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F7/7/92

9th January 1995

Circular - 1/95: Appropriation Accounts and Assets Registers

A Dhuine Uasail

1. I am directed by the Minister for Finance to refer to the existing arrangements for preparing Appropriation Accounts and to say that future Accounts should provide additional information as indicated hereunder. These instructions supplement those contained in Department of Finance Circular 18/92 of 21 September, 1992. They are based on recommendations made by the Joint Finance/C&AG Working Group on the Appropriation Accounts and have been endorsed by the Committee of Public Accounts. These revised arrangements should commence with the 1994 Appropriation Accounts. A further circular will issue in relation to a number of changes in **financial procedures** recommended by the Joint Working Group.

2. **Format of Appropriation Accounts**

- (i) The column showing variations between grant and outturn should be omitted. Significant variations between grant and outturn by subhead should continue to be recorded by way of Note - subject to the conditions set out in Paragraph 3 (ii) of Circular 18/92.
- (ii) A global figure for **commitments** likely to materialise under (a) procurement and (b) grant subheads in the subsequent year(s) should be given by way of note to the Account. This is additional to the information on multi-annual capital commitments required by Circular 18/92 which should continue to be shown separately.

NOTE:

- (a) *A **commitment** is a contractual obligation to purchase goods or services which have yet to be supplied at year-end. Individual commitments under £1,000 need not be included in the global figure.*
- (b) *A commitment to make a payment under a **grant scheme** arises when the grant offer has been made but the grantee has yet to fulfil the conditions of the scheme.*

To/All Departments etc.

- (iii) A column headed "**Liabilities/Accrued Income**" should be added to the face of the Account and should show for memorandum purposes the value of current liabilities against each subhead and the accrued income against "Appropriations in Aid" as at the final day of the account. (See Appendix A)

The total of (a) the current liabilities and (b) accrued income should be included in the **Statement of Current Assets and Liabilities** (See paragraph 3). As a general guideline, the overriding consideration is to apportion to the year of account expenditure or income arising in that year.

NOTE:

- (a) *A liability is recognised when the payee has met the contractual requirement to provide the goods or services ordered. Goods delivered, even if uninspected and not taken to stock, should be treated as a liability. In the case of a service where some work has been done but not paid for, an estimate of the amount of the liability incurred at year-end should be made. A Liability also includes expenses incurred on services, such as ESB, telephones etc.*
- (b) *Liabilities incurred in respect of remuneration and pensions, should be excluded. Other outstanding expenses which relate to the year of account should be shown in the additional column in the Appropriation Accounts, even if payment is not due until the following year of account.*
- (c) *Where grant schemes are concerned, a liability arises where a grantee has met all the requirements of the grant scheme, and the grant has been approved but not yet paid. (Note the difference with a commitment as outlined in paragraph 2 (ii) (a) above).*
- (d) *A liability in respect of travel and subsistence is recognised when an authorised claim is received in Accounts Branch, but not yet paid.*
- (e) *If a Department makes an advance to a Central Purchasing Department via a suspense account (e.g. Payments to OPW under Department of Finance Circular 1/94) to meet the cost of works which have yet to be carried out, this advance should be recorded as a prepayment (see overleaf) in the accounts of the sponsoring Department and as such regarded as an asset of that Department.*
- (f) *Accrued Income is income which is earned by or due to a Department in the year of account, but has yet to be received at year end.*

3. Statements to accompany Appropriation Accounts

- (i) The existing **Statement of Debtors' and Creditors' Balances** should be expanded to show the value of current assets and liabilities as at 31st December. It is intended that this new statement, titled a **Statement of Current Assets and Liabilities**, should be published with the Appropriation Account. A pro forma version of the revised statement, which has already been circulated to Accounting Officers, is at Appendix B. In Departments where systems are not sufficiently developed to provide accurate information for the 1994 Accounts, or where new computerised systems are in process of being developed, this fact should be recorded by way of note to the Accounts.

NOTE:

- (a) *Current Assets are assets not intended for use on a continuing basis in a Department's activities and are generally consumed within a year. (See (ii) (a) below re Capital (i.e. fixed) Assets).*
- (b) *In the category "current assets", stocks represent the value of consumables which are held centrally (or in decentralised sub-stocks) in Departments. Goods delivered but not taken to stock see page 2 (iii) (a) above) should be included in current assets.*
- (c) *Prepayments arise when payments are made during one year of account for expenses which refer in whole or in part to a subsequent year of account e.g. telephone rental.*
- (ii) **A Statement of Capital Assets** as at 31st December should be included by way of Note. This should be derived from the Assets Register (see paragraph 4 below) and should show (in total): Opening Balance, acquisitions during year, disposals during year, revaluations during the year, cumulative depreciation charged (see 5 below) and Closing Balance. A sample Statement of Capital Assets is attached at Appendix C.

NOTE:

- (a) *A Capital Asset is an asset intended for use on a continuing basis in a Department's activities e.g. land, buildings, equipment etc.*
- (iii) When the element of estimation of the value of assets on hands at the commencement of the Assets Registers has been eliminated or significantly reduced, it is intended to amalgamate the information at (i) and (ii) into one statement. This will be the subject of a further instruction at a later date.

4. Assets Registers

In order to be in a position to furnish the required new information in the Appropriation Accounts, Departments must compile an **Assets Register** recording the description, historical cost, present value, (i.e. depreciated historical cost) date of acquisition and physical location of each material capital asset. Information on disposals and revaluations should be entered in the register as appropriate. The Register should also record the depreciation rate being applied and method being followed (See 5 below). The Assets Register will not be published, but will be available to the Comptroller and Auditor General during the annual audit of the Appropriation Accounts. Within the terms of this Circular, Departments may have to exercise judgement on the materiality of an item e.g. whether hand tools are a material item in terms of the Asset Register and as such should be capitalised or whether they are treated as consumables and are not capitalised.

The principal capital assets of Departments which occupy office premises owned by OPW are furniture and fittings including expenditure borne by Departments on fitting out premises for official use, IT hardware (and software where it has been purchased outright by Departments), PABX systems, FAX machines and office equipment such as word-processors and photocopiers. In order to help Departments to arrive at a valuation as at end-1994 for use in the 1994 Appropriation Accounts, which would also represent the opening position for 1995, the OPW has provided the attached estimates of the value of office furniture and fittings utilised by different grades in the Civil Service (Appendix D). Each Department should use these valuations as a **guide** for setting up its register taking details of the accommodation provided for numbers serving, plus vacancies in the course of being filled, as the basis of the calculations. If more accurate valuations are available e.g. from records of furniture purchased, **those valuations should be used**. Departments should ask the OPW (Furniture Division) for actual valuations of the furniture provided for higher grades, for Ministers and for public offices where significant expenditure has been incurred if particulars are not available from their own records. (See paragraph 5 below regarding depreciation where OPW guidelines are used).

Actual cost prices incurred should be used for the remaining assets and depreciated from the date of purchase to 31 December 1994 in accordance with the guidelines set out in paragraph 5. No asset, or group of assets, with a cost price of less than **£1,000** need be included in the opening balances of the register. ("Group of assets" is intended to cover items such as telephones or integrated equipment where the individual item may cost less than £1,000, but taken collectively may exceed that figure). Within the terms of this Circular, Departments may have to exercise judgement on the type of assets to be grouped. If Departments do not already maintain records of the equipment which can form the basis of the register, it will be necessary to trace information through the accounts. In that event, Departments should not go back more than five years in searching for the information, and if unsuccessful they should report the problem to this Department (extension 2724) which will endeavour to assist in the provision of an estimated value. As assets are acquired during 1995, these should be added, at cost, to the Register. It is not required to capitalise assets or a group of assets below £250. Notwithstanding this, Departments must have adequate systems of control over items which fall below this threshold.

In cases where Departments, with regard to 1994, find it impracticable to provide valuations of land, buildings, and other physical assets which they own, a **description of the assets** in question should be included in the Assets Register.

Assets, such as heritage assets, **the value of which cannot be adequately or meaningfully expressed in financial terms, need not be included in the Assets Register.** However, adequate systems of control should be maintained over such assets. Individual Departments should contact the Department of Finance, ext. 2724, for further guidance with regard to assets in this category.

5. Charging of Depreciation in Assets Registers

Departmental capital assets fall into different categories for depreciation purposes. The principal categories which will apply to Departments generally are as follows:

CATEGORY A	CATEGORY B	CATEGORY C
Furniture & Fittings including expenditure borne by Departments on fitting out premises for official use, telephones & telephone exchanges.	Scientific and Laboratory equipment, I.T. equipment and software, wordprocessors, photocopiers and similar equipment. telex and FAX machines.	Motor vehicles Plant & Machinery, Agricultural Machinery. All Capital equipment not included in A or B.

Category A items should be depreciated on a straight-line basis to a nil value over ten years.

Category B items should be depreciated on a straight-line basis to a nil value over five years.

NOTE:

- (a) *The categories i.e. A, B, C, are for depreciation purposes only and are not intended to suggest categories for the Asset Register.*
- (b) *By "straight-line" is meant that the same amount of depreciation should be charged in each year and that it should be a percentage of the original purchase price. The first year in which depreciation is charged should be the year in which the asset is acquired.*
- (c) *The basis on which Category C items are to be depreciated should be the subject of agreement between Departments concerned and the Department of Finance.*
- (d) *Land is not to be depreciated. The depreciation rate for buildings, if any, should reflect their maintenance level - if buildings are being maintained to their original condition, no depreciation should arise.*
- (e) *Where OPW estimates for furniture and fittings are being used (as at Appendix D), the total figure produced should be reduced by 50% in order to arrive at the opening (written-down) balance for 1st January, 1995. The remaining balance should be written off over 5 years. This opening figure should be a global one, but subsequent*

additions to the stock of fixed assets should be shown individually in the register.

- (f) *Fixed assets which have been fully written off may remain serviceable. These should remain on the register at **nil value**. The fact that assets will have a written-down value does not mean that they may be disposed of at that valuation. Existing arrangements in regard to disposal of life-expired or surplus assets by competitive tender will continue to apply.*

In addition to the above arrangements, Departments should ensure that adequate systems of control are maintained over all their assets.

Mise, le meas
P J Moore
Assistant Secretary

OFFICE OF THE MINISTER FOR FINANCE

(These figures are for illustration only)

ACCOUNT of the sum expended, in the year ended 31st December, 1991 compared with the sum granted, for the salaries and expenses of the Office of the Minister for Finance, including the Paymaster General's Office, and for payment of certain grants and grants-in-aid.

Service	Estimate Provision	Outturn	Liabilities/ accrued Income
	£000	£000	£000
A1 - Salaries, Wages and Allowances	11,351	11,375	-
A2 - Consultancy Services	10,550	8,997	1,100
B1 - Travelling and Incidental Expenses	917	1,079	110
B2 - Office Machinery and other Office Supplies	1,147	1,145	96
B3 - Office Premises Expenses	590	512	16
C - Postal and Telecommunications Services	522	669	109
D - Central Information Technology Service	1,465	1,209	48
E - Information Technology Initiatives	300	47	-
F - Economic and Social Research Institute - Administration and General Expenses (Grant-in-Aid)	1,000	1,000	-
G - Institute of Public Administration (Grant-in-Aid)	1,000	1,000	-
H - Grants for County Development Work	372	368	17
I - Payment to Western Development Fund (Grant-in-Aid)	750	750	-
J - Repayment of Advances	250	245	-
K - Losses in respect of certain loans for Industrial Development Purposes advanced by Industrial Credit Corporation plc	3,500	2,704	100
L - Gaeleagras na Seirbhise Poibli (a)	82	71	4
M - Civil Service Arbitration Board	20	7	-
N - Review Body on Higher Remuneration in the Public Sector	100	94	14
O - Contribution to the Common Fund for Commodities	200	-	-
Gross Totals	34,116	31,272	1,614 *
Deduct: P - Appropriations in Aid	<u>695</u>	<u>995</u>	<u>(100) **</u>
Net Total	33,421	30,277	<u>1,514</u>
SURPLUS TO BE SURRENDERED:	£3,144,000		

The Statement of Accounting Policies and Principles and Notes 1 to 12 form part of these Accounts.

* Transferred to the Statement of Assets and Liabilities.

** Transferred to Statement of Assets and Liabilities as "Accrued Income".

OFFICE OF THE MINISTER FOR FINANCE

Statement of Current Assets and Liabilities as at 31 December

(These figures are for illustration only)

	£000	£000
Current Assets		
Stocks	2,100	
Accrued Income	100	
Prepayments and Other Debit Balances	72	
PMG Balance and Cash	19,660	
Exchequer Grant undrawn	2,390	<u>24,322</u>
Less Current Liabilities		
Due to State	495	
ERDF Funds	17,000	
Liabilities	1,614	
Other Credit Balances	1,484	<u>20,593</u>
Net Current Assets Surplus/(deficiency)		<u><u>3,729</u></u>

**Statement of Capital Assets
(For Illustration Purposes)**

Note 11	Fixed Assets				
	Land	Buildings	Equipment	Furniture and Fittings	Totals
	£000	£000	£000	£000	£000
Cost or Valuation at ¹ 1 January 1994	20,000	50,000	10,000	5,000	85,000
Additions	1,000	5,000	1,000	1,000	8,000
Assets Retired or Disposed of	(500)	(500)	(200)	(100)	(1,300)
Revaluations	1,000	-	-	-	1,000
Gross Assets at ² 31 December	£21,500	£54,500	£10,800	£5,900	£92,700
Cumulative Depreciation to 31 December	-	£25,500	£5,800	£2,750	£34,050
Net Assets	£21,500	£29,000	£5,000	£3,150	£58,650

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1. This is the **undepreciated** historical cost or valuation.
 2. This figure will represent the opening figure (1 above) for 1995.

Valuation of Office furniture

(For internal guideline purposes only)

<p>Principal Officer</p> <p>1 1800mm Desk 1 2dr Pedestal 1 3dr Pedestal 1 High Back Swivel A/chair 1 Side table 1 6 part Bookcase 1 Circular Conference Table 4 Chairs 1 Hat & Coat Stand 1 Wastepaper Container 4 Desk Trays 1 Filing Cabinet</p> <p style="text-align: right;">Est £2,000</p>	<p>Assistant Principal Officer</p> <p>1 1800mm Desk 1 2dr Pedestal 1 3dr Pedestal 1 Low Back Swivel A/chair 1 Side table 1 3 part Bookcase 1 Circular Conference Table 4 Chairs 1 Hat & Coat Stand 1 Wastepaper Container 4 Desk Trays 1 Filing Cabinet</p> <p style="text-align: right;">Est £1,700</p>
<p>Higher Executive Officer</p> <p>1 1650mm Desk 1 3dr Pedestal 1 2dr Pedestal 1 S48 Chair 1 Side Table</p> <p style="text-align: right;">Est £500</p>	<p>Executive Officer</p> <p>1 1500mm Desk 1 3dr Pedestal 1 2dr Pedestal 1 S48 Chair</p> <p style="text-align: right;">Est £400</p>
<p>Staff Officer</p> <p>1 1200mm Desk 1 3dr Pedestal 1 S48 Chair</p> <p style="text-align: right;">Est £300</p>	<p>Clerical Grades</p> <p>1 1200mm Desk 1 3dr Pedestal 1 S48 Chair</p> <p style="text-align: right;">Est £300</p>
<p>Conference Room</p> <p>1-3 part Conference Table 16 Conference Room Chairs 1 Library Unit</p> <p style="text-align: right;">Est £2500</p>	<p>Registry</p> <p>Filing Cabinets £90 each Presses £225 each</p>
<p>Carpets £26 per Sq Metre Linoleum £14 " " "</p>	<p>Blinds £50 per average unit</p>