

F7/10/08

21 November 2008

**Circular 25/2008**

**Public Financial Procedures – Suspense Accounts and Agency Services**

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I am directed by the Minister for Finance to draw to your attention the importance of ensuring that the essential features and procedures of financial management as contained in Public Financial Procedures are complied with within your Department/Office. This Circular supersedes Circular 29/2007 as the appendix contains text from Public Financial Procedures, a revised edition of which has just been published.

A fundamental tenet of Government Accounting is that funds should only be charged to a Vote where a liability has matured for payment. Accounting Officers must ensure that their Department/Office observe this requirement and arrange that internal audit units review accounting procedures and systems accordingly to verify that the principle is observed.

In addition, I am directed to draw to your attention the importance of ensuring that requirements in relation to the operation of suspense accounts and agency services are understood within your Department/Office and complied with in full. These requirements are set out in section C.5, paragraphs 20 to 23 and section C.6, paragraphs 6 to 8 of Public Financial Procedures, extracts of which are appended.

Public Financial Procedures is available on the Department of Finance website <http://www.finance.gov.ie> by clicking on the “Public Financial Procedures” link.

Government Accounting Unit, Department of Finance should be contacted by email at [Govacc@finance.gov.ie](mailto:Govacc@finance.gov.ie) for any advice that might be required in relation to the requirements of Public Financial Procedures.

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Carmel Keane  
Head of Finance Directorate

**To: All Accounting Officers**

## Appendix to Department of Finance Circular 25/2008, Extract from Public Financial Procedures

### C.5 Payments and Receipts

#### Suspense Accounts

20. Department of Finance Circular 25/2008 states that: ‘A fundamental tenet of Government Accounting is that funds should only be charged to a Vote where a liability has matured for payment. Accounting Officers must ensure that their Departments/Offices observe this requirement and arrange that internal audit units review accounting procedures and systems accordingly to verify that the principle is observed.’ (This principle also applies to Agency Services payments, *see* Section C6.6.) A suspense account should only be opened in exceptional circumstances and prior approval should always be obtained from the Department of Finance. A suspense account is an account to which items are temporarily charged or credited for any of the following reasons:
- (a) because the proper destination of the charge is not known;
  - (b) because there is uncertainty as to the recording of a receipt, e.g. it is not clear whether a receipt should be accounted for as an appropriation-in-aid or an Exchequer Extra Receipt; the transaction may be temporarily posted to a suspense account pending clarification;
  - (c) because they are not proper to the Vote Account, having already been charged thereto: for example, deductions from pay, such as life insurance premia, are legitimately held in suspense until they are payable at the end of a quarter when a payment to the insurance company is charged to the suspense account;
  - (d) because they are Agency transactions (*see* Section C6);
  - (e) because the correct amount chargeable to the Vote is not known: for example, imprests to staff for travelling expenses when the expected full cost of the travel cannot be gauged precisely;
  - (f) because the expenditure is recoupable, e.g. travel costs which are recoupable from another body. In general, spending should operate on a gross basis, i.e. spend from a subhead rather than from suspense, with any recoupment recorded as appropriations-in-aid.
21. Different kinds of transactions should be recorded in separate suspense accounts. **A suspense account of a general nature is undesirable.**
22. It is accepted that suspense accounts are necessary in certain instances, but their use should be kept to a minimum. Where used, they should be kept under very regular review and cleared as quickly as possible. **Suspense accounts must never be used to facilitate expenditure beyond what has been voted by the Oireachtas.**
23. Any balance in a suspense account at 31 December represents an asset or a liability of the Accounting Officer and requires to be recorded in the Assets and Liabilities Statement, which is included by way of note with the Appropriation Account.

## C6 – Interdepartmental Transactions

### Agency Services

6. A Department may act as agent for another Department in the provision of a service which, although not its primary function, it is better equipped to do than the principal Department from the point of view of economy and convenience. Examples of agency services include:
  - the construction of prisons, which is provided for in the Vote for Prisons, but undertaken by the Office of Public Works on an agency basis for the Department of Justice, Equality & Law Reform;
  - the collection of social insurance contributions by the Revenue Commissioners on an agency basis for the Department of Social and Family Affairs, which administers the Social Insurance Fund.
  
7. The principal Department is responsible for policy governing the transactions. The agent Department is responsible for efficiency and economy in providing the service. Unlike allied services (*see* Paragraphs 3–5 above), agency services do involve financial transactions between the principal and agent Departments, as follows:
  - (a) the agent normally puts the transactions through suspense (*see* Section C5.20), the service being a final charge in the principal's Appropriation Account;
  - (b) the agent may require the principal to provide advances in the nature of imprests from which to meet payments falling due. The principal needs to be satisfied that the amounts of these imprests are appropriate. The amounts charged to the principal's Appropriation Account are those amounts certified by the agent as having been actually disbursed by it in the year of account. (Any unspent balances held by the agent represent a liability in the agent's Appropriation Account and an asset in the principal's Appropriation Account.) Where it may be some time after the end of the year before the agent can determine the precise amounts disbursed, the principal, in order to close its Appropriation Account on 31 December, may bring to charge in the financial year amounts in respect of agency services arrived at on an estimated basis. The estimate, which should be agreed between the Departments, in consultation where necessary with the Comptroller and Auditor General, should be adjusted in the next financial year, when final figures are available;
  - (c) if the expenditure involved is not significant, the agent may make payments in respect of the service from its own Voted moneys on a suspense basis. The agent should secure recoument from the principal within the year in which

the payments are made, in which event the year of payment by the agent will coincide with the year of account by the principal. If the agent fails to seek or secure recoument from the principal until after the close of the year, then the date of payment by the principal will be the date of charge in its Appropriation Account. Once the service has been certified as having been properly delivered, the amounts expended by the agent are matured liabilities in the hands of the principal. It is the responsibility of the principal to ensure that these liabilities are met without delay.

- (d) the agent usually retains the detailed vouchers, etc. in connection with the expenditure, which it certifies as correct to the principal. The latter normally pays the claims on sight;
- (e) the agent is responsible for operating safeguards against fraud, but the principal's Vote must bear any losses arising from the agent's actions;
- (f) a Department may also provide an agency service for a departmental fund (e.g. Social Insurance Fund) or a body other than a Government Department. In such cases, and where a Department provides for another Department an agency service which is outside its usual range of activities, the agent Department should recover its administrative overheads. Where expenditure is involved, the agent Department should be funded in advance by the principal.

## **8. Other Agency Services**

A number of special agencies provide services to other State authorities, including Government Departments. The types of services include:

- procurement of PPP projects on behalf of designated State authorities by the National Development Finance Agency (*see* Section A7.6) in accordance with the National Development Finance Agency (Amendment) Act 2007;
- management of personal injury and property damage claims against State authorities by the State Claims Agency (*see* Section A7.7) under the National Treasury Management Agency (Amendment) Act 2000;
- delivery of certain Government programmes, promoted by Departments, by Pobal, a not-for-profit company with charitable status