

Appropriation Account 2019

Vote 35

Army Pensions

Introduction

As Accounting Officer for Vote 35, I am required each year to prepare the appropriation account for the Vote, and to submit the account to the Comptroller and Auditor General for audit.

In accordance with this requirement, I have prepared the attached account of the amount expended in the year ended 31 December 2019 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 2019, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €148,000 was recorded for the year.

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 27 of 2019 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. This includes the following elements.

- 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 2020 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.

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 2019 that require disclosure in the appropriation account.

Maurice Quinn
Accounting Officer
Army Pensions

27 March 2020

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 2019 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 2019, 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

18 September 2020

Vote 35 Army Pensions

Appropriation Account 2019

	Estimate provision		2019	2018
	€000	€000	Outturn	Outturn
			€000	€000
Programme expenditure				
A Provision for Defence Forces' pension benefits				
	<i>Original</i>	249,133		
	<i>Supplementary</i>	1,900		
			251,033	242,320
			250,966	
Gross expenditure				
	<i>Original</i>	249,133		
	<i>Supplementary</i>	1,900		
			251,033	242,320
			250,966	
<i>Deduct</i>				
B Appropriations-in-aid		5,000	5,081	5,167
Net expenditure				
	<i>Original</i>	244,133		
	<i>Supplementary</i>	1,900		
			246,033	237,153
			245,885	

Surplus

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

	2019	2018
	€	€
Surplus to be surrendered	148,239	481,095

Maurice Quinn
Accounting Officer
Army Pensions

27 March 2020

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2019

	<u>2019</u>	<u>2018</u>
	<u>€000</u>	<u>€000</u>
Programme cost	250,903	242,233
Pay	51	70
Non pay	12	17
Gross expenditure	250,966	242,320
<i>Deduct</i>		
Appropriations-in-aid	5,081	5,167
Net expenditure	245,885	237,153
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	2,549	2,558
Net programme cost	248,434	239,711

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.

	<u>2019</u>	<u>2018</u>
	<u>€000</u>	<u>€000</u>
Vote 18 National Shared Services Office	1,171	1,144
Vote 36 Defence	1,378	1,414
	2,549	2,558

Note 2 Statement of Financial Position as at 31 December 2019

	Note	2019 €000	2018 €000
Current assets			
Bank and cash		201	508
Other debit balances		6	—
Total current assets		<u>207</u>	<u>508</u>
Less current liabilities			
Other credit balances	2.1	60	29
Net Exchequer funding	2.2	147	479
Total current liabilities		<u>207</u>	<u>508</u>
Net current assets		<u>—</u>	<u>—</u>
Net assets		<u>—</u>	<u>—</u>
Represented by:			
State funding account	2.3	<u>—</u>	<u>—</u>

2.1 Other credit balances

at 31 December	2019 €000	2018 €000
Amounts due to the State		
Income tax	1	—
Professional services withholding tax	3	—
	<u>4</u>	<u>—</u>
Pension payments held in suspense	56	29
	<u>60</u>	<u>29</u>

2.2 Net Exchequer funding

at 31 December	2019	2018
	€000	€000
Surplus to be surrendered	148	481
Exchequer grant undrawn	(1)	(2)
Net Exchequer funding	147	479
Represented by:		
Debtors		
Bank and cash	201	508
Debit balances: suspense	6	—
	207	508
Creditors		
Due to State	(4)	—
Credit balances: suspense	(56)	(29)
	(60)	(29)
	147	479

2.3 State funding account

	Note	2019	2018
		€000	€000
Balance at 1 January		—	—
Disbursements from the Vote			
Estimate provision	Account	246,033	
Surplus to be surrendered	Account	(148)	
Net vote		245,885	237,153
Expenditure (cash) borne elsewhere	1.1	2,549	2,558
Net programme cost	1	(248,434)	(239,711)
Balance at 31 December		—	—

Note 3 Vote Expenditure

Programme A Provision for Defence Forces' pension benefits

		2019		2018
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A.1	Administration – pay		70	63
A.2	Defence Forces (pensions) schemes and payments in respect of transferred service			87
	<i>Original</i>	239,488		
	<i>Supplementary</i>	<u>2,650</u>		
			242,138	242,158
A.3	Wound and disability pensions, allowances and gratuities to or in respect of former members of the Defence Forces			233,551
	<i>Original</i>	9,000		
	<i>Supplementary</i>	<u>(529)</u>		
			8,471	8,398
A.4	Payments to spouses of veterans of the War of Independence			8,317
	<i>Original</i>	250		
	<i>Supplementary</i>	<u>(21)</u>		
			229	223
A.5	Compensation payments			262
	<i>Original</i>	225		
	<i>Supplementary</i>	<u>(150)</u>		
			75	74
A.6	Medical appliances and travelling and incidental expenses			74
	<i>Original</i>	100		
	<i>Supplementary</i>	<u>(50)</u>		
			50	50
			<u>251,033</u>	<u>250,966</u>
				<u>242,320</u>

Significant variations

Overall, gross expenditure in relation to the Programme was €1.833 million higher than the original estimate. Pension related payments under subhead A.2 were €2.67 million or 1.1% above the original estimate provided. This was partly offset by underspending on other subheads, including the following significant expenditure variations (+/- 5% and €100,000).

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

Estimate provision: €9 million, outturn: €8.398 million

The underspend of €602,000 is due to fewer than expected new disability pension and disablement lump sum awards coming into payment in 2019. Factors impacting on spend are the numbers and outcome of new disability pension applications. Because of its demand driven nature, it is difficult to predict expenditure in this subhead from year to year.

A.5 Compensation payments

Estimate provision: €225,000, outturn: €74,000

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 in this category during 2019.

Note 4 Receipts

4.1 Appropriations-in-aid

	2019		2018
	Estimated €000	Realised €000	Realised €000
1 Contributions to Defence Forces Spouses' and Children's Pensions Schemes	3,347	3,425	3,497
2 Contributions to Defence Forces Contributory (Main) Pensions Schemes	1,500	1,636	1,596
3 Recoveries of overpayments	40	19	68
4 Payments received in respect of transferred service	40	—	—
5 Miscellaneous	70	—	4
6 Receipts from additional superannuation contributions on public service remuneration ^a	3	1	2
Total	5,000	5,081	5,167

Note ^a The 2018 figure refers to pension related deductions. These were replaced by additional superannuation contributions from 1 January 2019.

Significant variations

Overall, appropriations-in-aid were €81,000 more than the original estimate. This was mainly due to the following.

2 Contributions to Defence Force Contributory (Main) Pensions Schemes

Estimate provision: €1.5 million, realised: €1.636 million

The increase of €136,000 was due to the fact that contributions to the pensions schemes by serving Permanent Defence Force personnel were higher than anticipated. Contributions will vary according to personnel turnover changes, pensionable earnings and career progression across the Permanent Defence Force. The level of receipts is therefore difficult to predict in any given year.

Note 5 Staffing and Remuneration

5.1 Employee numbers

Full time equivalents	2019	2018
Number of staff at year end	1	1

5.2 Pay

	2019 €000	2018 €000
Pay	49	68
Employer's PRSI	2	2
Total pay	51	70

Note 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 2019. These pay costs, and associated travel costs of €12,000, 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 pensions and other related payments. Their remuneration, which amounts to some €971,000, is charged to Vote 36.

5.3 Retirement pension (annual) – average payments to retired Defence Force personnel ^a

Category of pensioner	Number of pension recipients at year-end		Average individual payment (rounded)	
	2019	2018	2019 €	2018 €
Retired officers	1,865	1,839	31,500	31,100
Retired NCOs and privates	8,976	8,779	16,800	16,750
Dependants and other ^b	1,846	1,865		
Totals	12,687	12,483		

Note ^a 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.

^b 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 1,408 recipients in 2019 was €9,300, broadly the same as in 2018.

5.4 Retirement gratuity (lump sum) – average payments where retiring on pension ^a

Category of pensioner	Number of recipients		Average individual payment (rounded)	
	2019	2018	2019 €	2018 €
New retirees on pension during the year				
Officers	51	50	91,700	87,000
NCOs and privates	361	293	39,600	39,650
Total	412	343		

Note ^a 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 74 overpayments outstanding at year end (2018: 53), amounting to €54,224, of which €28,787 relates to previous years. Overpayments of €58,525 came to light in 2019 of which €31,595 was recovered and €1,493 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.

	2019	2018
	€	€
Opening balance	45,432	48,458
Identified overpayment in year	58,525	56,955
	<u>103,957</u>	<u>105,413</u>
Recouped		
Overpayments identified 2019	31,595	
Overpayments identified pre-2019	12,377	43,972
	<u>59,985</u>	<u>50,215</u>
Written off		
Overpayments identified 2019	1,493	
Overpayments identified pre-2019	4,268	5,761
	<u>5,761</u>	<u>4,783</u>
Closing balance	<u>54,224</u>	<u>45,432</u>

6.2 Payments subject to public service pension abatement

Separately from the figures at 6.1 above, there were 19 other overpayments outstanding at year-end amounting to €50,201 (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. 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 €18,451 came to light in 2019 in respect of 23 cases, of which, €13,828 has been recovered.

	2019	2018
	€	€
Opening balance	52,950	50,649
Overpayments identified in the year	18,451	13,446
	<u>71,401</u>	<u>64,095</u>
Recouped		
Overpayments identified pre-2019	7,372	
Overpayments identified 2019	13,828	21,200
	<u>21,200</u>	<u>11,145</u>
Closing balance	<u>50,201</u>	<u>52,950</u>