

F200/4/72  
14 February, 1997

**Circular 7/97: Issues of Moneys under Grants-in-Aid and Cash Management Practice**

A Dhuine Uasail

**Introduction**

1. I am directed by the Minister for Finance to refer to the use of grants-in-aid in the light of the Comptroller and Auditor General's Report on the Appropriation Accounts for 1995 in which he drew attention to *Issues of Moneys in advance of Requirements (p. 6)*, with particular reference to advance issues of moneys under grants-in-aid.

2. **In the light of the C & AG's comments, the attention of all Departments and Offices is drawn to the conditions governing grants-in-aid as specified in Finance Confidential Circular 2/86, and as summarised in the recently revised edition of Public Financial Procedures, Section C3.**

3. In particular, Departments are requested to ensure that –

- a) the designation of subheads as grants-in-aid is appropriate in all cases, as explained in this Circular, and
- b) where subheads must be designated as grants-in-aid, all the rules for payment from such subheads are adhered to.

**Grants-in-Aid Criteria**

4. **Departments are reminded that, in general, subheads should only be designated as grants-in-aid if payments are being made to a particular organisation or body where it is appropriate that any unexpended balance of the amount issued to the grantee need not be surrendered at the end of the financial year, and that the expenditure of the funds issued from the subhead need not be accounted for in detail by the Accounting Officer and audited by the C & AG.**

5. Subject to the requirement that it is appropriate to waive the surrender of such balances, **payments from grant-in-aid subheads should only be of two kinds:**

- I. payments to state bodies and other public and voluntary bodies to meet their ordinary running costs. In many such cases, the grant-in-aid represents a significant part of the body's income;
- II. payments in respect of a specific purpose to a public or private agency; this can take the form of a payment to a body to fund the cost of a particular activity undertaken by that body rather than as a contribution to its general running costs.

**TO/ ALL DEPARTMENTS AND OFFICES**

**Grants and Grants-in-Aid**

6. Departments should note that there may be other payments currently made under grants-in-aid which would more appropriately be paid as **grants**. In the case of grants, unexpended

balances should always be surrendered at year-end. **Departments are requested to examine all existing grants-in-aid and to reclassify them as grants where necessary. Departments should contact the relevant Vote sections of Public Expenditure Division in the Department of Finance if they have queries on this.**

7. The C&AG's 1995 Report draws attention to several large capital projects where advance payments were made under grants-in-aid. In these instances, it was not appropriate for payments to be made under grant-in-aid - payments by grant would have been sufficient to make the necessary payments for these projects. In the normal course, unspent moneys must be surrendered to the Exchequer at the end of a capital project; therefore the non-surrender rule applying to grants-in-aid makes them inappropriate for advances to specific capital projects. Departments are reminded that with these projects payments should only be made in accordance with actual expenditure incurred. **In carrying out the review of grants-in-aid, Departments and Offices are particularly requested to examine grants-in-aid to capital projects and to reclassify them as grants, unless there are clear and specific reasons why an exception must be made.**

#### **Issues in Accordance with Need**

8. The C&AG in his 1995 Annual Report (p.6) detailed-several instances that arose in that year in which moneys were issued from grant-in-aid subheads in advance of requirements despite the provisions of para 4(g) of Section C3 of Public Financial Procedures, which are as follows:

"Issues should be made from grant-in-aid subheads by instalments over the year according as needed by the grantee unless otherwise agreed with the Minister for Finance. **Particular care should be taken to avoid over-issues**, especially at the end of the financial year and there should be no automatic issue of the full provision in the subhead without ascertaining if the funds are required to meet the grantee's actual requirements."

9. The Attention of all Accounting Officers is drawn to their obligation to ensure that moneys are not issued until they are needed by the grantee to meet liabilities. It is for Accounting Officers to satisfy themselves that adequate monitoring arrangements are agreed with the grantee to ensure that this condition is met.

10. In this regard, it is essential that Departments ensure that all the terms and conditions set out in Section C3 of Public Financial Procedures relating to the issue of funds from grants-in-aid are adhered to. Particular attention is drawn to the need to agree operating budgets with the grantee which can be used to control the issue of funds (please see Section C3, paras. 4 (h) and (5)

#### **Prescribed Financial Procedure on Matured Liabilities**

11. Departments and Offices are reminded that **the government accounting rules in relation to matured liabilities apply to all Exchequer issues, including issues made from grant-in-aid subheads.** With regard to grant payments, Circular 32/95, which sets out the rules for payments, and Section C5, paras. 4 and 7, of Public Financial Procedures state -

"In the case of grant payments, payment is due when the grant or benefit payment has been fully approved and processed in accordance with the terms and conditions of the particular scheme and when the applicant has fulfilled all the necessary conditions ... To ensure the integrity of the Appropriation Account, all due payments (i.e. matured liabilities) should be settled at year-end and **payments which are not matured should not be brought forward into the current accounting period.**"

#### **Control of Issues at Year-End**

12. The 1995 C&AG's Report drew particular attention to issues made under grants-in-aid at year-end when it was known that the moneys were not immediately required by the bodies in question: **Departments and Offices are instructed to ensure that in cases where moneys are**

**issued to public or private agencies, especially towards the end of the year, it should be ascertained that the moneys are required to meet liabilities which will mature for payment before year-end.**

**Accounts subject to inspection by the C & AG**

13. In notifying a grantee of the purposes and conditions under which grant-in-aid or grant payments are made, Departments should ensure that the grantee is informed of its obligation to make books and accounts available to the C&AG where 50 per cent or more of its total income is received from the Exchequer directly or indirectly.

**Name of Grantee in Subhead**

14. Departments are reminded that the name of the grantee should always be inserted in the subhead description of a grant-in-aid.

**Recovery of Moneys**

15. Departments are reminded that it should be made clear to grantees that moneys can be recovered where the conditions attaching to the issue of funds under the grant-in-aid have not been complied with or the money not spent on the agreed purpose of the grant-in-aid.

**Cash Management Practice**

16. In addition to the foregoing, the minister for Finance has asked that your attention be drawn to his concern that good financial management be exercised in the public sector (Section D of Public Financial Procedures refers) and, in particular, that public bodies should operate optimum cash management practices on a par with best practice in the commercial sector.

17. I would ask you to communicate these concerns to the State bodies under the aegis of your Department and ask them to provide details of the cash management practices in place in their organisations. Your Department should then be in a position to satisfy itself that best practice is being followed in all cases or that, where necessary, action will be taken to bring the arrangements to a satisfactory level.

18. Departments are also asked to examine the manner in which any revenue receipts handled by your Department are handed over to the Exchequer in order to ensure that the Exchequer obtains value for the receipts at the earliest possible time.

**Mise, le meas**

**Philip Furlong**  
**Assistant Secretary**

NB: For Department read Department/Office throughout this Circular