,000 or more.

Fraud or suspected fraud

In the case of losses due to fraud, suspected fraud or suspected irregularities, information is supplied in note 6 where

- the total of losses during the accounting period were €10,000 or more, or
- an individual loss was €10,000 or more, or
- for losses under €10,000, a serious issue of principle arises, or
- where the Comptroller and Auditor General or the Department of Public Expenditure, National Development Plan Delivery and Reform considers that a disclosure should be made.

Commissions and special inquiries

Where relevant, note 6 should include a statement of expenditure on each commission or special inquiry financed from the vote. A distinction is made between permanent commissions, and those established on a temporary basis for a fixed purpose. For permanent commissions, expenditure in the year of account and prior year is shown. In the case of temporary commissions or special inquiries, the date of establishment and cumulative expenditure from the date of establishment is shown.

Grant funds and miscellaneous accounts

Where relevant, accounts of grant funds financed from the vote and of other miscellaneous accounts are presented in note 6 or note 7.