

## **Appropriation Account 2020**

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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 2020 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 2020, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €8.109 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 Circular 22 of 2020, 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.

The position in regard to the financial control environment, the framework of administrative procedures, management reporting and internal audit is as follows.

### ***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 works 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 2021 internal audit plan includes an audit related to 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 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.

***Covid-19 pandemic***

The onset of the of 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 has 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.

***Internal financial control issues***

No weaknesses in internal financial control were identified in relation to 2020 that require disclosure in the appropriation account.

**Jacqui McCrum**  
Accounting Officer  
Army Pensions

26 March 2021

## **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 2020 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 2020, 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 *Preface to the Appropriation Accounts*. 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 *Preface to the Appropriation Accounts*.

I have nothing to report in that regard.

**Seamus McCarthy**  
Comptroller and Auditor General

24 June 2021

## Vote 35 Army Pensions

### Appropriation Account 2020

	2020		2019
	Estimate provision	Outturn	Outturn
	€000	€000	€000
<b>Programme expenditure</b>			
A Provision for Defence Forces' pension benefits	259,150	251,027	250,966
<b>Gross expenditure</b>	<b>259,150</b>	<b>251,027</b>	<b>250,966</b>
<i>Deduct</i>			
B Appropriations-in-aid	5,000	4,986	5,081
<b>Net expenditure</b>	<b>254,150</b>	<b>246,041</b>	<b>245,885</b>

#### Surplus

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

	2020	2019
	€	€
<b>Surplus to be surrendered</b>	<b>8,109,287</b>	<b>148,239</b>

**Jacqui McCrum**  
Accounting Officer  
Army Pensions

26 March 2021

## Notes to the Appropriation Account

### Note 1 Operating Cost Statement 2020

	<b>2020</b>	<b>2019</b>
	<b>€000</b>	<b>€000</b>
Programme cost	250,963	250,903
Pay	61	51
Non pay	3	12
<b>Gross expenditure</b>	<b>251,027</b>	<b>250,966</b>
<i>Deduct</i>		
<b>Appropriations-in-aid</b>	<b>4,986</b>	<b>5,081</b>
<b>Net expenditure</b>	<b>246,041</b>	<b>245,885</b>
<b>Expenditure borne elsewhere</b>		
Net allied services expenditure (note 1.1)	2,793	2,549
<b>Net programme cost</b>	<b>248,834</b>	<b>248,434</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>2020</b>	<b>2019</b>
	<b>€000</b>	<b>€000</b>
Vote 18 National Shared Services Office	1,147	1,171
Vote 36 Defence	1,646	1,378
	<b>2,793</b>	<b>2,549</b>

## Note 2 Statement of Financial Position as at 31 December 2020

	Note	2020 €000	2019 €000
<b>Current assets</b>			
Bank and cash		51	201
Other debit balances		—	6
<b>Total current assets</b>		<b>51</b>	<b>207</b>
<b>Less current liabilities</b>			
Other credit balances	2.1	36	60
Net Exchequer funding	2.2	15	147
<b>Total current liabilities</b>		<b>51</b>	<b>207</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	2020 €000	2019 €000
<b>Amounts due to the State</b>		
Income tax	1	1
Professional services withholding tax	—	3
	1	4
Pension payments held in suspense	35	56
	<b>36</b>	<b>60</b>

**2.2 Net Exchequer funding**

at 31 December	<b>2020</b>	<b>2019</b>
	<b>€000</b>	<b>€000</b>
Surplus to be surrendered	8,109	148
Exchequer grant undrawn	(8,094)	(1)
<b>Net Exchequer funding</b>	<b>15</b>	<b>147</b>
<b>Represented by:</b>		
<b>Debtors</b>		
Bank and cash	51	201
Debit balances: suspense	—	6
	51	207
<b>Creditors</b>		
Due to the State	(1)	(4)
Credit balances: suspense	(35)	(56)
	(36)	(60)
	<b>15</b>	<b>147</b>

**2.3 State funding account**

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>€000</b>	<b>€000</b>
Balance at 1 January		—	—
<b>Disbursements from the Vote</b>			
Estimate provision	Account	254,150	
Surplus to be surrendered	Account	(8,109)	
Net vote		246,041	245,885
Expenditure (cash) borne elsewhere	1.1	2,793	2,549
Net programme cost	1	(248,834)	(248,434)
<b>Balance at 31 December</b>		<b>—</b>	<b>—</b>

## Note 3 Vote Expenditure

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

		2020		2019
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A.1	Administration – pay	70	64	63
A.2	Defence Forces (pensions) schemes and payments in respect of transferred service	249,535	242,855	242,158
A.3	Wound and disability pensions, allowances and gratuities to or in respect of former members of the Defences Forces	9,000	7,820	8,398
A.4	Payments to spouses of veterans of the War of Independence	220	154	223
A.5	Compensation payments	225	74	74
A.6	Medical appliances and travelling and incidental expenses	100	60	50
		<b>259,150</b>	<b>251,027</b>	<b>250,966</b>

#### Significant variations

Overall, the expenditure in relation to Programme A was €8.123 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 €7.82 million*

This subhead accounts for about 4% of the military pensions spend.

The variation is due to fewer than expected new disability pension and disablement lump sum awards coming into payment in 2020. Factors impacting on spend are the numbers and outcome of new disability pension applications. A major factor in 2020 was that the Army Pensions Board which investigates applications for disability pensions and disablement gratuities was unable to meet for most of the year due to Covid-19 restrictions.

#### A.5 Compensation payments

*Estimate provision €225,000; outturn €74,000*

The main 'contingency' element of this subhead provides for the 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 2020.

## Note 4 Receipts

### 4.1 Appropriations-in-aid

	2020		2019
	Estimated €000	Realised €000	Realised €000
1 Contributions to Defence Forces Spouses' and Children's Pensions Schemes	3,347	3,223	3,425
2 Contributions to Defence Forces Contributory (Main) Pensions Schemes	1,500	1,692	1,636
3 Recoveries of overpayments	40	70	19
4 Payments received in respect of transferred service	40	—	—
5 Miscellaneous	70	—	—
6 Receipts from additional superannuation contributions on public service remuneration	3	1	1
<b>Total</b>	<b>5,000</b>	<b>4,986</b>	<b>5,081</b>

#### Significant variations

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

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

*Estimate €1.5 million; realised €1.692 million*

Employee contributions to the pensions schemes by serving Permanent Defence Force personnel account for the bulk of receipts under this subhead. These will vary according to personnel turnover, 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	2020	2019
Number of staff	<u>1</u>	<u>1</u>

### 5.2 Pay

	2020	2019
	€000	€000
Pay	59	49
Employer's PRSI	<u>2</u>	<u>2</u>
<b>Total pay<sup>a</sup></b>	<u><b>61</b></u>	<u><b>51</b></u>

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 2020. These pay costs and associated travel costs of €3,000 are charged to the A.1 subhead.

Currently there are 23.5 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 €1,074,000 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)	
	2020	2019	2020	2019
			€	€
Retired officers	1,853	1,865	32,100	31,500
Retired NCOs and privates	9,086	8,976	17,100	16,800
Dependants and other <sup>b</sup>	1,833	1,846		
<b>Total</b>	<b>12,772</b>	<b>12,687</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 1,410 recipients in 2020 was €9,300, broadly the same as in 2019.

### 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)	
	2020	2019	2020	2019
			€	€
<b>New retirees on pension during the year</b>				
Officers	25	51	99,250	91,700
NCOs and privates	267	361	44,550	39,600
<b>Total</b>	<b>292</b>	<b>412</b>		

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

## Note 6 Miscellaneous

### 6.1 Payments in excess of entitlements

There were 83 overpayments outstanding at year end (2019: 74), amounting to €64,686, of which €24,728 relates to previous years. Overpayments of €102,652 came to light in 2020 of which €61,467 was recovered and €1,227 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.

	2020		2019
	€	€	€
<b>Opening balance</b>		<b>54,224</b>	<b>45,432</b>
Overpayments identified in year		102,652	58,525
		<u>156,876</u>	<u>103,957</u>
<b>Recouped</b>			
Overpayments identified 2020	61,467		
Overpayments identified pre-2020	26,209	87,676	43,972
		<u>69,200</u>	<u>59,985</u>
<b>Written off</b>			
Overpayments identified 2020	1,227		
Overpayments identified pre-2020	3,287	4,514	5,761
<b>Closing balance</b>		<b><u>64,686</u></b>	<b><u>54,224</u></b>

### 6.2 Payments subject to public service pension abatement

Separately from the figures at 6.1 above, there were 14 other overpayments outstanding at year-end amounting to €40,327 (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 €8,136 came to light in 2020 in respect of five cases, of which €1,197 has been recovered.

	2020		2019
	€	€	€
<b>Opening balance</b>		<b>50,201</b>	<b>52,950</b>
Overpayments identified in the year		8,136	18,451
		<u>58,337</u>	<u>71,401</u>
<b>Recouped</b>			
Overpayments identified pre-2020	16,813		
Overpayments identified 2020	1,197	18,010	21,200
<b>Closing balance</b>		<b><u>40,327</u></b>	<b><u>50,201</u></b>