



An Roinn Airgeadais
Department of Finance

F7/2/95

1st October, 1996

Sráid Mhuirfean Uacht, Upper Merrion Street, Telephone: (01) 676 7571
Baile Átha Cliath 2, Dublin 2, Facsimile: (01) 678 9936
Éire. Ireland. GTN: 7109
URL: <http://www.irigov.ie>

Circular 19/96 - Appropriation Accounts Requirements for 1996 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 provided with the Appropriation Accounts and to outline the changes required in respect of the final year, i.e the 1996 Appropriation Accounts. This circular is part of the series: Circular 18/92, Circular 1/95, Circular Letter of 23 February 1995, Circular 1/96 and Circular 14/96 (Valuation of Lands and Buildings for Purposes of the Appropriation Accounts). Unless otherwise stated in the subsequent circular(s), the provisions of these circulars still apply. The changes for this year represent the culmination of the programme and build upon the groundwork laid in the first two years - new requirements this year, which concern presentation mainly rather than substance, represent a reworking of the information already made available under the previous circulars.

Guidance Notes (Appendix 8) on the preparation of the Appropriation Account and accompanying statements are attached.

2. Requirements: -

- (a) **Face of the Appropriation Account** (Appendix 1)

The face of the Appropriation Account will be as for 1995, i.e. three columns consisting of Estimate Provision, Outturn and Closing Accruals.

- (b) **Operating Cost Statement (new)** (Appendix 2)

The purpose of this new statement is to show, on an accruals basis in the context of the stated accounting policies and principles, the total amount of resources consumed by a Department* in the year of account. The cash-based Appropriation Account does not provide this information because it includes expenditure on capital assets which will be consumed over several years and it may include payments to acquire resources (goods or services) which are consumed in the preceding or following year.

The statement produces the operating cost figure on an accruals basis by starting from the net cash outturn figure, taken from the Appropriation Account, and making a series of adjustments to that cash-based figure. These adjustments involve (1) identifying the changes in the various categories of Departmental assets for the year of account and (2) the inclusion of expenditure borne elsewhere on behalf of a Department, e.g. superannuation costs, accommodation costs, costs of increases in remuneration and pensions, etc. (There will be a consequent reduction in the expenditure of Votes supplying such services to eliminate double counting.)

TO/ ALL DEPARTMENTS ETC

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

(c) **Statement of Assets and Liabilities (new) with explanatory notes**

(Appendix 3)

The intention of this statement is to present a picture of a Department's assets and liabilities at year-end. The two existing statements - **Statement of Capital Assets AND Statement of Current Assets and Liabilities** are to be combined into a single **Statement of Assets and Liabilities**. The statement is structured on the lines of the previous Statement of Current Assets and Liabilities and has the following additional Explanatory Notes: -

Statement of Capital Assets: this is to be retained in its existing form as a note to the combined statement - Appendix 4

Assets Under Development: a note on assets under development may be required in certain instances. These are assets which have yet to be fully completed and brought into use, e.g software development projects or construction contracts and accordingly cannot be recorded yet in the Assets Register - Appendix 5.

Net Liability to the Exchequer: it is necessary to adjust the "Surplus to be Surrendered" figure to reflect the actual position of the Department vis-a-vis the Exchequer at year end - Appendix 6.

For the purposes of the Statement of Assets and Liabilities, a capital asset is an asset intended for use on a continuing basis in a Department's activities and which appears in the Assets Register of the Department. *Expenditure which is classified in a Department's Estimate as "capital" but which does not meet the above definition does not constitute a capital asset. Such expenditure is not capitalised but rather forms part of the Operating Cost figure. (An example of such expenditure is the Farm Investment subhead (M.1.) in the 1996 Agriculture, Food and Forestry Vote (No 31)).*

3. Appendix 7 sets out the revised **Sequence of Notes Included in the Appropriation Accounts**.
4. The provisions of paragraph 3(ii)(2) of Circular 18/92 should be amended to state that a note on variation between grant and outturn is required on delegated administrative budget subheads where the variation is 25% or more (not 20% as applied previously).
5. As outlined in paragraph 7 (iii) (d) of Circular 1/96, Departments must keep a record, as part of the Asset Register information, of the book gain or loss on disposal of an asset.
6. Art works which form part of the collection owned and managed by the Office of Public Works will be included in the Assets Register of that Office. However, Departments, in whose accommodation such works are on display, are reminded that they are responsible for their safekeeping.
7. Please refer any queries on this Circular or on other Circulars in the series to the Government Accounting Section of this Department (GTN 7109-5803/5673).

Mise le meas

Colm Gallagher
Assistant Secretary

(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	93
A.6.- Office Premises Expenses	520	351	(1)
A.7.- Consultancy Services	757	467	81
A.8.- Central Information Technology Service	676	474	19
OTHER SERVICES:			
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

(Continued)

Appendix 1 - Continued

SERVICE	ESTIMATE	OUTTURN	VOTE 6
	PROVISION £'000	£'000	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)	20,000	-	-
Gross Total	43,317	20,877	1,383
Deduct:-			
N. - Appropriations in Aid	440	655	(104)
Net Total	42,877	20,222	1,279

SURPLUS TO BE SURRENDERED:-

£22,654,779.30

The Statement of Accounting Policies and Principles and Notes (Nos...) form part of these Accounts.

NOT FOR PUBLICATION

Transferred to Statement of Assets and Liabilities as:

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

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

End of Appendix 1

(For Illustration Purposes)

APPENDIX 2

VOTE 6 OFFICE OF THE MINISTER FOR FINANCE

OPERATING COST STATEMENT FOR 19XX

	£000	£000	£000
NET OUTTURN ⁽¹⁾ - {CASH}			20,222
CHANGES IN CAPITAL ASSETS ⁽²⁾			
<i>Purchases Cash</i>	(600)		
<i>Disposals Cash</i>	9		
<i>Depreciation</i>	897		
<i>(Gain)/Loss on Disposals</i>	<u>4</u>	310	
ASSETS UNDER DEVELOPMENT ⁽³⁾			
<i>Cash Payments</i>		(100)	
CHANGES IN NET CURRENT ASSETS ⁽⁴⁾			
<i>Increase/(Decrease) in</i>			
<i>Closing Accruals</i>	1,241		
<i>(Increase)/Decrease</i>			
<i>in Stock</i>	<u>(36)</u>	<u>1,205</u>	<u>1,415</u>
DIRECT EXPENDITURE {ACCRUALS} ⁽⁵⁾			21,637
EXPENDITURE BORNE ELSEWHERE ⁽⁶⁾			
<i>Vote 45 Increases in</i>			
<i>Remuneration and Pensions</i>	10		
<i>Net Allied Services</i>			
<i>Expenditure</i>	<u>4,476</u>		<u>4,486</u>
OPERATING COST ⁽⁷⁾			26,123

For more information on (1) to (7) above, see section (B), Appendix 8.

(For Illustration Purposes)

OFFICE OF THE MINISTER FOR FINANCE - VOTE 6

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

	£'000	£'000	£'000
CAPITAL ASSETS: - see Appendix 4			49,960
ASSETS UNDER DEVELOPMENT: - see Appendix 5			<u>100</u> 50,060
CURRENT ASSETS:			
Stocks		36	
Prepayments		125	
Accrued Income		114	
Other Debit Balances: - see Appendix 6			
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>	844	
PMG Balance & Cash - see Appendix 6	569		
Less Orders Outstanding	<u>(183)</u>	386	
			<u>1,505</u>
Less CURRENT LIABILITIES:			
Accrued Expenses		1,508	
Deferred Income		10	
Other Credit Balances: - see Appendix 6			
Suspense (Specify if material)	2		
e.g. Payroll Deductions	89		
Due to State	<u>531</u>	622	
Net Liability to the Exchequer - see Appendix 6		<u>608</u>	
			<u>2,748</u>
NET CURRENT ASSETS/(LIABILITIES)			(1,243)
NET ASSETS			<u>48,817</u>

(For Illustration Purposes)

OFFICE OF THE MINISTER FOR FINANCE

VOTE 6

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 ^(a)	47,831	2,343	1,556	51,730
Additions	-	576	62	638
Disposals	-	(16)	-	(16)
Revaluations	-	-	-	-
Gross Assets at 31 December 19xx ^(b)	<u>47,831</u>	<u>2,903</u>	<u>1,618</u>	<u>52,352</u>
Accumulated Depreciation:				
Opening Balance at 1 January 19xx ^{(c) (1)}	-	1,031	467	1,498
Depreciation for the year ⁽²⁾	-	580	317	897
Depreciation on Disposals ⁽³⁾	-	(3)	-	(3)
Cumulative Depreciation at 31 December 19xx ^(d)	-	<u>1,608</u>	<u>784</u>	<u>2,392</u>
Net Assets at 31 December 19xx ^(e)	<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.

(For Illustration Purposes)

OFFICE OF THE MINISTER FOR FINANCE

VOTE 6

STATEMENT OF CAPITAL ASSETS UNDER DEVELOPMENT AS AT 31ST DECEMBER 19xx

	IN HOUSE COMPUTER APPLICATIONS £'000	CONSTRUCTION CONTRACTS £'000	TOTALS £'000
Amounts B/F at 1 January 19xx	-	-	-
Cash Payments for the Year ^(a)	75	25	100
Transferred to Assets Register ^(b)	(-)	(-)	(-)
Adjustments	-	-	-
	_____	_____	_____
Amounts C/F at 31 December 19xx ^(c)	<u>75</u>	<u>25</u>	<u>100</u>

NOT FOR PUBLICATION

- (a) The total figure is shown on the Operating Cost Statement.
- (b) In the year of transfer such assets will form part of the Additions Column on the Statement of Capital Assets.
- (c) These figures will represent the opening position for the following year. The figure in the totals column is shown in the Statement of Assets and Liabilities.

(For Illustration Purposes)

APPENDIX 6

NET LIABILITY TO THE EXCHEQUER

Vote 6 Office of the Minister for Finance for 19xx
Reconciliation of Surplus to be Surrendered at year end
to Debtor & Creditor Balances held at 31/12/xx

	<u>£000</u>	<u>£000</u>
Surplus to be surrendered		22,655
Less Exchequer Grant Undrawn		<u>22,047</u>
Net Liability to the Exchequer		<u><u>608</u></u>

Represented by:Debtors

Net PMG position and Cash (see Appendix 3)	386	
Debit Balances: Suspense	<u>844</u>	1,230
Less <u>Creditors</u>		
Due to State	(531)	
Credit Balances: Suspense	<u>(91)</u>	<u>(622)</u>
		<u><u>608</u></u>

Sequence of Notes Included in the
Appropriation Accounts

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

Followed by:
Signature of Accounting Officer

(Changes/Additions from 1995 are in Bold)

Guidance for Departments on compiling the 1996 Appropriation Accounts

(A) *Face of the Appropriation Account/Closing Accruals* (Appendix 1)

- As for 1995 the term "**Closing Accruals**" is used to cover the same four categories, at year end, of:

Accrued Expenses; Prepayments;
Deferred Income and Accrued Income.

- This column should be compiled using the same instructions that were issued for 1995 - see Appendix 5 (paragraphs (B) and (C) of Circular 1/96).

(B) *Operating Cost Statement* (Appendix 2)

This statement produces an operating cost figure (i.e. the cost of resources consumed by a Department) on an accruals basis, by a series of adjustments to the cash-based figure produced by the Appropriation Account. The various entries are explained below: -

1. **NET OUTTURN (CASH)** *This should be taken from "Net Total" under the Outturn column in the Appropriation Account.*

2. **CHANGES IN CAPITAL ASSETS: -**

The first adjustment to the Net Outturn figure is the removal of cash transactions relating to the purchase and disposal of capital assets and the insertion instead of the current charges pertaining to capital assets i.e. depreciation and the gain or loss on disposals. The reason for doing this is that the Net Outturn includes both current expenditure and expenditure on the acquisition of capital assets; as the capital assets will be written off over a period of years (by charging depreciation in the Operating Cost Statement), the capital cost must be deducted from the Net Outturn in order to avoid double counting.

Purchases Cash *This is the amount charged to the Appropriation Account in the year of account in respect of the purchase of Capital Assets. It is deducted from the Outturn.*

It may differ from the "Additions" figure in the Statement of Capital Assets because the latter figure allows for any accrued capital expenditure (e.g. equipment delivered before year end but not paid for until the following year). In the example, £600k is included in the Operating Cost Statement but the total figure for additions in the Statement of Capital Assets is £638k because it includes accruals.

- . *Disposals Cash* *This figure represents the cash proceeds of any disposals of capital assets during the year.*

This is included in the Appropriations-in-Aid figure on the Appropriation Account, thereby reducing the Net Cash Outturn. In order to remove it from the Outturn, it must be added back. (It is the converse of "Purchases Cash"). The figure **does not** appear in the Statement of Capital Assets.

- . *Depreciation* *This is the "Depreciation for the Year" figure, shown in the Statement of Capital Assets and is added as the measure of the quantity of capital assets consumed during the year of account.*

- . *(Gain)/Loss on Disposals* *This represents the difference between the net book value of any assets disposed of (i.e. the value shown in the Asset Register) and the cash proceeds received as A-in-A on the disposal of such assets.*

In the example, the asset had a NBV of £13k (i.e. £16K acquisition cost less £3K depreciation to start of year) and £9k was received on disposal; so a "Loss on Disposal" of £4k is recorded in the Operating Cost Statement.

The gain or loss does not appear in the Statement of Capital Assets but should have been separately recorded as part of the Asset Register information - see paragraph 7(iii)(d) of Circular 1/96.

3. ASSETS UNDER DEVELOPMENT (Appendix 5)

The second adjustment is the deletion of expenditure on assets in course of development, i.e. payments made during the year on the development of capital assets such as computer software which is not yet completed, and therefore, the assets have not yet been added to the Assets Register. While this expenditure has not yet resulted in the acquisition of an asset, it should be treated, for purposes of this Statement, as expenditure on capital assets (except, of course, that there is not yet any depreciation to be charged)

- . *Cash payments* *This figure is the total shown in the Statement of Capital Assets under Development (Appendix 5).*

4. CHANGES IN NET CURRENT ASSETS

Because the Net Outturn is on a cash basis, and the Operating Cost Statement is on an accruals basis, a further adjustment is necessary to take into account changes in accruals relating to current expenditure.

- . *Increase/(Decrease) in Closing Accruals* *This figure equals the change in the Closing Accruals figures from the end of the previous year to the end of the current year.*

Each element of the Closing Accruals figures should be calculated independently and then aggregated. The figures in Appendix 2, assume a zero opening balance. £38K of the year-end accrued expenses represent accrued expenditure on capital assets. This is deducted from the Net Total Closing Accruals figure of £1,279K. Thus, the change in net current assets is £1,241k.

NOTE:

For the purposes of **Opening Accruals** (i.e. the Closing Accruals figure from the previous year), Accrued Expenses and Deferred Income are always negative (i.e. -) and Prepayments and Accrued Income are always positive (i.e. +).

For **Closing Accruals**, the situation is reversed. Accrued Expenses and Deferred Income are always positive (i.e. +) and Prepayments and Accrued Income are always negative.

- . *(Increase)/Decrease in Stock* *An increase in stock represents stock purchased but not consumed during the year. This expenditure must be deducted from the Outturn. A decrease in stock is the converse - stock consumed but not purchased during they year. So the cost must be added to the Outturn.*

This is done by reference to the year on year movement in Closing Stock figures as revealed by the year end Stock Balances. In this case, the previous year's figure was £000k and the current one is £36k; so a negative adjustment of £36k is entered on the statement. Again, it is critical that the signage is observed, i.e. increase is negative; decrease is positive.

5. DIRECT EXPENDITURE [ACCRUALS]

This is the result of the above adjustments, i.e. the total direct expenditure of the Department on an accruals basis.

6. **EXPENDITURE BORNE ELSEWHERE**

Such expenditure is included in the Statement in order that the *total* operating cost of the Department, is reflected not only the direct costs incurred on the Vote. The following **two** elements must be recorded.

- . **Vote 45** *The amount to be included here is the total drawdown from the Vote.*

- . **Net Allied Services Expenditure** *This represents expenditure borne elsewhere on behalf of the Department by another Department or directly on the Central Fund.*

At present, this expenditure is shown in the provisional outturn column in part two of the Department's Estimate for the year (i.e. The Allied Services Statement). The information for 1996 will be available in the Revised Estimates Volume for 1997 which, in the normal course, should be published in good time to provide the figures for insertion in the Operating Cost Statement. If, however, publication is delayed, special arrangements will be made to enable each Department to obtain the relevant data on request from the Department of Finance. (These figures are cash-based). In the case of a Department which *supplies* Allied Services Expenditure the total amount provided to other Departments should be deducted from the amounts received to arrive at a net figure for the Department.

It is proposed to include particulars of notional rents for State-owned premises occupied by Departments in future Allied Services Statements. In the meantime, if a Department occupies such premises and the rental information is not available, this fact should be recorded in a footnote to the Operating Cost Statement.

- 7. **OPERATING COST** *This final figure is the accruals based cost of operating the Department (both direct and indirect).*

(C) ***Statement of Assets and Liabilities (Appendix 3)***

Departments are still required to balance, in the usual manner, the Debtors and Creditors Balances at year-end to prove the integrity of the cash Appropriation Account (the Statement of Debtors and Creditors Balances is not published as part of the Appropriation Accounts set). This exercise is the first stage in compiling the Statement of Assets and Liabilities.

Next, the current assets and liabilities should be compiled and presented as per the instructions at Appendix 5, paragraph (D) of Circular 1/96. The only difference from last year's statement is the treatment of the Surplus to be Surrendered and Exchequer Grant Undrawn figures (see "Net Liability to the Exchequer" below). Note also that the term "Net Current Assets Surplus/(Deficiency)" is replaced by the term "Net Current Assets/(Liabilities)".

Finally, the figures for Capital Assets and Assets under Development should be added to the Statement.

CAPITAL ASSETS

Take the figure for "Net Assets at 31 December 19xx" as shown in the Totals column of the Statement of Capital Assets.

**ASSETS IN COURSE
OF DEVELOPMENT**

Take the figure as shown in the Totals column of the Statement of Assets under Development.

CURRENT ASSETS

The entries under this heading are added to form a total.

CURRENT LIABILITIES

The entries under this heading are added to form a total.

*Net Liability to
the Exchequer -
(Appendix 6)*

This figure is the excess of the Surplus to be Surrendered figure over the Exchequer Grant Undrawn figure.

The resultant figure shows the actual cash position of the Department with the Exchequer, as opposed to the implied one, that is, the Surplus to be Surrendered, at year end.

Appendix 6 shows the compilation of the figure and how this liability would be met from the various balances held at year-end.

**NET CURRENT ASSETS/
(LIABILITIES)**

This is the sum of the Current Assets less the sum of the Current Liabilities and is shown in the outside of the three columns, under the figures for Capital Assets and Assets in course of Development.

NET ASSETS

This is the sum of the figures for Capital Assets, Assets under Development and Net Current Assets/(Liabilities).

(D) Statement of Capital Assets(Appendix 4)

The method to be followed in constructing this Statement is the same as last year.