

Confidential Circular No. 2/86**GRANTS-IN-AID****To each Accounting Officer**

1. **Introduction.** I am directed by the Minister for Finance to state that he has reviewed the expenditures of public funds by way of grants-in-aid and as decided to issue the following revised instructions in place of the existing instructions in this Department's Confidential Circulars Nos. 2/72 and 2/74 which are hereby cancelled. The new elements in the revised instructions are contained in paragraphs 3(vi) (c), 3(vii), 3(ix) and 4.

2. **General.** As you are aware, a grant-in-aid differs 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
 - I. accounted for in detail by the Accounting Officer;
 - II. audited by the Comptroller and Auditor General. (In practise however the bulk of grant-in-aid expenditure is audited by the Comptroller and Auditor General).

It is not proposed to alter these features of grants-in-aid.

In revising the rules governing grants-in-aid, special attention has been paid to that category of grants-in-aid which funds State bodies or agencies established to carry out particular functions on behalf of the State and the additional instructions set out at paragraph 4 below will apply to this category. It is of course open to Departments to impose additional conditions if this is considered necessary.

3. **General rules applicable to all grants-in-aid.** In future the Following rules will apply to all grants-in-aid unless otherwise prescribed by the Minister for Finance in a particular case:-

- I. Where a Vote includes a grant-in-aid, this should be indicated in the ambit of the Vote.
- II. Each grant-in-aid should be presented as a separate subhead in the vote
- III. A grant-in-aid should be payable to a body, corporate or incorporate, which should be named in the subhead. Where, however, issues to a number of different payees are involved, a grant-in-aid may be made payable to a named account administered by the Department concerned from which the payments may be made in due course. Details of this account should be appended in due course to the Appropriation Account of the Vote from which the grant-in-aid was paid.
- IV. Where the payee is a body, corporate or incorporate, the subhead should state whether the grant-in-aid is for the general purposes of the body or for a particular purpose. In the

latter event, the purpose should be stated. Where the payee is a departmental account, the purpose should always be stated.

- V. 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.
- VI. Before making any issue from a grant-in-aid whether directly from a Vote or indirectly through a departmental account the Accounting

Officer should:

- a) notify the grantee of the purposes and conditions under which the money will be issued to ensure that the grantee is fully aware of his responsibility in connection with the subsequent disposal of such moneys;
 - b) satisfy himself that the accounting system and organisational arrangements of the grantee are adequate to ensure the proper administration of the money;
 - c) arrange that accounts will be submitted for audit without delay after the end of the financial year;
 - d) obtain in due course a copy of the audited accounts of the grantee for the year in which the issue is made;
 - e) obtain a separate account of the expenditure where the grant-in-aid is for a specific purpose;
 - f) arrange that the books and accounts of the grantee 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.
- VII. 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 or the full provision in the subhead without ascertaining if the funds are required to meet the grantee's actual requirements. Departments should obtain cash flow statements from the grantees before deciding on issues from a grant-in-aid subhead and should subsequently check on the accuracy of these statements. 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. Details of how each Department applies or proposes to apply this instruction regarding issues from grant-in-aid subheads should be submitted as soon as possible to the Department of finance for approval.
- VIII. No excess may be incurred on a grant-in-aid subhead. The Minister for Finance will not sanction the application of savings on a grant-in-aid subhead of a Vote to meet excesses on other subheads unless he is satisfied that the saving is a real one and not merely a postponement of expenditure to a subsequent year.
- IX. Current and capital grants-in-aid for the same body should be provided for in separate subheads.
- X. 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.

- XI. 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. You are requested to ensure that, where the Comptroller and Auditor General need not be given this right, the required statement is included in any draft estimate (including any supplementary or additional estimate) which you submit to this Department.

4. Additional Rules Covering Certain Grants-in-Aid. As mentioned in paragraph 2 above it has been decided, to set out additional instructions in the case of grants-in-aid provided for the funding of State bodies or agencies established to carry out particular function's on behalf of the State. Although deriving all, or most, of their revenue from public funds such agencies possess 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 will apply to grants-in-aid to such agencies:

- I. As a prelude to formulating estimates demands each year, proposed operating budgets should be submitted by agencies to parent Departments and forwarded to the Department of Finance as required In the-annual estimates circular.
- II. Operating budgets covering the main activities of the agencies should be published in the Estimates Volume as an appendix to the Vote.
- III. During the course of each financial year the activities and expenditures of the agencies should be closely monitored to ensure that the operating budgets are observed and that no expenditures, are incurred, or commitments entered into, which will lead to additional unapproved demands on the Exchequer.
- IV. Having regard to relevant statutory or other regulations all borrowing/overdrafts by agencies must be approved, in advance by the parent Department and should subsequently be strictly controlled and monitored; the prior sanction of the Minister for Finance must be sought in all cases before approval is issued.
- V. No agency should change its policies significantly, engage in any substantial new activities or effect a major change in existing activities without the prior consent of the parent Minister and, when such a change or new activity has financial or economic implications, the Minister for Finance.

All agencies should be formally notified of the instruction at (iv) and (v) above.

In view of the special nature of grants-in-aid the Oireachtas should not be asked to provide moneys in the form of a grant-in-aid unless there is good reason for not requiring the surrender or unexpended balances or it is clear that accounting in detail to the Comptroller and Auditor General would not be appropriate. In 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 regarded as a continuing process with a view to converting, where appropriate, existing grants-in-aid into ordinary-grants.

Any queries arising out of this Circular should be sent in writing to this Department.

Maurice P. Doyle

Secretary

Department of Finance