Ref: DPE 022/020/2014
December 2014

To Accounting Officers

Circular 17/14: Requirements for Appropriation Accounts 2014

A Dhuine Uasail,

1. I am directed by the Minister for Public Expenditure and Reform to refer to existing arrangements for the preparation of Appropriation Accounts and to advise of the following requirements which apply for the Appropriation Accounts 2014.

(A) ***Statement of Accounting Policies and Principles***
All Government Departments, Offices and other Vote holders, are required to prepare the Appropriation Account for the year ended 31 December 2014 and all subsequent years in accordance with the accounting policies set out in Section A; changes and points of clarification are highlighted.

In particular, the requirements for a new note regarding Accrued Exchequer Pay and Pensions is detailed.

(B) ***Format of the Appropriation Account***
All Government Departments, Offices and Vote holders are required to prepare their Appropriation Account in a format consistent with their Estimate presentation– see Section B; changes and points of clarification are highlighted.

(C) An illustrative Appropriation Account is included at section C.

2. These instructions supersede those contained in Department of Public Expenditure and Reform Circular 17/2013.

3. Further information is available in the Guidance Manual (2012 and 2013 editions available on website, 2014 edition to be published in January 2015).

4. Queries on the application of this circular should be directed to Government Accounting Section, Department of Public Expenditure & Reform at govacc@per.gov.ie. The Circular is available on www.govacc.per.gov.ie.

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David Moloney
Assistant Secretary

Section A: Statement of Accounting Policies and Principles

Basis of Accounts

Appropriation accounts, showing the financial transactions of Government departments, are prepared in accordance with the Exchequer and Audit Departments Act, 1866 (as amended by the Comptroller and Auditor General (Amendment) Act, 1993) and with accounting rules and procedures laid down by the Minister for Public Expenditure and Reform.

The accounts are a cash-based record of the receipts and payments in the year compared with the amounts provided under the Appropriation Act. The accounts also show prior year figures for comparison purposes. Some information of an accruals nature is included in the notes to the accounts.

Departments are reminded to provide a note highlighting any departure from the accounting policies in the Accounting Officer's introduction to the appropriation account

Reporting Period

The reporting period is the year ended 31 December 2014.

Receipts

As a general rule, all revenues of the State are paid into the Central Fund.

Departmental receipts fall into two categories: they may be appropriated in aid of expenditure borne on a Vote or they must be surrendered directly to the Central Fund as Exchequer Extra Receipts. The approval of the Department of Public Expenditure and Reform should always be obtained before determining whether to treat a particular type of receipt as an appropriation-in-aid or an Exchequer Extra Receipt.

Appropriations in aid are receipts that may, under section 2 of the Public Accounts and Charges Act, 1891, be used to meet expenditure to the extent authorised by the annual Appropriation Act. In general, these are receipts arising in the normal course of a department's business under the Vote.

The Department of Public Expenditure and Reform requires certain receipts of departments to be credited directly to the Exchequer as 'extra' receipts. In general, these are receipts that have no direct connection with the Vote expenditure or are 'windfall' receipts. Such extra receipts may not be used to meet expenditure from the Vote. Where they arise, they are reported in a note to the appropriation account (Note 4).

Departments are required to provide a breakdown of the Exchequer Extra Receipts and an explanation where the amounts are material in nature. In addition, Departments are required to disclose both the amounts lodged to the Exchequer (Sundry Moneys Deposit Account) and the amounts payable (amounts not yet transferred over), where the amounts are not the same.

From 2014, Departments are required to present the breakdown of the Exchequer Extra Receipts on an opening balance/ closing balance basis. An example of the format to be used is included in the Illustrative Example in Section C.

Payments

Payments consist of those sums which have come in course of payment during the year. Sums are deemed to have come in course of payment where the liability has been incurred, payment is due and the instruction for the payment has been executed.

Where a liability has been incurred and payment is due (i.e. the liability has matured), payment should be completed before the year end to ensure the integrity of the appropriation account. In cases where payment has not been effected and matured liabilities are outstanding at year end, the amount of such liabilities should be given in a note to the account (Note 2).

Note: Where a Department is acting as an agent for another Department resulting in financial transactions between the principal and agent, the general rule is that the agent should put the transaction through suspense, the service being a final charge in the principal's Appropriation Account.

In such situations where the agent requires the principal to provide advance funding to enable payment to be made, only amounts certified by the agent as having been disbursed by it in the year of account should be charged to the principal's appropriation account.

Accruals[1]

Each appropriation account incorporates information of an accruals nature in the notes to the account, including;

- an operating cost statement (Note 1), showing the total amount of resources consumed by the department in the year,
- a balance sheet showing the department's assets and liabilities at year end (Note 2), and
- explanatory notes including details regarding capital assets, capital assets under development, the net liability to the Exchequer, and commitments.

The balance sheet includes the position at year-end in relation to the following;

- **Accrued expenses** — these represent all liabilities at the balance sheet date with the exception of liabilities in regard to remuneration and pensions. In the case of goods and services, an accrued liability is recognised when the payee has met the contractual requirement to provide the goods or services ordered. Amounts due for goods delivered, but not yet paid for, even if un-inspected and not taken to stock, are treated as a liability. In the case of grants, a liability is recognised when the grantee has met all the requirements of the grant scheme but has yet to receive payment. Travel and subsistence liabilities are recognised when travel has been completed.
- **Prepayments** — these are payments made during the year of account to meet expenses which will arise in whole or in part in a subsequent financial year.
- **Accrued income** — this is income due to the department at the end of the year of account which has yet to be received.
- **Deferred income** — this represents income received by the department during the year of account for goods/ services which it has yet to provide.

[1] In this statement, the term 'department' includes central Government departments, offices and agencies responsible for Vote management and accounting.

Additional Note for 2014 and following;

Accrued Exchequer Pay and Pensions

In line with the information required as part of the 2015 Revised Estimate process, information should be provided on accrued pay and pension liabilities. Detail is required for 2013, 2014 and 2015 in respect of the accrued liabilities for Exchequer pay and Exchequer pensions, both gross and net of pension related deduction. As outlined as part of the REV process, this requires that the first payroll for 2014, 2015 and 2016 be time apportioned between the cost arising in the year in which payment was/is to be made and the cost arising in the preceding year. The appropriate portion of the cost relating to 1 January 2015 payroll should be included in the accrued liability for the end of 2014. The advance payment made on 31 December 2014 should not be netted off that amount. This detail is required at Vote level and is not required by programme or subhead.

This information is required to facilitate national statistical reporting, by providing the detail necessary to restate cash based costs to an accruals basis, for deficit purposes.

Capital Assets

The opening and closing values of capital assets on a department's asset register and details of depreciation are shown by way of note to the balance sheet.

The following are not included in the statement of capital assets

- assets worth less than €318 acquired from 1 January 1995 to 31 December 2003, or assets worth less that €1,000 acquired since 1 January 2004.
- heritage assets, the value of which cannot be adequately expressed in financial terms.

Valuation of Assets

Land and Buildings
All lands and buildings owned by the State and controlled or managed by a department are included in the balance sheet (and capital assets note). Where relevant, the basis of valuation of land and buildings is explained in the Accounting Officer's introduction to the appropriation account.

Where land and buildings are (a) vested in the Office of Public Works or (b) vested in a Minister but in fact controlled/managed by the Office of Public Works, they are included in the account for that Office. Otherwise, they appear in the account for the relevant department.

Where lands or buildings are vested in a Minister but are, in fact, controlled/managed by an outside body, they are not included as assets of the department, but the ownership of the asset is noted in the department's account.

Departments that cannot provide valuations for State-owned lands and buildings controlled or managed by them should append to the Appropriation Account a schedule of these assets. An example of the format to be used is included in the Illustrative Example in Section C.

Equipment, Furniture and Fittings
Since 1995 all equipment, furniture and fittings are valued at cost.

Other Assets
Where required, accounting policies in respect of valuation of other assets (e.g. specialised vehicles) are set out in the Accounting Officer's introduction to the appropriation account.

Depreciation
Land is not depreciated. Where relevant, buildings are depreciated as indicated in the Accounting Officer's introduction to the appropriation account.

Equipment, furniture and fittings are depreciated on a straight-line basis at the following annual rates over their estimated useful lives:

- furniture and fittings, and telecommunications equipment – 10%
- IT equipment and software, scientific and laboratory equipment and other office machinery – 20%
- major operational software systems - 10%.

Where required, other capital items are depreciated as indicated in the Accounting Officer's introduction to the appropriation account.

Capital Assets under Development

A statement on capital assets under development is provided as a note to the balance sheet. It shows cash payments on assets being developed within the department, *e.g.* software development or construction projects, which were not yet recognised as assets at the start of the year of account.

Stocks

Consumables are stated at the lower of cost or departmental valuations.

Net Liability to the Exchequer

The net liability to the Exchequer Note shows the funding position of the Vote at the balance sheet date taking account of the surplus to surrender and the issues from the Exchequer on a cumulative/rolling basis. The breakdown of that figure in terms of bank/cash balances, debtors' receipts due and current liabilities is also shown.

Commitments

A commitment is a contractual obligation to pay on delivery for goods or services which have yet to be supplied at year-end. In the case of grant schemes, a commitment is recognised when the grant is approved but the grantee has yet to fulfil the requirements of the scheme.

A note provides figures for contractual commitments likely to materialise in the subsequent years under (a) procurement and (b) grant subheads, excluding commitments under €10,000.

A separate note is provided giving details of any multi-annual capital commitments over €6,350,000.

Where the commitment has increased by more than €500,000 (due to increased or decreased commitments) compared with the previous year, the reason for the movement should be explained. An example of the format to be used is included in the Illustrative Example in Section C.

Contingent Liabilities

A contingent liability arises in any situation where past or current actions or events create a risk of a call on the Exchequer funds in the future. Contingent liabilities are not recognised in the account but are disclosed by way of a note unless the possibility of an outflow of resources is remote.

Public Private Partnerships (PPP)

PPP's take a number of forms including design build operate (DBO); design build operate and finance (DBOF); concession design build and finance (BDF) and operate only.

Typically under the contractual arrangements for PPP projects, the State remunerates the private sector partner – subject to satisfactory performance – for some or all of the costs incurred in the design, build, operation, maintenance and/or financing of the asset, as appropriate. This remuneration generally takes the form of regular unitary payments to the private sector partner over the term of the contract and is usually made from a designated PPP subhead in departmental Votes. In some instances the State may also pay a capital grant to the private sector partner over the construction period; such a payment would be made from the relevant capital subhead in departmental Votes. In a concession project, the private sector is remunerated, in whole or in part, by user charges, such as tolls.

Superannuation

Superannuation payments for retired civil servants, Gardaí, teachers, army personnel and Health Service Executive and former Health Board personnel are met on a current basis from Votes 12, 20, 26, 35 and 39, respectively. Direct provision for superannuation does not appear in the appropriation accounts of other Votes.

Foreign Currency Transactions

Transactions arising in foreign currencies are translated into Euro at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the year-end rates of exchange.

Other Notes to the Accounts

General Principles
In general, the other notes to the appropriation accounts aim to draw the attention of Dáil Éireann and of the Committee of Public Accounts to matters bearing on parliamentary control, or to provide fuller information about material transactions of an unusual nature recorded in the account e.g. losses, special or *ex gratia* payments, and extra remuneration. Except in the cases outlined below, notes are provided where an individual transaction, or a category of transactions taken together, involves a sum of €50,000 or more.

Where amounts lower than the threshold values are involved, notes are also provided where a serious issue of principle arises or where the Comptroller and Auditor General or the Department of Public Expenditure and Reform considers that a note should be given.

Legal Costs
In cases where cumulative legal costs incurred in the year of account exceed €50,000, (i.e. in situations where legal costs, in total, have exceeded €50,000 or where a single case exceeds €50,000) a note is to be provided with a breakdown of the total costs into;

- Legal fees, and
- compensation paid.

Variations from Grant
Note 3 shows the usual explanations of variations on outturn versus provision (original and supplementary).

In cases where payments from a subhead vary from the grant, a note is provided where the variation

- is €100,000 or more and
- represents 5% or more of the subhead (25% in the case of administration subheads)

or

- a significant variation that does not meet the above criteria but which warrants explanation.

Notes in relation to variations in the categories of appropriations in aid are included on a similar basis.

Extra Remuneration
In the case of extra remuneration, the details given (Note 5) include the total amount paid under each category, the total number of recipients, the number of individuals that received €10,000 or more, and the maximum individual payment, if over €10,000. Severance/redundancy amounts should also be disclosed where material.

Late Payments
In the case of interest payments under the Late Payment in Commercial Transactions Regulations, 2012, information is supplied (Note 6) where;

- the total of interest payments due was €10,000 or more or an individual payment was €10,000 or more.

Fraud or Suspected Fraud
In the case of losses due to fraud, suspected fraud or suspected irregularities, information is supplied (Note 6) where;

- the total of losses during the accounting period were €10,000 or more, or
- an individual loss was €10,000 or more, or
- for losses under €10,000, a serious issue of principle arises or where the Comptroller and Auditor General or the Department of Public Expenditure and Reform considers that a disclosure should be made.

Commissions and Special Inquiries
Where appropriate, Miscellaneous Notes (Note 6) include a statement of expenditure on each Commission or Special Inquiry financed from the Vote. Where a Committee, Commission or Inquiry has been established on a temporary basis, the total expenditure since its establishment is also given.

From 2014, to ensure consistency across Votes, this Note is to be split into;
(1) Ad hoc, fixed term or fixed purpose commissions, etc., and
(2) Permanent commissions, or ones where the existence is open-ended.

Petty Cash
Amounts relating to petty cash are included in the PMG balance disclosure.

Bank and Cash **(policy clarification for 2014)**
'Bank and cash' should include all commercial bank account balances (payroll and other vote related accounts) held at the year-end which are funded by the Exchequer through voted expenditure or contain receipts due to be deposited back to the Exchequer as Appropriations-in-Aid.

The note should separately identify PMG from commercial bank accounts.

Where this results in comparative figures being reclassified then an explanation should be given in the Introduction to the Statement of Accounting Policies and Principles.

Grant-in-Aid Fund and Miscellaneous Accounts
Where relevant, accounts of grant-in-aid funds financed from the Vote and of other miscellaneous accounts are presented in Note 8.

Section B: Format of Appropriation Accounts

All Government Departments, Offices and Vote holders are required to prepare their Appropriation Account in a format consistent with their Estimate presentation.

1. Introduction

Each Appropriation Account will start with an introductory note by the Accounting Officer which incorporates the ambit of the Vote, the statutory basis of the Account and a formal statement by the Accounting Officer tying the Account to the standard Statement of Accounting Policies and Principles as well as to the Statement on Internal Financial Control (SIFC).

The introductory paragraph gives the Accounting Officer an opportunity to include other information that will be of interest to the reader such as receipt or loss of significant functional areas, subsequent sale of fixed assets or other relevant post balance sheet events.

Surplus to be surrendered

As well as its appearance on the face of the Appropriation Account and in Notes to the Balance Sheet, the introductory paragraph will now include reference to the "surplus to be surrendered".

Any exceptions to the standard accounting policies will also be included here.

Statement on Internal Financial Control

Maintenance of the system of internal financial controls is a continuous process and the system and its effectiveness should be kept under on-going review. Accounting Officers should include for the current year all relevant control elements which are in use under the Vote.

The statement should also outline any significant financial risks particularly relevant to the vote (e.g. control over the raising and collection of fines) together with the specific control responses. The statement may also explain (where appropriate) any enhancements to internal financial controls.

Note: Where Departments are in receipt of shared services, the following text or similar should be included in the Statement-

"I have fulfilled my responsibilities in relation to the requirements of the Service Management Agreement between this Department/Office and the National Shared Service Office for the provision of (e.g. HR) shared service.

I rely on a letter of assurance from the Accounting Officer of the Vote for Shared Services that the appropriate controls are exercised in the provision of shared services to this Department/Office."

The Statement includes a **statement on compliance with procurement guidelines**. Departments are required to confirm compliance with all relevant guidelines regarding procurement, and to provide details of any exceptions. In particular, Departments should detail the number and value of contracts which are not compliant, which guidelines they are not compliant with and what measures are in place to bring procurement into compliance.

Note: following the publication of Circular 17/2013, the wording of the statement on compliance with procurement guidelines was changed to better reflect the recently published "Revision of arrangements concerning the use of Central Contracts put in place by the National Procurement Service". This change was communicated via the Guidance Manual for 2013.

On this basis, the sentence in Circular 17/2013 "*the Department is compliant with all relevant guidelines regarding procurement and is complying with all circulars relating to the mandatory* *use of framework agreements and contracts*" was replaced with "*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*".

The signature of the Accounting Officer will follow the introduction.

2. Audit Certificate

The Audit Certificate will follow the Accounting Officer's introductory note.

3. Appropriation Account

a) The Appropriation Account itself will be presented without the ambit text in the heading (now in the introductory note).

b) The Appropriation Account will be presented in a format consistent with the presentation of the Estimate and with the inclusion of the outturn for the prior year in the third column of the Account. Comparative data for the prior year will also be included in the notes where appropriate.

c) All supplementary and deferred figures should be included.

4. Order of the Notes to the Appropriation Account

The sequence of the Notes to the Account will be such that related information is presented together and similar information appears in the same place in the Account of each Vote. There will be 7 main notes as follows:

a) **Note 1** will be the Operating Cost Statement (OCS), which will show total expenditure first divided into Programme cost, Pay cost and Non-Pay cost. The deduction for A-in-A will be taken after the total Programme expenditure (cash and non-cash) has been derived so as to give a net programme cost.

   A sub-note to Note 1, Net Allied Services, details the expenditure amount in relation to the Department which is borne elsewhere.

   Departments are required to include actual figures where possible rather than the previous practice of estimated expenditure. It will not be an absolute requirement in recognition of the fact that some services would require a complex costing system and the effort involved would far outweigh the benefit of doing this.

   However, in addition, both the providers and receivers of allied services are reminded to ensure that for the 2014 account the allied services are still relevant and that the breakdown across Departments is provided using an up to date and reasonable method of calculation/apportionment.

   Estimated expenditure, and expenditure which is an apportionment, should be highlighted by an "e" in the adjacent column. Please see the Illustrative Example in Section C.

b) **Note 2** will be the Balance Sheet (formerly the Statement of Assets and Liabilities) and will be followed by a number of sub-notes which will give details of the main components, such as, capital assets, assets under development, stocks and stores, commitments, outstanding matured liabilities, etc.

   A sub-note to Note 2, State Funding Account, reconciles the movement in the State Funding Account from the prior year to the current year and details where the funding has come from. Please see the Illustrative Example in Section C.

c) **Note 3** will show the usual explanations of variations on outturn versus provision (original and supplementary) for each programme subhead and should be meaningful.

Departments are reminded that the explanations should be meaningful, and should supplement rather than reiterate the information contained in the Appropriation Account. Departments are also required to provide an explanation where small variations at subhead level lead to a large variation at programme level and also, if applicable, to the "Analysis of Administrative Expenditure" table on the face of the account. In addition, information regarding supplementary estimates should be provided. Please see the Illustrative Example in Section C.

d) **Note 4** will deal with Receipts in two sub-notes: 4.1 - Appropriations-in-Aid and 4.2 - Exchequer Extra Receipts. The usual explanation of variations will be provided in respect of Appropriations-in-Aid. A breakdown/explanation is to be provided also where the Extra Receipts are material in nature.

In addition, Departments are required to disclose both the amounts lodged to the Exchequer (Sundry Moneys Deposit Account) and the amounts payable (amounts not yet transferred over), where the amounts are not the same.

e) **Note 5** will deal with Employee Numbers and Pay: The first part of the note will give an overall view, providing figures in respect of a) total number of staff (with reference to the figure disclosed in the Revised Estimate which is, in turn, linked to the ECF for the Vote) at year end, and b) total pay arising from the employment of staff disclosed under part a), as well as total allowances, overtime and employer PRSI. This will be followed by sub-notes giving the usual details of allowances and overtime, performance and merit pay, redundancy and severance pay and other remuneration arrangements.

In cases where the Exchequer pay figure as is disclosed in the Revised Estimates does not represent the totality of pay for the staff numbers disclosed under Note 5 a), a footnote to this effect should be provided.

A similar footnote is included in the Estimates, and the following indicative wording is proposed: "*These figures include a number of Non-Commercial State Agencies that are not in direct receipt of Exchequer funding but whose staff are included under Note 5 a*)".

f) **Note 6** – Miscellaneous Items will bring together the remaining Vote specific notes for example write-offs, compensation payments, EU funding, cost of Commissions and Enquiries, Late Payment Interest, National Lottery funding, Legal costs breakdown, Fraud and suspect fraud, contingent liabilities, etc.

g) **Note 7 – Accrued Exchequer Pay and Pensions.** This note should include detail in respect of accrued Exchequer pay and pensions liabilities at year-end. Detail is required for 2013, 2014 and 2015 in respect of the accrued liabilities for Exchequer pay and Exchequer pensions, both gross and net of pension related deduction. As outlined as part of the REV process, this requires that the first payroll for 2014, 2015 and 2016 be time apportioned between the cost arising in the year in which payment was/is to be made and the cost arising in the preceding year. The appropriate portion of the cost relating to 1 January 2015 payroll should be included in the accrued liability for the end of 2014. The advance payment made on 31 December 2014 should not be netted off that amount. This detail is required at Vote level and is not required by programme or subhead. This information is required to facilitate national statistical reporting, by providing the detail necessary to restate cash based costs to an accruals basis, for deficit purposes.

h) Detailed lists of National Lottery funded grants will no longer appear with the Appropriation Account. Instead, a short sub-note should appear under note 6 giving the total amount(s) of payments made to promoters of National Lottery funding eligible charities. The note should indicate that these payments may have been part funded by the National Lottery and that the detail list(s) of grants provided are available on the relevant Department website.

i) If additional notes are required with an Account, for example, miscellaneous accounts or grant-in-aid accounts, these should in future appear as Note 8, etc.

j) Where the Appropriation Account of a Vote does not have a requirement for one or more of the main notes, for example, Note 1- Operating Statement, the note reference should remain (to maintain the number sequence across Votes) but with a comment to the effect that the note is not applicable.