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F7/2/95

19 January 1996

Circular 1/96 - Appropriation Accounts Requirements for  
1995 and related issues

A Dhuine Uasail

1. I am directed by the Minister for Finance to refer to the three-year programme to expand the information available from the Appropriation Accounts and to outline the changes required in respect of the second year i.e the 1995 Appropriation Accounts. *Unless otherwise indicated* the terms of Department of Finance Circulars 18/92 of 21 September, 1992, 1/95 of 9 January 1995 and the Circular Letter of 23 February 1995 also apply.

2. Third Column on Face of Appropriation Accounts

- (i) The title of this column should be changed to "**Closing Accruals**". The term "**Closing Accruals**" covers the four categories - Accrued Expenses (i.e. liabilities as defined in Circular 1/95); Prepayments; Accrued Income and Deferred Income - at year-end (**Prepayments** were not reflected in the third column for 1994 although a global figure for prepayments was included in the Statement of Current Assets and Liabilities). The column has no direct relationship with the first two columns.

An example of an Appropriation Account incorporating the above is at Appendix 1. Appendix 5 contains guidance notes for the completion of the column.

3. Statement of Current Assets and Liabilities as at 31 December

- (i) Advances made from suspense accounts, outstanding at year end, should not be included as Prepayments - this instruction supersedes the instruction at paragraph 2 (iii) (e) of Circular 1/95. Such advances form part of the "Other Debit Balances" figure in the Statement and should be listed separately, if considered material. (This instruction is particularly relevant for advances made to the Office of Public Works under Department of Finance Confidential Circular 1/94 of 5 January 1994). *The Prepayments figure in the Statement should represent only Prepayments made from Voted money and should equal the total which is in the "Closing Accruals" column for Prepayments.*

An example of the Statement is at Appendix 2. Guidance notes on its compilation are at Appendix 5.

TO/

All DEPARTMENTS\* ETC

[\*Department should be read as Department/Office throughout this circular]

#### 4. Statement of Capital Assets

##### (i) Depreciation

The form of this Statement is being changed to provide an expanded section on depreciation - see Appendix 3. The additional entries are (1) opening balance on accumulated depreciation as at 1 January of the year of account, (2) depreciation for the year and (3) depreciation on assets disposed of.

##### (ii) Capital Assets Threshold for inclusion in the Statement

The amount is now set at £250 with effect from 1995, as indicated at paragraph 4 of Circular 1/95.

##### (iii) Land and Buildings

(a) Land and buildings should be included, in the Statement, in accordance with the new guidelines which have been developed - see paragraph 7(i).

##### (b) Schedule of Land and Buildings

For the purposes of the 1995 Appropriation Accounts, Departments which cannot provide valuations of land and buildings for inclusion in their Statement of Capital Assets must append to the Appropriation Account, a schedule of land and buildings, falling within the definitions set out in paragraph 7(i), giving a description of and the location of each building/landholding. This schedule will provide a first step towards a more detailed register which will be required by the Valuation Office by 1 May 1996 in order to enable that Office to undertake the valuation exercise in an orderly manner. A further circular will issue in relation to this.

#### 5. Notes to the Accounts

(i) Departments should include in their Appropriation Accounts only those Notes set out in the "Sequence of Notes Included in the Appropriation Accounts" (see Appendix 4) which are relevant to them and any other appropriate notes. Accordingly, the numbering but not the sequence, will vary from Department to Department.

(ii) Departments should record, as a first item following the main Appropriation Account, any departures from the standard policies set out in the "Statement of Accounting Policies and Principles" as amended by paragraphs 2 (i) and 7(i), under the Note "Exception(s) to General Accounting Policies and Principles".

(iii) Additional notes are now required, for 1995 and onwards, giving details of (a) "Stocks" held at year-end and (b) the components of the closing figure on liabilities "Due to State" in the Statement of Current Assets and Liabilities (examples are given in Appendix 5).

#### 6. Layout of the Appropriation Account

(i) The layout and the sequence adopted in the Accounts published with the 1994 Annual Report of the Comptroller and Auditor General should be used by Departments in compiling the 1995 Appropriation Accounts. For example, the Note detailing the "Explanation of the causes of the variation between Outturn and Estimate Provision" should be laid out the same way.

Asset Register(i) Revised policy on Land and Buildings

Bodies should include, on the register, land and buildings as their assets on the following basis:

- (a) where land and buildings are vested in the Office of Public Works, they should be listed in the Statement for that Office;
- (b) where land and buildings are vested in a Minister but are in fact controlled/managed by OPW, they should also appear in the Statement for OPW;
- (c) where land and buildings are vested in a Minister but are controlled/managed by an outside body, they should be treated as assets of that body for accounting purposes (the ownership of the assets should however be noted in the Appropriation Account of the relevant Department);
- (d) where land and buildings are vested in a Minister and controlled/managed by the Department concerned, they should be included in the Statement for the Department.

Any Department which finds that the above policy is not comprehensive enough to cover all of its property holdings should report the matter to this Department for advice.

(ii) Acquisitions and Disposals

- (a) For 1995 and onwards, no estimation of acquisitions/disposals is allowable - only actual values may be entered on the register.
- (b) Capital Assets acquired during the year should be entered on to the register at date of acquisition, i.e. the date on which a Department takes receipt of and responsibility for the asset. *The date of payment should not be used but should be noted in the register. Assets should not be disposed of in advance of the appropriate receipts being received.*

(iii) Depreciation Policy

- (a) The general policy is to calculate depreciation on all capital assets in existence **at year-end.**
- (b) A full year's depreciation is charged in the year of acquisition.
- (c) As a corollary to (b) above, no depreciation should be charged in the year of disposal.
- (d) As well as making the appropriate historical entries on the Asset Register when a disposal takes place, Departments must keep a record of the book gain or loss on disposal as part of the Asset Register information. The gain or loss to be recorded is the difference between the depreciated historical cost of the asset at the commencement of the year in which the disposal took place, i.e. its net book value (NBV), and the cash amount received or trade-in value

etc. This is not a 1995 requirement but will be a mandatory requirement as part of the 1996 procedures.

(e) There will be rare occasions where the application of general policy at (a) and (c) above may need to be modified. This may arise where a Department is aware that a capital asset has suffered a permanent diminution in value. In this situation the asset should be written down immediately to its new estimated recoverable value. The revised value should then be written off over the remaining useful economic life of the asset.

(f) Change in Depreciation Categories:

It has been decided to transfer telex and fax machines from Category B to Category A. Any telex or fax machines acquired in 1995 should, therefore, be depreciated on the Category A basis. Departments should take a pragmatic approach to the transfer to the new category of such assets acquired prior to 1995. For example, if the asset was acquired during 1994 the depreciation charged for that year could be regarded as the equivalent of two years of a ten year life span and the appropriate depreciation could be applied over eight more years.

## 8. General

(i) EU Funding

The requirements, set out in paragraph 4 (i) of Circular 18/92 of 21 September 1992 regarding the noting of EU co-funding in the Appropriation Account, should be applied, as appropriate, to other EU Funds, e.g. Cohesion Fund, EAGGF, in addition to those mentioned.

(ii) Amendment to Circular 32/94: Accounting for certain Recoupable Expenditure

Please add the following after the words "credited to the subhead" in paragraph 2: "if received during the same year of account as paid, otherwise it should be taken to account as Appropriations in Aid".

Mise le Meas

Colm Gallagher  
Assistant Secretary

This Circular has the following appendices:

- . Appendix 1 Sample Appropriation Account
- . Appendix 2 Sample Statement of Current Assets and Liabilities.
- . Appendix 3 Sample Statement of Capital Assets
- . Appendix 4 Sequence of Notes included in the Appropriation Accounts
- . Appendix 5 Guidance for Departments on compiling the 1995 Appropriation Accounts.

(For Illustration Purposes)

**OFFICE OF THE MINISTER FOR FINANCE - VOTE 6**

ACCOUNT of the sum expended, in the year ended 31st December, 19xx compared with the sum granted and of the sum which may be applied as appropriations in aid in addition thereto, 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	CLOSING ACCRUALS
ADMINISTRATION	£'000	£'000	£'000
A.1.- Salaries, Wages and Allowances	13,013	12,683	-
A.2.- Travel and Subsistence	391	375	1
A.3.- Incidental Expenses	720	694	14
A.4.- Postal and Telecommunications Services	650	431	(15)
A.5.- Office Machinery and other Office Supplies	1,300	882	(1)
A.6.- Office Premises Expenses	520	351	93
A.7.- Consultancy Services	757	467	81
A.8.- Central Information Technology Service	676	474	19
<b>OTHER SERVICES:</b>			
B. - Consultancy Services	150	112	-
C. - Information Technology, Training Initiatives and Strategic Management Fund	655	509	(45)
D. - Economic and Social Research Institute - Administration and General Expenses (Grant-in-Aid)	1,330	1,330	-
E. - Institute of Public Administration (Grant-in-Aid)	1,330	1,330	-
F. - Losses in Respect of Certain Loans for Industrial Development purposes advanced by ICC Bank plc	950	635	800
G. - Gaeleagras na Seirbhíse Poiblí (National Lottery Funded)	100	98	5

SERVICE	ESTIMATE PROVISION £'000	OUTTURN £'000	VOTE 6
			CLOSING ACCRUALS £'000
H. - Civil Service Arbitration Board and Civil Service Appeals Board	20	5	-
I. - Review Body on Higher Remuneration in the Public Sector	75	4	1
J. - Contribution to the Common Fund for Commodities	100	-	130
K. - Management Expenses of Assets and Liabilities of Foir Teoranta transferred to ICC Bank plc	380	397	300
L. - Emergency Services Network	200	100	-
M. - Fund for Community Initiatives (Grant-in-Aid)	<u>20,000</u>	<u>-</u>	<u>-</u>
<b>Gross Total</b>	<b>43,317</b>	<b>20,877</b>	<b>1,383*</b>
Deduct:-			
N. - Appropriations in Aid	<u>440</u>	<u>655</u>	<u>(104)**</u>
<b>Net Total</b>	<b><u>42,877</u></b>	<b><u>20,222</u></b>	<b><u>1,279</u></b>

**SURPLUS TO BE SURRENDERED:-**

**£22,654,779.30**

The Statement of Accounting Policies and Principles and Notes X-Y form part of these Accounts.

Transferred to Statement of Current Assets and Liabilities as:

\* Accrued Expenses £1,508,000 and Prepayments (£125,000)

\*\* Accrued Income (£114,000) and Deferred Income £10,000

(For Illustration Purposes)

## OFFICE OF THE MINISTER FOR FINANCE - VOTE 6

## NOTE 2

STATEMENT OF CURRENT ASSETS AND LIABILITIES AS AT 31 DECEMBER, 19XX

<u>Current Assets:</u>	£'000	£'000
Stocks (Note X)		36
Prepayments		125
Accrued Income		114
Other Debit Balances:		
Suspense (Specify if material)	9	
e.g. Advances to OPW for building works etc.	100	
Government Telecommunications Network Payments etc.	645	
Recoupable Expenditure	<u>90</u>	<u>844</u>
PMG Balance & Cash	569	
<u>Less Orders Outstanding</u>	<u>183</u>	<u>386</u>
Exchequer Grant Undrawn		<u>22,047</u>
		<u>23,552</u>
<u>Less Current Liabilities:</u>		
Accrued Expenses		1,508
Deferred Income		10
Other Credit Balances:		
Suspense (Specify if material)	2	
e.g. Payroll Deductions	89	
Due to State (Note Y)	<u>531</u>	622
Surplus To Be Surrendered		<u>22,655</u>
		<u>24,795</u>
<b>Net Current Assets Surplus/(Deficiency)</b>		<u><b>(1,243)</b></u>

## APPENDIX 3

(For Illustration Purposes)

OFFICE OF THE MINISTER FOR FINANCE

VOTE 6

## NOTE 3

STATEMENT OF CAPITAL ASSETS AS AT 31 DECEMBER 19XX

	LAND AND BUILDINGS £' 000	OFFICE EQUIPMENT £' 000	FURNITURE AND FITTINGS £' 000	TOTALS £' 000
Cost or Valuation at 1 January 19xx <sup>(a)</sup>	47,831	2,343	1,556	51,730
Additions	-	576	62	638
Disposals	-	(16)	-	(16)
Revaluations	-	-	-	-
Gross Assets at 31 December 19xx <sup>(b)</sup>	<u>47,831</u>	<u>2,903</u>	<u>1,618</u>	<u>52,352</u>
Accumulated Depreciation:				
Opening Balance at 1 January 19xx <sup>(c) (1)</sup>	-	1,031	467	1,498
Depreciation for the year <sup>(2)</sup>	-	580	317	897
Depreciation on Disposals <sup>(3)</sup>	-	(3)	-	(3)
Cumulative Depreciation at 31 December 19xx <sup>(d)</sup>	-	<u>1,608</u>	<u>784</u>	<u>2,392</u>
Net Assets at 31 December 19xx <sup>(e)</sup>	<u>47,831</u>	<u>1,295</u>	<u>834</u>	<u>49,960</u>

NOT FOR PUBLICATION

- (a) This is the **undepreciated** historical cost or valuation.
- (b) These figures will represent the opening position, (a) above, for the following year.
- (c) This is the closing figure, for Accumulated Depreciation, from the previous year.
- (d) These figures will represent the opening position, for Accumulated Depreciation, (c) above, for the following year.
- (e) This is the difference between (b) and (d).

Other Capital Assets, e.g. Motor Vehicles, if material, should be disclosed separately.

Sequence of Notes Included in the  
Appropriation Accounts

1. Exceptions to General Accounting Policies
2. Memorandum Statement of Current Assets and Liabilities
3. Memorandum Statement of Capital Assets *with a listing of Land and Buildings (if applicable)*
4. Extra Receipts payable to the Exchequer
5. Explanation of the causes of major variations
6. Appropriations-in-Aid
7. Commitments
  - (a) Global figure for Commitments likely to materialise in subsequent year(s)
  - (b) Multi-annual capital commitments
8. Matured Liabilities undischarged (if any) at year-end
9. Extra Remuneration
10. Miscellaneous Items - write offs, explanatory notes etc.
11. E.U. Funding (where appropriate)
12. Commissions and Inquiries
13. Statement of Loans
14. Miscellaneous A/Cs - Grant in Aid funds etc. (in linear format)
15. Lottery Funding
16. **Stocks**
17. **Due to State Liabilities**

Followed by:  
Signature of Accounting Officer

**(Changes/Additions are in Bold)**

Guidance for Departments on compiling the 1995 Appropriation Accounts

(A) Circulars:

In addition to the circulars referred to at paragraph one, separate circulars have been issued on the following matters which will impact on the 1995 and future Appropriation Accounts:

- Circular 32/94 of 13/12/94:- Accounting for certain Recoupable Expenditure
- Circular letter of 10/2/95:- Recoupable Expenditure: Adjustments to 1995 Revised Estimates Volume (Salary Costs)
- Circular 29/95 of 31/10/95:- Revised Vote Accounting Arrangements regarding Payments to Retired Civil Servants re-employed/re-engaged by Departments/Offices
- Circular 31/95 of 20/11/95: Software Valuation for Purposes of the 1995 Appropriation Accounts
- Circular 32/95 of 24/11/95:- Payments

(B) "Closing Accruals"

The term "Closing Accruals" is used to cover the four categories:

- |       |                    |   |   |
|-------|--------------------|---|---|
| (i)   | "Accrued Expenses" | - | For purposes of the third column, "accrued expenses" has been substituted for the term "Liabilities" used in Circular 1/95. |
|       |                    |   | Undischarged Matured Liabilities as redefined in Circular 32/95 will form part of "Accrued Expenses".                       |
| (ii)  | "Prepayments"      | - | as defined in section 3(i) (c) of Circular 1/95.  |
| (iii) | "Accrued Income"   | - | as defined in section 2 (iii) (f) of Circular 1/95.   |

- (iv) "Deferred Income" - This is income which a Department has received before year end but has yet to provide the related service, e.g. applications for driver testing.

(C) Treatment of items in the "Closing Accruals" Column

- (i) "Accrued Expenses" and "Prepayments" should be netted off each other in the entry against a subhead (for purposes of the third column, accrued expenses are a positive entry and prepayments are a negative entry) e.g. if a subhead had accrued expenses of £10,000 and prepayments of £1,000, at year end, the entry against the subhead would be £9,000. If the figures were reversed, the entry would be (£9,000) to indicate a negative amount; similarly, if the subhead had only prepayments, the entry would be shown as (£1,000).
- (ii) "Deferred Income" and "Accrued Income" should be netted off each other (for purposes of the third column, deferred income is a positive entry and accrued income is a negative one). Example: if the Appropriations-in-Aid subhead had accrued income of £50,000 and Deferred Income of £10,000, the entry in the third column would be (£40,000). The £40,000 should be deducted from the amount of the Gross Total line. If the figures were reversed, the entry would be £40,000 and would be added to the amount of the Gross Total line. If the Appropriations-in-Aid subhead had only deferred income, the entry would be £10,000 and would be added to the amount of the Gross Total line.

Under no circumstances should "Accrued Income" or "Deferred Income" be reflected in any of the expenditure subheads.

(D) Statement of Current Assets and Liabilities:

The method, to be followed, in constructing this Statement should be first, to balance the previously unpublished Statement of Debtors and Creditors Balances at year-end in the normal manner. Then add the additional elements - Stock (+), Accrued Income (+), Prepayments (+), Accrued Expenses (-), and Deferred Income (-) (if applicable) to the Statement. While the Statement itself will not balance, like the former one, the bottom line figure - **"Net Current Assets Surplus/(Deficiency)"** should be equal to the total of the additional elements. In the Statement itself, the additional elements should be listed first under the appropriate heading Current Assets/Current Liabilities as

illustrated in Appendix 2.

(E) Accounting for Certain Recoupable Expenditure:

Circular (32/94 of 13 December 1994) and Department of Finance Circular letter of 10 February 1995 will impact on the 1995 Statement of Current Assets and Liabilities as the balances in the relevant suspense account(s) for travel/subsistence expenses and salary costs will be part of the figure for "Other Debit Balances" at year-end. The individual suspense account balances should be listed separately, if considered material (as in the case of advance payments made from Suspense Accounts outlined in paragraph 3 of Circular).

(F) Notes to the Accounts:

The following are examples of Notes to be included in the 1995 Appropriation Account for (i) Stocks and (ii) Due to State Liabilities:

(i) **Note X Stocks**

Stocks at 31 December 19xx comprise:

	<u>£'000</u>
Stationery	20
IT Consumables	16
etc.	<u>36</u>

(ii) **Note Y Liabilities Due to State**

The amount due to the State at 31 December 19xx consisted of:

	<u>£'000</u>
Income Tax	386
Pay Related Insurance	64
Retention Tax	29
Value Added Tax	11
Pension Contributions	41
etc.	<u>531</u>

**NOTE:** Any queries arising on this circular, or the other circulars etc referred to, may be communicated initially, in writing or by telephone, to the Government Accounting Section of this Department.