

Requirements for Grants and Grants-in-Aid

To each Accounting Officer

- **This circular consolidates requirements for grants and grants-in-aid, replacing Circular 2/86: Grants-in-Aid; and Circulars 7/97 and 27/08: Issues of Moneys under Grants-in-Aid and Cash Management Practice.**
- **It includes new reporting requirements for the financial statements of grantees (paragraphs 3-5).**

Introduction

1. I am directed by the Minister for Finance to refer to expenditure of public funds by way of grants and grants-in-aid and to issue the following revised instructions in place of this Department's Confidential Circulars Nos. 2/86, 7/97 and 27/08, which are now cancelled.

This circular includes new requirements under which grantees will be required to report in their financial statements on grants/grants-in-aid received.

2. The requirements of this circular apply to Grant and Grant-in-Aid payments, with particular reference to financial provision provided for a particular activity or service administered by an outside body. An illustrative checklist is attached at Appendix 1, which may be of assistance to managers of grant and grant-in-aid subheads.

Section I: New Requirements: Reporting of government grants and grants-in-aid by grantees

3. Grant makers are required to make it a condition of funding that grantees report in their financial statements;

- (a) The name of the grant making agency, specifying the exact title that is to be used in the report (e.g. Department of Environment, Heritage & Local Government, Health Service Executive etc.) Where the grant making agency is not a Government Department e.g. Pobal, the sponsoring Government Department must also be recorded.
- (b) The actual name of the grant programme e.g. Leader Programme, Local Community Development Programme,
- (c) The amount and term (Period) of the total grant and the amount of grant accounted for in the current financial statements if it is less than the entire amount,
- (d) Where relevant, the amount of capital provided and the reporting policies being used in relation to current and future instalments, and
- (e) Whether and how the use of the grant is restricted (i.e. is it for a particular project, or for the delivery of a service).

4. In notifying a grantee of the purposes and conditions under which grant or grant-in-aid payments are being made for 2011 and forward, Departments (and Agencies) should ensure that the grantee is informed of this new requirement for disclosure. The provisions of the circular apply to the movement of funding from the Vote to the outside body and to any/all

onward movements of the funding. The objective is to ensure that all Exchequer funded grants and grants-in-aid are identified in the financial statements of the grantee.

5. I would ask you to communicate these requirements to the State bodies or other grantor agencies, such as Pobal, under the aegis of your Department and ask them to ensure application of the Circular in respect of Grant/Grant-in-Aid funding that they provide to grantees.

Section II: Grants

Subhead Management

6. In addition to covering the ordinary services administered directly by a government department, a Vote may contain financial provision for a particular activity or service administered by an outside body in the form of a grant. Grants of this nature are subject to all the usual restrictions for the management of and payment from a subhead (e.g. they have to be fully vouched and accounted for to the Comptroller and Auditor General) and any balance held by a recipient of a grant that remains unexpended at the end of the year must be surrendered.

Accounts of Grantees

7. Grantees are required to report in their financial statements, where they produce such statements, on grants received – see paragraphs 3-5.

Matured Liabilities

8. Government accounting rules with regard to matured liabilities apply to all Exchequer issues, including issues from grant and grant-in-aid subheads. (Circular 26/08: Payments (Matured Liabilities) and Section C5.4 and C5.7 of Public Financial Procedures). In the case of grant payments, payment is due when the grant/benefit payment is fully approved and processed in accordance with the particular scheme's terms and conditions and when the applicant has fulfilled all 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.

Cash Limited Grant Schemes

9. Allocations may be transferred, by 'virement', between grant subheads, **except** for cash-limited grant schemes. The use of virement to create/increase a cash-limited grant scheme is not permissible. Where virement is permissible, i.e. where a cash limit is not required, the prior approval of the Department of Finance should always be sought.

Section III: Grants-in Aid

Section A below (paragraphs 12-37) outlines the general rules for grant-in-aid. Section B (paragraphs 38-43) highlights additional requirements for grant-in-aid provided for funding of state bodies or agencies established to carry out particular functions on behalf of the State. Accounting Officers should ensure that the requirements of paragraphs 27-31 have been met before making any issue from a grant-in-aid.

Features of Grant-in-Aid

10. Payments from grant-in-aid subheads should only be of two kinds:

- a. 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;

- b. 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.

11. Grants-in-aid differ from other voted grants in that:

- (a) any unexpended balance of the sums issued from it is not liable to surrender to the Exchequer;
- (b) expenditure of sums issued from it need not be accounted for in detail by the Accounting Officer;
- (c) expenditure is not required to be audited by the Comptroller and Auditor General. (In practice however the bulk of grant-in-aid expenditure is audited by the Comptroller and Auditor General).

A: General rules applicable to all grants-in-aid.

12. The following rules apply to all grants-in-aid unless otherwise prescribed by the Minister for Finance in a particular case:-

Application of Rules

13. Details of how each Department applies instructions regarding issues from grant-in-aid subheads should be available to the Department of Finance.

Ambit:

14. Where a Vote includes a grant-in-aid, this should be indicated in the ambit of the Vote.

Subhead

15. Each grant-in-aid should be presented as a separate subhead in the Vote.

16. A grant-in-aid should be payable to a body, corporate or incorporate, which should be named in the subhead.

17. Where issues to a number of different payees are involved, a grant-in-aid may be payable to a named account administered by the Department concerned from which payments are made in due course. The purpose of this account should always be stated in and account details appended to the Appropriation Account of the relevant Vote.

18. Where the payee is a body, corporate or incorporate, the subhead should state whether the grant-in-aid is for general purposes or for a particular purpose. In the latter event, the purpose should be stated. As outlined in paragraph 17, where the payee is a departmental account, the purpose should always be stated.

19. Current and capital grants-in-aid for the same body can be contained in the same subhead. See paragraph 20 below regarding capital expenditure.

Grant-in-aid for capital purposes

20. In general, 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. With these projects, payments should only be made in accordance with actual expenditure incurred.

Appropriation Accounts

21. Details of any departmental account to administer grants to different payees should be appended to the Appropriation Account of the relevant Vote.

Regular review to meet grant-in-aid criteria

22. Given the special nature of grants-in-aid, the Oireachtas should not be asked to provide moneys in this form without good reason for not requiring the surrender of unexpended balances or it is clear that accounting in detail to the Comptroller and Auditor General would not be appropriate.

23. Each year when preparing annual Estimates, provisions previously treated as grants-in-aid should be reviewed to ascertain whether such treatment should continue and the necessary changes incorporated in the Estimates Volume. This examination should be a continuing process with a view to converting, where appropriate, existing grants-in-aid into ordinary-grants.

Audit Arrangements

24. Where the creation of a new grant-in-aid is being proposed by a Department and it is not intended to appoint the Comptroller and Auditor General as auditor to the grantee, that Department should, when submitting the proposal, give the reasons why such an appointment is not considered appropriate.

25. A note should be appended to the Vote saying whether or not the accounts of the grantee are subject to examination by the Comptroller and Auditor General.

Right of Inspection

26. The Comptroller and Auditor General should have the right to inspect the books of grantees unless a clear statement to the contrary is contained in the Estimate presented to and agreed to by the Dail. Where the Comptroller and Auditor General need not be given this right, the required statement must be included in any draft estimate (including any supplementary or additional estimate) submitted to this Department. See paragraphs 29-31 on Accounts of Grantee.

Accounting Officers should ensure that the requirements of paragraphs 27 -31 have been met before making any issue from a grant-in-aid.

Grantee Notification

27. The Accounting Officer should notify the grantee of the purposes and conditions under which the money will be issued to ensure that the grantee is fully aware of their responsibility in connection with the subsequent disposal of such moneys (this includes the new requirements at para for grantees to provide details in their financial statements of grants received);

Administrative and Control Requirements

28. The Accounting Officer should be satisfied that the accounting system and organisational arrangements of the grantee are adequate to ensure the proper administration of the money.

Accounts of Grantee

29. Arrangements should be in place for the submission of accounts for audit without delay after the end of the financial year. The Accounting Officer should obtain in due course a copy of the grantees audited accounts for the year in which the issue is made;

30. The grantee must submit a separate account of the expenditure where the grant-in-aid is for a specific purpose.

31. Arrangements should be made that the grantee's books and accounts will be made available, if required, for examination by the Comptroller and Auditor General where the grant-in-aid represents the greater part of the total income of a grantee. (In notifying a grantee of the purposes/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).

Issues by Instalments

32. 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.

Cash Flow Statements

33. Departments should obtain cash flow statements from grantees before deciding on issues from a grant-in-aid subhead and should subsequently check on their accuracy.

34. Avoidance of over-issues

Particular care should be taken to avoid over-issues, especially at the end of the financial year and there should be no automatic issue or the full provision in the subhead without ascertaining if the funds are required to meet the grantee's actual requirements.

(Recovery of) Premature or Excess payments

35. Where it transpires that grantees have obtained moneys from the Exchequer before they are actually needed, Departments should take appropriate action, including, if necessary, the refund to the Exchequer of the premature or excess payments.

36. The manner in which each Department applies or proposes to apply this instruction regarding issues from grant-in-aid subheads requires the approval of the Department of Finance.

Excesses

37. No excess may be incurred on a grant-in-aid subhead. The Minister for Finance will not sanction the use of savings on a grant-in-aid subhead of a Vote to meet excesses on other subheads unless satisfied the saving is real and not merely a postponement of expenditure.

B: Additional rules covering certain grant-in-aid provided for the funding of state bodies or agencies established to carry out particular functions on behalf of the State.

38. Some Grants-in-Aid are provided for the funding of state bodies or agencies which carry out particular functions on behalf of the State. Although deriving all, or most, of their revenue from public funds such agencies have a measure of independence which makes the more detailed financial control applicable to Government Departments inappropriate in their case. The accounts of these agencies are normally audited by the Comptroller and Auditor General. The following instructions apply to grants-in-aid to such agencies:

Operating Budgets

39. As a prelude to formulating estimates demands each year, (i) proposed operating budgets should be submitted by agencies to parent Departments and forwarded to the Department of Finance as required in the annual estimates process. (ii) Operating budgets covering the main agency activities should be published in the Estimates Volume as an appendix to the Vote.

Monitoring

40. During each financial year, agency activities and expenditures should be closely monitored to ensure operating budgets are observed and that no expenditure is incurred, or commitments entered into, that will lead to additional unapproved demands on the Exchequer.

Borrowing and Overdrafts

41. Having regard to relevant statutory/other regulations all agency borrowing/overdrafts must have advance approved in advance by the parent Department and should subsequently be strictly controlled and monitored; before approval issues, the prior sanction of the Minister for Finance must be obtained.

Changes in Policies/Activities

42. No agency should change policies significantly, engage in substantial new activities or a major change in existing activities without prior consent of the parent Minister and, when such a change has financial or economic implications, the Minister for Finance.

Notification of Agencies

43. Ensure that all agencies have been formally notified of the instruction at 38 and 39 above.


Comments, Observations, Queries

Government Accounting Section welcomes your queries or any constructive comments or observations you have on the implementation of this Circular at – govacc@finance.gov.ie. Please use - **Circular 17/2010** - in the subject line of your email.

Government Accounting
Department of Finance

Appendix 1: Illustrative checklist for grants/grant-in-aid

This checklist is not exhaustive. Managers of grant/grant-in-aid should consider operating a comprehensive checklist relevant for the type of grant/grant-in-aid funding they manage.

Grant/Grant-in-Aid Checklist		Reference
<i>Circular 17/2010</i>		<i>Paragraph</i>
Has the grant-in-aid been reflected in the Ambit?		14
Is the grant-in-aid represented as a separate subhead?		15
Is the recipient body named in the subhead description?		16
Does the subhead description reflect the purpose of the grant-in-aid (whether general or particular?)		18
Has the grantee been advised of all conditions attached?		27
Is this a cash limited grant scheme?		9
Is the grantee's account subject to examination by the C&AG?		24,25,26,28,31
Are cash flow statements obtained?		33
Are monitoring arrangements in place?		40
Is a grant-in-aid classification still appropriate?		20,22,23