

Appropriation Account 2016

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 2016 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, miscellaneous payments, etc.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2016, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €50.8 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 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 are 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.

I have fulfilled my responsibilities in relation to control arrangements for the HR and payroll shared services supplied to the Department by the National Shared Services Office for which I am also the Accounting Officer.

Financial control environment

I confirm that a control environment containing the following elements is in place:

- financial responsibilities have been assigned at management level with corresponding accountability
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned
- formal procedures have been established for reporting significant control failures and ensuring appropriate corrective action
- there is an Audit Committee to advise me in discharging my responsibilities for the internal financial control system.

Administrative controls and management reporting

I confirm that a framework of administrative procedures and regular management reporting is in place including segregation of duties and a system of delegation and accountability and, in particular, that

- there is an appropriate budgeting system with an annual budget which is kept under review by senior management
- there are regular reviews by senior management of periodic and annual financial reports which indicate financial performance against forecasts
- a risk management system operates within the Department
- there are systems aimed at ensuring the security of the ICT systems.

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.

Robert Watt

Accounting Officer

Superannuation and Retired Allowances

21 March 2017

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 12 Superannuation and Retired Allowances

I have audited the appropriation account for Vote 12 Superannuation and Retired Allowances for the year ended 31 December 2016 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993. The account has been prepared in the form prescribed by the Minister for Public Expenditure and Reform, and in accordance with standard accounting policies and principles for appropriation accounts.

Responsibility of the Accounting Officer

In accordance with Section 22 of the Exchequer and Audit Departments Act 1866, the Accounting Officer is required to prepare the appropriation account. By law, the account must be submitted to me by 31 March following the end of the year of account.

The Accounting Officer is also responsible for the safeguarding of public funds and property under his control, for the efficiency and economy of administration by his Department and for the regularity and propriety of all transactions in the appropriation account.

Responsibility of the Comptroller and Auditor General

I am required under Section 3 of the Comptroller and Auditor General (Amendment) Act 1993 to audit the appropriation accounts of all Votes and to perform such tests as I consider appropriate for the purpose of the audit.

Upon completion of the audit of an appropriation account, I am obliged to provide a certificate stating whether, in my opinion, the account properly presents the receipts and expenditure related to the Vote. I am also required to refer to any material case in which

- a department or office has failed to apply expenditure recorded in the account for the purposes for which the appropriations made by the Oireachtas were intended, or
- transactions recorded in the account do not conform with the authority under which they purport to have been carried out.

Under Section 3 (10) of the Comptroller and Auditor General (Amendment) Act 1993, I am required to prepare each year, a report on any matters that arise from the audits of the appropriation accounts or examinations of accounting controls.

Scope of audit

An audit includes examination, on a test basis, of evidence relevant to the amounts and regularity of financial transactions included in the account and an assessment of whether the accounting provisions of the Department of Public Expenditure and Reform's *Public Financial Procedures* have been complied with.

The audit involves obtaining sufficient evidence to give reasonable assurance that the appropriation account is free from material misstatement, whether caused by fraud or other irregularity or error. I also seek to obtain evidence about the regularity of financial transactions in the course of the audit. In forming the audit opinion, the overall adequacy of the presentation of the information in the appropriation account is evaluated.

Opinion on the appropriation account

In my opinion, the appropriation account properly presents the receipts and expenditure of Vote 12 Superannuation and Retired Allowances for the year ended 31 December 2016.

I have obtained all the information and explanations I considered necessary for the purposes of my audit. In my opinion, adequate accounting records have been kept by the Department of Public Expenditure and Reform. The appropriation account is in agreement with the accounting records.

Seamus McCarthy
Comptroller and Auditor General

24 September 2017

Vote 12 Superannuation and Retired Allowances Appropriation Account 2016

	2016		2015
	Estimate provision	Outturn	Outturn
	€000	€000	€000
Programme expenditure			
A Superannuation and retired allowances	526,880	499,500	499,175
Gross expenditure	526,880	499,500	499,175
B Appropriations-in-aid	135,000	158,403	136,404
Net expenditure	391,880	341,097	362,771

Surplus for surrender

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

	2016	2015
	€	€
Surplus to be surrendered	50,783,203	23,999,338

Notes to the Appropriation Account

1 Operating Cost Statement 2016

This note is not applicable. The administration costs of this Vote are borne on Vote 18 – National Shared Services Office. The costs involved in formulation of superannuation policy are borne on Vote 11 - Office of the Minister for Public Expenditure and Reform.

2 Balance Sheet as at 31 December 2016

	Note	2016 €000	2015 €000
Current Assets			
Other debit balances	2.3	205	106
Bank and cash	2.2	29,781	33,285
Total current assets		29,986	33,391
Less current liabilities			
Other credit balances	2.4	12,429	12,858
Net liability to the Exchequer	2.5	17,557	20,533
Total current liabilities		29,986	33,391
Net current assets		—	—
Net assets		—	—
Represented by:			
State funding account	2.1	—	—

2.1 State Funding Account	Note	2016 €000	2015 €000
Balance at 1 January		—	—
Disbursements from the Vote			
Estimate provision	Account	391,880	
Surplus to be surrendered	Account	(50,783)	
Net vote		341,097	362,771
Net programme cost		(341,097)	(362,771)
Balance at 31 December		—	—

2.2 Bank and Cash	2016	2015
at 31 December	€000	€000

PMG balances and cash	29,781	33,155
Commercial bank account balance	—	130
	<u>29,781</u>	<u>33,285</u>

2.3 Other Debit Balances	2016	2015
at 31 December	€000	€000

Recoupable pensions owed by other Departments	205	106
	<u>205</u>	<u>106</u>

2.4 Other Credit Balances	2016	2015
at 31 December	€000	€000

Amounts due to the State		
Income Tax	8,506	7,895
Universal Social Charge	2,209	2,645
Local Property Tax	152	103
	<u>10,867</u>	<u>10,643</u>
Voluntary pension deductions held in suspense	12	—
Other credit suspense items	1,550	2,215
	<u>12,429</u>	<u>12,858</u>

2.5 Net Liability to the Exchequer	2016	2015
at 31 December	€000	€000

Surplus to be surrendered	50,783	23,999
Exchequer grant undrawn	(33,226)	(3,466)
Net liability to the Exchequer	<u>17,557</u>	<u>20,533</u>

Represented by:**Debtors**

Debit balances: suspense	205	106
Bank and cash	29,781	33,285
	<u>29,986</u>	<u>33,391</u>

Creditors

Due to State	(10,867)	(10,643)
Credit balances: suspense	(1,562)	(2,215)
	<u>(12,429)</u>	<u>(12,858)</u>

	<u>17,557</u>	<u>20,533</u>
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3 Programme Expenditure by Subhead

	2016		2015
	Estimate provision €000	Outturn €000	Outturn €000
A Superannuation and Retired Allowances			
A.1 Superannuation allowances, compensation allowances, pensions and certain children's allowances	367,200	357,641	353,859
A.2 Payments under the contributory pensions schemes for spouses and children of civil servants, members of the judiciary and court officers	41,680	41,181	42,005
A.3 Ex-gratia pensions for widows and children of civil servants, members of the judiciary and court officers	800	596	725
A.4 Additional allowances and gratuities in respect of established officers and payments in respect of transferred service	92,500	78,049	80,267
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	23,000	21,243	21,687
A.6 Injury grants and medical fees	400	359	380
A.7 Fees to Pensions Authority	140	202	96
A.8 Payments in respect of liability under Chapter 2C of the Taxes Consolidation Act 1997	1,105	176	101
A.9 Pension liabilities of former public service bodies payable under statute	55	53	55
	<u>526,880</u>	<u>499,500</u>	<u>499,175</u>

Significant variations

Overall, the expenditure in relation to the programme was €27.4 million lower than provided. This was mainly due to the following:

Description	Less/(more) than provided	Explanation
	€000	
Superannuation allowances, compensation allowances, pensions and certain children's allowances	9,559	Expenditure on this subhead is impacted by the numbers entering and leaving the scheme and the grade mix, all of which can vary from year to year. It is therefore difficult to estimate expenditure from one year to the next. The estimate was based on an assumption that there would be 15,400 persons on the A1 payroll at year end. The actual year end number of pensioners ended up more or less as forecast, at 15,414. The lower outturn (2.7% lower than forecast) reflects the effect of a change in the grade mix of retirees, together with a lower than forecast impact of the public service pension reduction amelioration in the year.
Ex-gratia pensions for widows and children of civil servants, members of the judiciary and court officers	204	This subhead pays ex-gratia pensions for widows and children of established civil servants who had retired or died before the introduction of the contributory scheme in 1969. Accordingly expenditure on this subhead will decrease each year as the existing recipients exit the scheme. It is difficult to predict exactly how many people will exit in any one year. In 2016 there were 8 deaths. The total number of recipients of this payment at year end was 37, compared to 45 at end 2015.
Additional allowances and gratuities in respect of established officers and payments in respect of transferred services	14,451	Expenditure on this subhead is impacted by the numbers entering and leaving the scheme and the grade mix, all of which can vary from year to year. It is therefore difficult to estimate expenditure from one year to the next. The estimate was based on 1,250 retirements expected for 2016. At year end, the actual number of retirements (1,314) was slightly higher than the estimate. However, the average lump sum paid out was approximately €12,000 lower than used for the estimate calculation due to a change in grade mix. The estimate also allowed for a prudent contingency, which in the event was not required.
Pensions, allowances and gratuities in respect of unestablished officers and their spouses and children and other pensions and payments in respect of transferred service	1,757	The variation is almost entirely attributable to the amount of lump sums paid to unestablished officers, which makes up 25% approx. of the total estimate for the subhead. The lump sum estimate of €6 million in 2016 was based on the annual cost in recent years, and included a prudent contingency. In fact, total lump sums paid out was €4.4 million for the year.

Description	Less/(more) than provided	Explanation
	€000	
Payments in respect of liability under Chapter 2C of the Taxes Consolidation Act 1997	929	The Finance (No 2) Act 2013 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 this subhead. The 2016 estimate of €1.1 million was based on an assumption that ten higher paid civil servants would exercise the right to create such a charge for the Vote. The actual experience in 2016 was that only two retirees opted to defer amounts totalling €176,000. This has been paid out of voted moneys and will be reimbursed over a 20 year period.

4 Receipts

4.1 Appropriations-in-aid

	2016		2015
	Estimated	Realised	Realised
	€000	€000	€000
1. Receipt from the Social Welfare Consolidation Act 1993 (No. 38 on 1993) in respect of pension liability of staff	28,000	28,000	28,000
2. Receipts in respect of pension liability of staff on loan, etc.	1,000	1,617	2,149
3. Contributions to spouses' and children's pension scheme for civil servants and others	19,500	17,399	19,739
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)	26,900	29,695	29,872
5. Repayment of gratuities, etc.	500	295	851
6. Purchase of notional service	4,000	5,287	4,816
7. Single scheme contributions	55,000	75,948	50,874
8. Miscellaneous	100	162	103
Total	135,000	158,403	136,404

Explanation of significant variations

An explanation is provided below in the case of each heading where the outturn varied from the amount estimated by more than €100,000, and by more than 5%.

Description	Less/(more) than estimated	Explanation
	€000	
Receipts in respect of pension liability of staff on loan, etc.	(617)	It is difficult to predict the number of staff on loan year to year.
Contributions to spouses' and children's pension scheme for civil servants and others	2,101	These contributions are made by civil servants who were appointed prior to 6 April 1995 and are members of the established scheme. There are currently approximately 14,000 people in this cohort but this will decrease each year as retirements occur. The variance with the estimate is attributable to an underestimation of the likely quantum of retirements from this cohort in the year.

Description	Less/(more) than estimated	Explanation
	€000	
Receipts in respect of the contributory scheme introduced for established civil servants who were appointed on and after 6 April 1995 (Circular 6/95)	(2,795)	These contributions are made by civil servants appointed on or after 6 April 1995 and before 1 January 2013 who are members of the established scheme. There are currently approximately 16,400 people in this cohort, but this will decrease as retirements occur. The variance with the estimate is attributable to an overestimation of the likely quantum of retirements from this cohort in the year.
Repayment of gratuities, etc.	205	It is difficult to predict the number of gratuities that will be repaid in any one year.
Purchase of notional service	(1,287)	Purchase of notional service is at the discretion of officers, and therefore it is difficult to accurately forecast receipts on this subhead.
Single scheme contributions	(20,948)	The Public Service Single Scheme was put in place for all new entrants to the public service from January 2013. The amount credited to the Vote represents contributions made by all new entrant public servants in the year. 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. A major project to assess and recommend the optimal steady state operating model for the single scheme began in 2016.

5 Employee and Pensioner Numbers

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.

		2016	2015
A.1	Superannuation allowances, compensation allowances, pensions and certain children's allowances	15,414	14,428
A.2	Payments under the contributory pensions schemes for spouses and children of civil servants, members of the judiciary and court officers	2,816	2,783
A.3	Ex-gratia pensions for widows and children of civil servants, members of the judiciary and court officers	37	44
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	4,634	4,614
A.9	Pension liabilities of former public service bodies payable under statute	3	3
		22,904	21,872

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) €m
Vocational Education Committee/Institute of Technology/Education Training Board pensions	9,113	253
FÁS/Solas pensions	1,565	30

The amounts paid are charged to the Vote for Education and Skills (Vote 26).

5.4 Overpayments of pensions

Overpayments at year end were €123,319 (41 cases), (2015: €257,832 - 81 cases), all with recovery plans in place.

5.5 Severance Payments

Severance payments totalling €189,320 were paid to two retiring secretaries general in 2016 under a scheme which was terminated for new appointees in November 2011. Severance payments are charged to subhead A.1 Superannuation allowances, compensation allowances, pensions and certain children's allowances.

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 2016, the pensions of 22 retired civil servants were fully or partially abated. The total amount abated in 2016 was €98,441.

6.2 Legal Costs

Legal costs paid during the year are categorised as follows:

			2016	2015
	Number of cases	Legal costs paid by Department	Total	Total
		€000	€000	€000
Claims in respect of the pension functions of the Minister for Public Expenditure and Reform	2	—	57	—
		—	57	—