



Appropriation Account 2013

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 2013 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 2013 including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €201,545 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, 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.

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
- there are appropriate capital investment control guidelines and formal project management disciplines
- 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.

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.

Maurice Quinn
Accounting Officer
Department of Defence

27 February 2014

Comptroller and Auditor General Report for presentation to the Houses of the Oireachtas

Vote 35 Army Pensions

I have audited the appropriation account for Vote 35 Army Pensions for the year ended 31 December 2013 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 35 Army Pensions for the year ended 31 December 2013.

I have obtained all the information and explanations I considered necessary for the purposes of my audit. In my opinion, proper books of account have been kept by the Department of Defence. The appropriation account is in agreement with the books of account.

Seamus McCarthy
Comptroller and Auditor General

29 August 2014

Vote 35 Army Pensions

Appropriation Account 2013

		2013		2012
		Estimate provision		Outturn
		€000	€000	€000
Programme expenditure				
A	Provision for Defence Forces' pension benefits			
	<i>Original</i>	214,812		
	<i>Supplementary</i>	9,000	223,812	223,667
				243,849
Gross expenditure				
	<i>Original</i>	214,812		
	<i>Supplementary</i>	9,000	223,812	223,667
				243,849
	<i>Deduct</i>			
B	Appropriations-in-aid			
	<i>Original</i>	6,000		
	<i>Supplementary</i>	(400)	5,600	5,657
				5,940
Net expenditure				
	<i>Original</i>	208,812		
	<i>Supplementary</i>	9,400		
			218,212	218,010
				237,909

Surplus for surrender

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

	2013	2012
	€	€
Surplus to be surrendered	201,545	4,732

Analysis of administration expenditure

		2013		2012
		Estimate provision		Outturn
		€000	€000	€000
i	Salaries, wages and allowances			
	<i>Original</i>	103		
	<i>Supplementary</i>	(20)	83	80
				81
			83	80
				81

Notes to the Appropriation Account

1 Operating Cost Statement 2013

	2013	2012
	€000	€000
Programme cost	223,587	243,768
Pay	69	69
Non pay	11	12
Gross expenditure	223,667	243,849
<i>Deduct</i>		
Appropriations-in-aid	5,657	5,940
Direct expenditure	218,010	237,909
Net allied services expenditure (note 1.1)	1,851	1,738
Net programme cost	219,861	239,647

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 administration salaries and other services.

		2013	2012
		€000	€000
Vote 12 Superannuation and Retired Allowances	e	151	—
Vote 36 Defence	e	1,700	1,738
		<u>1,851</u>	<u>1,738</u>

'e' indicates that the number is an estimated value or an apportioned cost.

2 Balance Sheet as at 31 December 2013

	Note	2013 €000	2012 €000
Current assets			
Bank and cash	2.2	237	5
Other debit balances	2.3	2	9
Total current assets		239	14
Less current liabilities			
Other credit balances	2.4	38	10
Net liability to the Exchequer	2.5	201	4
Total current liabilities		239	14
Net current assets		—	—
Net assets		—	—
Represented by:			
State funding account	2.1	—	—

2.1 State Funding Account	Note	2013 €000	2012 €000
Balance at 1 January		—	—
Disbursements from the Vote			
Estimate provision	Account	218,212	
Surplus to be surrendered	Account	(202)	
Net vote		218,010	237,909
Expenditure (cash) borne elsewhere	1.1	1,851	1,738
Net programme cost	1	(219,861)	(239,647)
Balance at 31 December		—	—

2.2 Bank and Cash	2013	2012
at 31 December	€000	€000
PMG balances and cash	239	414
Orders outstanding	(2)	(409)
	<u>237</u>	<u>5</u>

2.3 Other Debit Balances	2013	2012
at 31 December	€000	€000
Other debit suspense items	2	9
	<u>2</u>	<u>9</u>

2.4 Other Credit Balances	2013	2012
at 31 December	€000	€000
Amounts due to the State		
Income Tax	6	4
	<u>6</u>	<u>4</u>
Payroll deductions held in suspense	32	6
	<u>38</u>	<u>10</u>

2.5 Net Liability to the Exchequer	2013	2012
at 31 December	€000	€000
Surplus to be surrendered	202	5
Exchequer grant undrawn	(1)	(1)
Net liability to the Exchequer	<u>201</u>	<u>4</u>

Represented by:**Debtors**

Bank and cash	237	5
Debit balances: suspense	2	9
	<u>239</u>	<u>14</u>

Creditors

Due to State	(6)	(4)
Credit balances: suspense	(32)	(6)
	<u>(38)</u>	<u>(10)</u>
	<u>201</u>	<u>4</u>

3 Programme Expenditure by Subhead

		2013		2012
		Estimate	Provision	Outturn
		€000	€000	€000
A	Provision for Defence Forces' pension benefits			
A.1	Administration - pay			
	<i>Original</i>	103		
	<i>Supplementary</i>	<u>(20)</u>	83	80
A.2	Defence Forces (pensions) schemes and payments in respect of transferred service			
	<i>Original</i>	204,409		
	<i>Supplementary</i>	<u>9,880</u>	214,289	214,184
A.3	Wound and disability pensions, allowances and gratuities to or in respect of former members of the Defence Forces			
	<i>Original</i>	9,210		
	<i>Supplementary</i>	<u>(545)</u>	8,665	8,635
A.4	Payments to dependents of veterans of the War of Independence			
	<i>Original</i>	790		
	<i>Supplementary</i>	<u>(65)</u>	725	724
A.5	Compensation payments			
	<i>Original</i>	200		
	<i>Supplementary</i>	<u>(190)</u>	10	6
A.6	Medical appliances and travelling and incidental expenses			
	<i>Original</i>	100		
	<i>Supplementary</i>	<u>(60)</u>	40	38
			<u>223,812</u>	<u>223,667</u>
				<u>243,849</u>

Significant variations

A supplementary estimate of €9.88 million was required on Subhead A2 to meet the costs of increased numbers of Army pensioners. This was partly offset by savings of €880,000 on the other subheads. Overall, net expenditure in relation to the programme was €201,545 lower than provided when the surplus of €57,000 on appropriation-in-aid is taken into consideration.

The average number of pensions in payment in 2013 was 11,947.

4 Receipts

4.1 Appropriations-in-aid

	2013		2013	2012
	Estimated	Realised	Realised	Realised
	€000	€000	€000	€000
1. Contributions to Defence Forces Spouses' and Children's Pension Schemes				
	<i>Original</i>	4,447		
	<i>Supplementary</i>	(422)	4,025	4,122
				4,406
2. Contributions to Defence Forces Contributory (Main) Pensions Schemes				
	<i>Original</i>	1,400		
	<i>Supplementary</i>	75	1,475	1,476
				1,447
3. Recoveries of overpayments			40	33
4. Payments received in respect of transferred service				
	<i>Original</i>	40		
	<i>Supplementary</i>	(35)	5	2
				7
5. Miscellaneous				
	<i>Original</i>	70		
	<i>Supplementary</i>	(18)	52	21
				22
6. Receipts from pension-related deduction on public service remuneration			3	3
				3
Total			5,600	5,657
				5,940

Explanation of significant variations

A negative supplementary estimate of €400,000 was required to reduce the original estimate because of a shortfall which was mainly due to reduced numbers contributing to Defence Forces Spouses and Children's Pension Schemes.

5 Employee Numbers and Pay

	2013	2012
Number of staff at year end (full time equivalents)	2	2
	2013	2012
	€000	€000
Pay	67	67
Employer's PRSI	2	2
Total Pay	69	69

The two staff members are administrative support to the Army Pensions Board. In addition to these payroll costs, €10,947 was paid in respect of travel and subsistence in 2013.

26.7 employees (WTEs) of the Department of Defence are engaged in the administration of pensions and other related payments. Their remuneration, which amounts to some €1.1 million, is charged to Vote 36.

6 Miscellaneous

6.1 Overpayments

There are currently 77 overpayment cases on hand amounting to €46,015, of which €31,650 relates to previous years. Overpayments of €84,351 came to light in 2013 of which €68,053 was recovered and €1,933 written off. Efforts are ongoing to recover the outstanding amounts.

	€	€
Opening balance		233,072
Identified overpayment 2013		84,351
		<u>317,423</u>
Recouped		
2013	68,053	
Pre-2013	56,069	
		<u>124,122</u>
		193,301
Written off		
2013	1,933	
Pre-2013	145,353	
		<u>147,286</u>
Closing balance		<u>46,015</u>

A total of 225 overpayments were identified during 2013. There were a total of 77 overpayments outstanding at year end of which 48 relate to 2013 and 29 relate to pre 2013.

6.2 Irrecoverable Overpayments

Overpayments of €147,286 were written off in respect of 2013 and previous years (2012 - €4,118) in accordance with sanction S4.11.62 as they were deemed irrecoverable. The write-offs related to 41 cases where gross overpayments of €206,951 occurred, of which €59,665 was recovered. The 41 cases involved included 2 cases totalling €136,208.