

Vote 36: Defence

Introduction

As Accounting Officer for Vote 36, 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 2010 for the salaries and expenses of the Office of the Minister for Defence, including certain services administered by that Office; for the pay and expenses of the Defence Forces; and for payment of certain grants-in-aid.

The expenditure outturn is compared with the sums

- (a) granted by Dáil Éireann under the Appropriation Act 2010, including the amount that could be used as appropriations-in-aid of expenditure for the year, and
- (b) provided for capital supply services in 2010 out of unspent 2009 appropriations, under the deferred surrender arrangements established by section 91 of the Finance Act 2004.

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 except for the following:

Stock valuation

Military stocks are valued at average cost. Other stocks are valued at their most recent purchase price.

Depreciation

Military assets are depreciated to residual values at rates varying between 3% to 20% per annum using the straight line method.

Capital assets

A detailed register is maintained of land and buildings administered by the Department of Defence. However, as valuations for all of these properties are not available, they are not included in the Statement of Capital Assets (Note 2.1).

In the Statement of Capital Assets, Furniture and Fittings exclude items with a value below €600.

Statement on Internal Financial Control

Along with the Account, I have submitted a statement in the standard format on the system of internal financial control that operates in the Department of Defence.

MICHAEL HOWARD
Accounting Officer
Department of Defence
31 March 2011

Certificate of the Comptroller and Auditor General

I have audited the Appropriation Account of Vote 36: Defence for 2010 under Section 3 of the Comptroller and Auditor General (Amendment) Act, 1993. The Account has been prepared in accordance with the Statement of Accounting Policies and Principles. The duties of the Accounting Officer and of the Comptroller and Auditor General in relation to the Appropriation Accounts, and the basis of the audit opinion, are set out in Part 1 to this volume.

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.

In my opinion, the Appropriation Account properly presents the receipts and expenditure of the Vote for the year ended 31 December 2010.

Chapter 32 of my annual report refers to certain matters which I considered it appropriate to report on in accordance with Section 3 (10) of the Comptroller and Auditor General (Amendment) Act, 1993.

A handwritten signature in black ink, appearing to read 'John Buckley', with a stylized flourish at the end.

JOHN BUCKLEY

Comptroller and Auditor General

25 August 2011

Vote 36 Defence Appropriation Account 2010

Service	2010 Estimate provision €000	2010 Outturn €000	2009 Outturn €000
Administration			
A.1. Salaries, wages and allowances	17,590	16,417	18,704
A.2. Travel and subsistence	330	210	286
A.3. Incidental expenses	250	219	191
A.4. Postal and telecommunications services	1,480	934	801
A.5. Office machinery and other office supplies and related services	2,400	2,302	2,464
A.6. Office premises expenses	1,700	1,036	1,305
A.7. Consultancy services	20	—	98
A.8. Value for money and policy reviews	140	93	41
Other Services			
Defence Forces			
B. Permanent Defence Force: pay	438,100	433,235	475,261
C. Permanent Defence Force: allowances	54,310	44,144	61,618
D. Reserve Defence Force: pay, etc.	4,700	4,014	6,651
E. Chaplains and officiating clergymen: pay and allowances	1,225	1,175	1,342
F. Civilians attached to units: pay, etc.	36,406	34,457	38,643
G. Defensive equipment	37,000	37,412	33,279
H. Air Corps: equipment and expenses	18,600	16,800	19,887
I. Military transport	16,955	15,812	15,293
J. Naval Service: equipment and expenses	18,000	37,087	14,177
K. Barrack expenses and engineering equipment	17,400	15,896	18,874
L. Buildings			
	<i>Current year provision</i> 22,583		
	<i>Deferred surrender</i> 1,000	23,583	17,875
M. Ordnance, clothing and catering	23,800	19,627	24,364
N. Communications and information technology	9,000	10,205	9,681
O. Military training	2,900	3,716	2,936
P. Travel and freight services	8,200	10,489	7,804
Q. Medical expenses	3,500	3,019	3,816
R. Lands	1,205	1,037	2,886
S. Equitation	900	868	864
T. Compensation	5,800	4,135	6,260
U. Miscellaneous expenditure	2,778	4,054	3,461

Other Services		2010		2010	2009
		Estimate	provision	Outturn	Outturn
		€000	€000	€000	€000
V.	Costs arising directly from Ireland's participation in the EU's European Security and Defence Policy		1,100	600	956
W.	Civil Defence Board (grant-in-aid)		6,061	6,061	6,148
X.	Irish Red Cross Society (grant-in-aid)		951	951	951
Y.	Coiste an Asgard (grant-in-aid) (part funded by National Lottery)		—	—	800
Gross Expenditure					
	<i>Current year provision</i>	755,384			
	<i>Deferred surrender</i>	1,000	756,384	743,880	804,301
Deduct					
Z.	Appropriations-in-aid		49,859	50,149	39,434
Net Expenditure					
	<i>Current year provision</i>	705,525			
	<i>Deferred surrender</i>	1,000	706,525	693,731	764,867
Surplus for the year				€12,793,851	€24,386,074
Deferred surrender				€1,500,000	€1,000,000
Surplus to be surrendered				€11,293,851	€23,386,074

Notes to the Appropriation Account

1 Operating Cost Statement 2010

	Note	€000	2010 €000	2009 €000
Expenditure on administration			21,211	23,890
Expenditure on services and programmes			722,669	780,411
Gross expenditure			743,880	804,301
Deduct				
Appropriations-in-aid			50,149	39,434
Net expenditure			693,731	764,867
Changes in capital assets				
Purchases cash		(40,145)		
Depreciation		40,727		
Loss on disposals		421	1,003	13,084
Changes in assets under development				
Cash payments			(10,829)	(14,404)
Changes in net current assets				
Decrease in closing accruals		(18,586)		
Increase in stock		(11,744)	(30,330)	(8,443)
Direct expenditure			653,575	755,104
Net allied services expenditure	1.1		7,941	11,414
Notional rents			4,579	4,275
Total operating cost			666,095	770,793

1.1 Net Allied Services

The net allied services expenditure amount is made up of the following estimated amounts in relation to Vote 36 borne elsewhere:

Vote		2010 €000	2009 €000
7	Superannuation and Retired Allowances	9,009	12,240
10	Office of Public Works	667	749
20	Garda Síochána	207	174
	Central Fund - Ministerial etc. pensions	278	447
1	President's Establishment	(411)	(427)
2	Department of the Taoiseach	(75)	(88)
37	Army Pensions	(1,734)	(1,681)
		7,941	11,414

2 Statement of Assets and Liabilities as at 31 December 2010

	Note	2010 €000	2009 €000
Capital Assets	2.1	383,946	387,346
Capital Assets under Development	2.2	4,062	3,100
		388,008	390,446
Current Assets			
Bank and cash	2.3	16,103	2,310
Stocks	2.4	245,411	233,667
Prepayments		32,098	6,733
Accrued income		550	5,854
Other debit balances	2.5	1,838	2,124
Total Current Assets		296,000	250,688
Less Current Liabilities			
Accrued expenses		2,640	3,538
Deferred income		16	40
Other credit balances	2.6	14,646	1,671
Net Liability to the Exchequer	2.7	3,295	2,763
Total Current Liabilities		20,597	8,012
Net Current Assets		275,403	242,676
Net Assets		663,411	633,122

2.1 Capital Assets

	Military Equipment €000	Office/IT Equipment €000	Furniture and Fittings €000	Totals €000
Gross assets				
Cost or valuation at 1 January 2010	822,025	41,438	2,058	865,521
Additions	34,012	2,368	1,368	37,748
Disposals	(2,643)	(1,493)	(26)	(4,162)
Cost or valuation at 31 December 2010	853,394	42,313	3,400	899,107
Accumulated Depreciation				
Opening balance at 1 January 2010	443,213	33,382	1,580	478,175
Depreciation for the year	36,931	3,697	99	40,727
Depreciation on disposals	(2,362)	(1,357)	(22)	(3,741)
Cumulative depreciation at 31 December 2010	477,782	35,722	1,657	515,161
Net Assets at 31 December 2010	375,612	6,591	1,743	383,946
Net Assets at 31 December 2009	378,812	8,056	478	387,346

The Department of Defence administers land (approx. 8,200 hectares) and buildings at 100 different locations, as well as 20 properties outside of barracks which serve as married quarters. The disposal of these married quarters continues to be pursued. As indicated in the introduction, Land and Buildings are not included in this Statement.

2.2 Capital Assets under Development

	Construction Contracts €000
Amounts brought forward at 1 January 2010	3,100
Cash payments for the year	10,829
Transferred to asset register ¹	(9,867)
Amounts carried forward at 31 December 2010	4,062

¹Notional transfer to Asset Register. Land and Buildings are not shown in the Statement of Capital Assets.

2.3 Bank and Cash

	2010 €000	2009 €000
at 31 December		
PMG balances, bank and cash	17,098	4,057
Orders outstanding	(995)	(1,747)
	16,103	2,310

2.4 Stocks	2010	2009
at 31 December	€000	€000
Military stocks	245,342	233,566
Stationery, etc.	25	47
IT Consumables, etc.	44	54
	<u>245,411</u>	<u>233,667</u>
	<u><u>245,411</u></u>	<u><u>233,667</u></u>
2.5 Other Debit Balances	2010	2009
at 31 December	€000	€000
Suspense	1,838	2,124
	<u>1,838</u>	<u>2,124</u>
	<u><u>1,838</u></u>	<u><u>2,124</u></u>
2.6 Other Credit Balances	2010	2009
at 31 December	€000	€000
Amounts due to the State		
Pay Related Social Insurance	6,303	8
Income Tax	4,083	295
Value Added Tax	3,240	352
Income Levy	743	—
Relevant Contracts Tax	97	—
Professional Services Withholding Tax	96	138
Pension contributions	20	590
	<u>14,582</u>	<u>1,383</u>
Payroll deductions	32	220
Suspense	32	68
	<u>14,646</u>	<u>1,671</u>
	<u><u>14,646</u></u>	<u><u>1,671</u></u>

2.7 Net Liability to the Exchequer	2010	2009
at 31 December	€000	€000
Surplus to be surrendered	12,794	24,386
Exchequer grant undrawn	(9,499)	(21,623)
Net liability to the Exchequer	<u>3,295</u>	<u>2,763</u>
Represented by:		
Debtors		
Bank and cash	16,103	2,310
Other debit balances	1,838	2,124
	<u>17,941</u>	<u>4,434</u>
Creditors		
Due to State	(14,582)	(1,383)
Other credit balances	(64)	(288)
	<u>(14,646)</u>	<u>(1,671)</u>
	<u>3,295</u>	<u>2,763</u>

2.8 Commitments	2010	2009
at 31 December	€000	€000
Total of legally enforceable commitments	133,150	43,610

(A) Global Commitments

The total of legally enforceable commitments at 31 December 2010 is estimated to be €133m. This includes €97m for the naval vessel replacement programme; €27m for the purchase of defensive equipment and €7m for a number of building projects.

(B) Multi-annual Capital Commitments

Expenditure in 2010 and commitments to be met in subsequent years on foot of capital projects where legally enforceable contracts were in place at 31 December :

	2010	2009
	€000	€000
Expenditure	10,829	14,404
Commitments to be met in subsequent years	5,324	6,684

2.9 Matured Liabilities

Matured liabilities outstanding at year end amounted to €658,957.

3 Variations in Expenditure

An explanation is provided below in the case of each expenditure subhead where the outturn varied from the amount provided by more than €100,000 and by more than 5% (25% in the case of administration subheads).

Sub-head	Less/(more) than provided €000	Explanation
A.2.	120	The saving is due to less than anticipated expenditure on travel, in particular non-EU foreign travel.
A.4.	546	The saving is due to lower than anticipated expenditure on telecommunications equipment for the Department's new offices in Newbridge.
A.6.	664	The saving is due mainly to delays associated with decentralisation.
C.	10,166	The saving is mainly due to lower than anticipated expenditure on overseas allowances due to the early withdrawal from the Chad mission.
D.	686	The saving is due mainly to lower levels of training activity and a more cost-effective approach to catering and transport arrangements for the Reserve.
F.	1,949	The saving is due mainly to a reduction in the number of civilian employees, and lower than anticipated expenditure on professional fees.
H.	1,800	The saving is due mainly to a lower than anticipated requirement for air transport services, equipment and training.
I.	1,143	The saving is due to delays in the delivery of military transport spare parts and lower than anticipated fuel requirements, and is partly offset by an additional requirement for the purchase of new vehicles and equipment.
J.	(19,087)	The excess is mainly due to payments made in respect of the contract for two new ships under the naval vessel replacement programme.
K.	1,504	The saving is due mainly to reduced expenditure on utility costs and is partly offset by higher than anticipated barrack equipment costs.
L.	5,708	The saving is mainly due to slower than anticipated progress on a number of building projects.
M.	4,173	The saving is due mainly to delays on certain clothing orders and reduced catering costs associated with overseas missions, and is partly offset by a requirement for additional ordnance equipment.
N.	(1,205)	The excess is due mainly to a requirement for additional telecommunications equipment and increased costs.
O.	(816)	The excess is mainly due to the requirement for general and specialist training being higher than anticipated.
P.	(2,289)	The excess is mainly due to higher than anticipated costs associated with the early withdrawal from the Chad mission.
Q.	481	The saving is mainly due to reduced pharmaceutical costs, and is partly offset by higher than anticipated expenditure on medical equipment.
R.	168	The saving is mainly due to a reduced need for property maintenance and a general reduction in the cost of such contracts.
T.	1,665	Expenditure under this subhead is subject to a number of unpredictable variables, including the number, value and timing of awards and settlements.
U.	(1,276)	The excess is due mainly to employment case legal costs being higher than anticipated.
V.	500	The saving is due to lower than anticipated European Defence Agency costs and common costs relating to EU missions.

4 Receipts

4.1 Appropriations-in-aid

	2010 Estimated €000	2010 Realised €000	2009 Realised €000
1. Receipts from United Nations in respect of overseas allowances, etc.	8,000	7,108	2,667
2. Receipts from EU in respect of fishery protection costs	—	325	—
3. Receipts from banks in respect of cash escort services	9,000	8,839	7,454
4. Receipts from occupation of official quarters	180	166	164
5. Receipts from rations on repayment	900	582	878
6. Receipts from other issues on repayment	80	65	70
7. Receipts for aviation fuel	70	70	142
8. Receipts on discharge by purchase	110	41	23
9. Lands and premises :-			
(a) Rents, etc.	350	423	752
(b) Sales	6,000	4,140	728
10. Sale of surplus stores	200	388	1,457
11. Refunds in respect of services of seconded personnel	120	82	109
12. Miscellaneous	349	593	1,335
13. Receipts from pension-related deduction on public service remuneration	24,500	27,327	23,655
Total	49,859	50,149	39,434

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%.

Heading	Less/(more) than estimated €000	Explanation
1.	892	The shortfall is due to lower than anticipated receipts as a result of the earlier than scheduled withdrawal of troops from the Chad mission.
2.	(325)	The surplus is due to unanticipated recoupments from the European Commission in 2010.
5.	318	The shortfall is due to lower numbers of personnel availing of rations during 2010.
9.(b).	1,860	The shortfall arose due to two property sales not being completed in 2010.
10.	(188)	The surplus is due to the sale of obsolete Irish Defence Force assets in Kosovo following the withdrawal of troops.
12.	(244)	Receipts under this heading are difficult to forecast because there are a number of variable factors involved.
13.	(2,827)	Receipts under this heading are difficult to forecast accurately due to a number of factors including variable allowances paid to military personnel.

4.2 Extra receipts payable to the Exchequer

Other receipts totalling €1,613 were transferred to the exchequer during the year.

5 Employee Numbers and Pay

Overall Totals¹

	2010	2009
Numbers at year end (full time equivalents)	10,634	11,077
	2010	2009
	€000	€000
Pay	441,041	484,769
Higher, special or additional duties allowances	173	203
Overtime	736	887
Shift and roster allowance	156	167
Military allowances	35,025	51,104
Employer's PRSI	38,943	43,115
Total pay	516,074	580,245

Note: The total pay figures above exclude non-pay expenditure charged to some pay subheads.

5a Civil Servants

	2010	2009
Numbers at year end (full time equivalents)	324	344
	2010	2009
	€000	€000
Pay	15,740	17,888
Higher, special or additional duties allowances	102	127
Overtime	103	119
Shift and roster allowance	2	2
Employer's PRSI	534	606
Total pay	16,481	18,742

5a.1 Allowances and Overtime Payments²

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment	Maximum individual payment
			2010	2009
			€	€
Higher, special or additional duties allowances	20	3	19,605	20,616
Overtime	122	—	6,085	17,343
Shift and roster allowance	1	—	1,590	1,911

5b Civilian Employees

	2010	2009
Numbers at year end (full time equivalents)	728	765
	2010	2009
	€000	€000
Pay	26,575	29,733
Higher, special or additional duties allowances	71	76
Overtime	633	768
Shift and roster allowance	154	165
Employer's PRSI	2,748	3,077
Total pay	30,181	33,819

5b.1 Allowances and Overtime Payments²

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment	Maximum individual payment
			2010	2009
			€	€
Higher, special or additional duties allowances	29	—	7,951	8,240
Overtime	241	2	13,912	15,276
Shift and roster allowance	25	4	16,804	18,123

5c Permanent Defence Force (incl. Army Nursing Service and Chaplaincy)

	2010	2009
Numbers at year end	9,582	9,968
	2010	2009
	€000	€000
Pay and military service allowance	398,726	437,148
Overseas allowances	12,727	27,157
Security duty allowances	11,691	12,453
Border duty allowance	4,941	5,460
Patrol duty allowance	3,510	3,918
Miscellaneous allowances	2,156	2,116
Employer's PRSI	35,661	39,432
Total pay	469,412	527,684

5c.1 Allowances²

	Number of recipients	Recipients of of €10,000 or more	Maximum individual payment	Maximum individual payment
			2010	2009
			€	€
Overseas allowances	1,550	464	38,790	89,473
Security duty allowances ³	7,866	39	19,449	20,298
Border duty allowance	1,132	1	10,011	6,652
Patrol duty allowance	764	21	11,839	12,007
Miscellaneous allowances ³	1,668	23	21,456	19,338

¹The overall totals do not include the Civil Defence Board, the Office of the Ombudsman for the Defence Forces and Coiste an Asgard which account for personnel numbers of 32 and total pay and allowances of €1.7m. Each of these bodies produces its own accounts.

²Certain individuals received allowances in more than one category.

³These categories include a number of different allowances and some recipients in each category received more than one allowance and are counted more than once.

6 Miscellaneous Items

6.1 Overseas Missions

This account includes the sums indicated below in respect of the remuneration of military personnel serving with UN and EU peace support operations and various organisations, together with travel and subsistence and transportation costs:

	2010	2009
	€000	€000
UN and EU Missions:		
MINURCAT (Chad - 15 March 2009 to 20 May 2010)	21,217	28,458
KFOR (Kosovo)	7,794	20,104
EUFOR (Bosnia Herzegovina)	3,968	4,079
Other UN and EU Missions (incl. UNTSO, ISAF, UNIFIL, etc.)	3,710	4,098
EUFOR (Chad - to 14 March 2009)	—	13,820
Total	36,689	70,559
Military Staffs (EU, PSC, EUMS, etc.), Brussels	1,879	2,399
Nordic Battle Group	1,392	277
Organisation for Security and Co-operation in Europe	533	659

Of the sum of €36.7m for UN and EU missions, €15.5m relates to missions the full costs of which are borne by the State. The remaining €21.2m relates to MINURCAT in respect of which arrangements for the reimbursement of certain costs have been agreed with the UN. The amount actually received from the UN by way of appropriations-in-aid in 2010 was €7.1m (Note 4.1), of which €2m related to personnel costs, and €5.1m to equipment costs. It is anticipated that further claims will be made on the UN in respect of expenses relating to the withdrawal from Chad.

6.2 Support for Representative Associations

This account includes a total of €458,514 in respect of the remuneration of military officers seconded to representative associations and certain related administrative costs.

6.3 Seconded Staff

This account includes a total of €122,210 in respect of the remuneration of a military officer and a civil servant on secondment.

6.4 Assistance to other Departments

Assistance was rendered without charge to the Garda Síochána in disposing of explosive materials.

Air Corps aircraft were provided without charge to other Government Departments and the Garda Síochána.

This account includes the full operating costs of the Garda fixed-wing aircraft and the pilot costs only of the two Garda helicopters.

Air Corps aircraft were provided without charge to the Health Service Executive for ambulance missions.

6.5 Write-offs

Fourteen cases of damage to military vehicles resulted in the sum of €12,917 being written off.

Seventy-two cases of irrecoverable debts resulted in the sum of €81,770 being written off.

6.6 Carryover to 2011

Under the provisions of section 91 of the Finance Act 2004, €1,500,000 of unspent allocation in respect of the capital element of Subhead L. was carried forward to 2011.

6.7 Personal Injury Claims

At 31 December 2010, there were 804 personal injury claims on hand, of which 646 have been referred to the State Claims Agency.

6.8 Medical Treatment

Institutional and outpatient services were afforded to Defence Forces personnel and to the dependants of enlisted personnel in civilian hospitals without application of the statutory charge and in military hospitals without charge to the Health Service Executive.

6.9 EU Funding

Appropriations-in-aid of €325,051 were received from the EU Fishery Protection Surveillance Programme in respect of expenditure incurred for the conservation and management of fishery resources under subheads H. and J.

