

Appropriation Account 2020

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 2020 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, and other professional fees, miscellaneous payments, etc.

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 €113.209 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, all 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 Office and the National Shared Services Office for the provision of HR and 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 Office.

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 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. 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.

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 quarterly 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

Assessments of the impact of Covid-19 were carried out and measures put in place allowing nearly all staff to be fully operational through remote access by the end of March 2020 thereby minimising losses in labour productivity due to Covid related disruption.

Due to the arrangements outlined above and the availability of shared IT platforms, Vote 12 was working remotely from late March 2020, and the pandemic had little effect on the financial control environment.

Internal financial control issues

No weaknesses in internal financial control were identified in relation to 2020 that resulted in, or may result in, a material loss.

David Moloney
Accounting Officer
Superannuation and Retired Allowances

24 March 2021

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 12 Superannuation and Retired Allowances

Opinion on the appropriation account

I have audited the appropriation account for Vote 12 Superannuation and Retired Allowances 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 12 Superannuation and Retired Allowances 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 Public Expenditure and Reform 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

22 September 2021

Vote 12 Superannuation and Retired Allowances

Appropriation Account 2020

	2020		2019
	Estimate provision	Outturn	Outturn
	€000	€000	€000
Programme expenditure			
A Superannuation and retired allowances	640,117	628,412	598,656
Gross expenditure	640,117	628,412	598,656
B Appropriations-in-aid	264,600	366,104	337,680
Net expenditure	375,517	262,308	260,976

Surplus

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

	2020	2019
	€	€
Surplus to be surrendered	113,209,239	110,322,479

David Moloney
Accounting Officer
Superannuation and Retired Allowances

24 March 2021

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2020

	2020	2019
	€000	€000
Programme cost	628,140	598,419
Pay	—	—
Non pay	272	237
Gross expenditure	628,412	598,656
<i>Deduct</i>		
Appropriations-in-aid	366,104	337,680
Net expenditure	262,308	260,976
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	3,803	3,546
Net programme cost	266,111	264,522

1.1 Net allied services expenditure

The net allied services expenditure amount is made up of the following amounts in relation to Vote 12 borne elsewhere.

	2020	2019
	€000	€000
Vote 7 Finance	44	40
Vote 18 National Shared Services Office	2,674	2,575
Central Fund	1,085	931
	3,803	3,546

Note 2 Statement of Financial Position as at 31 December 2020

	Note	2020 €000	2019 €000
Current assets			
Bank and cash	2.1	18,454	16,080
Other debit balances	2.2	267	751
Total current assets		18,721	16,831
Less current liabilities			
Other credit balances	2.3	11,439	14,737
Net Exchequer funding	2.4	7,282	2,094
Total current liabilities		18,721	16,831
Net current assets		—	—
Net assets		—	—
Represented by:			
State funding account	2.5	—	—

2.1 Bank and cash

at 31 December	2020	2019
	€000	€000
PMG balances and cash	17,755	16,052
Commercial bank account balance	699	28
	<u>18,454</u>	<u>16,080</u>

2.2 Other debit balances

at 31 December	2020	2019
	€000	€000
Recoupable pensions owed by other departments	267	269
National Shared Services Office		482
	<u>267</u>	<u>751</u>

2.3 Other credit balances

at 31 December	2020	2019
	€000	€000
Amounts due to the State		
Income tax	7,656	7,336
Universal social charge	1,258	1,264
Local property tax	141	138
	<u>9,055</u>	<u>8,738</u>
Voluntary pension deductions held in suspense	17	4,142
Other credit suspense items	2,367	1,857
	<u>11,439</u>	<u>14,737</u>

2.4 Net Exchequer funding

at 31 December	2020	2019
	€000	€000
Surplus to be surrendered	113,209	110,322
Exchequer grant undrawn	<u>(105,927)</u>	<u>(108,228)</u>
Net Exchequer funding	<u>7,282</u>	<u>2,094</u>
Represented by:		
Debtors		
Bank and cash	18,454	16,080
Debit balances: suspense	<u>267</u>	<u>751</u>
	18,721	16,831
Creditors		
Due to the State	(9,055)	(8,738)
Credit balances: suspense	<u>(2,384)</u>	<u>(5,999)</u>
	(11,439)	(14,737)
	<u>7,282</u>	<u>2,094</u>

2.5 State funding account

	Note	2020	2019
		€000	€000
Balance at 1 January		—	—
Disbursements from the Vote			
Estimate provision	Account	375,517	
Surplus to be surrendered	Account	<u>(113,209)</u>	
Net vote		262,308	260,976
Expenditure (cash) borne elsewhere		3,803	3,546
Net programme cost		<u>(266,111)</u>	<u>(264,522)</u>
Balance at 31 December		<u>—</u>	<u>—</u>

Note 3 Vote Expenditure

Programme A Superannuation and Retired Allowances

		2020		2019
		Estimate provision €000	Outturn €000	Outturn €000
A.1	Superannuation allowances, compensation allowances, pensions and certain children's allowances	466,144	456,298	429,927
A.2	Payments under the contributory pensions schemes for spouses and children of civil servants, members of the judiciary and court officers	42,679	43,011	42,912
A.3	Ex-gratia pensions for widows and children of civil servants, members of the judiciary and court officers	325	253	303
A.4	Additional allowances and gratuities in respect of established officers and payments in respect of transferred service	107,233	106,065	103,406
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	22,500	21,883	21,297
A.6	Injury grants and medical fees	387	328	375
A.7	Pension related fees and other expenses	394	272	237
A.8	Payments in respect of liability under Chapter 2C of the Taxes Consolidation Act 1997	400	248	145
A.9	Pension liabilities of former public service bodies payable under statute	55	54	54
		640,117	628,412	598,656

Significant variations

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

A.7 Pension related fees and other expenses

Estimate provision €394,000; outturn €272,000

A provision for legal fees remained unused at the 2020 year end resulting in a lower than expected 2020 outturn.

A.8 Payments in respect of liability under Chapter 2C of the Taxes Consolidation Act 1997

Estimate provision €400,000; outturn €248,000

This act 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 subhead A8.

The shortfall in expenditure of €152,000 relative to the estimate provision of €400,000 was due to fewer people exercising their right to create a charge to the Vote than expected.

Note 4 Receipts

4.1 Appropriations-in-aid

	2020		2019
	Estimated €000	Realised €000	Realised €000
1 Receipts from the Social Welfare Consolidation Act 1993 (No. 38 of 1993) in respect of pension liability of staff	28,000	25,400	28,000
2 Receipts in respect of pension liability of staff on loan, etc.	1,300	1,009	933
3 Contribution to spouses' and children's pension scheme for civil servants and others	18,200	17,055	17,239
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)	31,200	36,854	33,074
5 Repayments of gratuities, etc.	800	112	640
6 Purchase of notional service	5,000	6,405	5,244
7 Single scheme contributions	180,000	279,269	252,550
8 Miscellaneous	100	—	—
Total	264,600	366,104	337,680

Significant variations

The following outlines the reasons for significant variations in receipts (+/- 5% and €100,000). Overall, appropriations-in-aid were €101.504 million more than the estimate. Explanations for variances are set out below.

1 Receipts from the Social Welfare Consolidation Act 1993 (No. 38 of 1993) in respect of pension liability of staff

Estimate €28 million; realised €25.4 million

The receipts due under this legislation were reviewed. The outcome of this review was that the receipts due were to be reduced to €25.4 million from €28 million and these receipts were lodged accordingly.

2 Receipts in respect of pension liability of staff on loan, etc.

Estimate €1.3 million; realised €1.009 million

The decrease of approximately €300,000 was due to a decrease in the number of staff on loan, which is difficult to predict year to year.

3 Contribution to spouses' and children's pension scheme for civil servants and others

Estimate €18.2 million; realised €17.055 million

The decrease of €1.1 million was due to lower than expected contributions to spouses' and children's pension scheme for civil servants and others. This can fluctuate from year to year.

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)

Estimate €31.2 million; realised €36.854 million

The increase of approximately €5.7 million was due to an underestimation of the level of receipts from the cohort of civil servants appointed on or after 6 April 1995 and before 1 Jan 2013 and who are members of the established scheme. The number in this cohort is decreasing as retirements occur, but the level of contributions is affected by changes in the salary levels of this cohort which may increase in line with career progression.

5 Repayments of gratuities, etc.

Estimate €800,000; realised €112,000

This subhead varies year on year as it is dependent on the occurrence of civil servants repaying gratuities. As a result, the estimate can be difficult to predict.

6 Purchase of notional service

Estimate €5 million; realised €6.405 million

Purchase of notional service is at the discretion of officers, and therefore it is difficult to accurately forecast receipts on this subhead.

7 Single scheme contributions

Estimate €180 million; realised €279.269 million

The amount credited to the Vote in respect to the Single Public Service Pension Scheme represents contributions made by all new public servants who commence employment after 1 January 2013. 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. Due to the nature of recruitment and retirement processes across the public service, a level of variation in estimates versus receipts will remain.

Note 5 Staffing and Remuneration

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.

	2020	2019
A.1 Superannuation allowances, compensation allowances, pensions and certain children's allowances	19,961	18,858
A.2 Payments under the contributory pensions schemes for spouses and children of civil servants, members of the judiciary and court officers	2,986	2,940
A.3 Ex-gratia pensions for widows and children of civil servants, members of the judiciary and court officers	18	20
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	4,438	4,546
A.9 Pension liabilities of former public service bodies payable under statute	3	3
	<u>27,406</u>	<u>26,367</u>

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)
		€million
Vocational Education Committee/Institute of Technology/Education Training Board pensions	11,689	299
FÁS/SOLAS pensions	1,554	30

The amounts paid are charged to Vote 26 Education and Vote 45 Further and Higher Education, Research, Innovation and Science.

5.4 Overpayment of pensions

Overpayments at year end were €190,642 (48 cases) (2019: €161,410 (37 cases)). All of these cases have recoupment plans in place.

Note 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 2020, the pensions of 17 retired civil servants were fully or partially abated. The total amount abated in 2020 was €91,828.