27 July 2007

Circular 29/2007

Public Financial Procedures –Suspense Accounts and Agency Services

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I am directed by the Minister for Finance to draw to your attention the importance of ensuring that the essential features and procedures of financial management as contained in Public Financial Procedures are complied with within your Department/Office.

A fundamental tenet of Government Accounting is that funds should only be charged to a Vote where a liability has matured for payment. Accounting Officers must ensure that their Department/Office observe this requirement and arrange that internal audit units review accounting procedures and systems accordingly to verify that the principle is observed.

In addition, I am directed to draw to your attention the importance of ensuring that requirements in relation to the operation of suspense accounts and agency services are understood within your Department/Office and complied with in full. These requirements are set out in section C.5, paragraphs 19 to 22 and section C.6, paragraphs 6 and 7 of Public Financial Procedures, extracts of which are appended. Public Financial Procedures is available on the Department of Finance website at: http://www.finance.gov.ie/ViewDoc.asp?fn=%2Fdocuments%2FPublicFinancialProcedures%2Fdefault.htm. Government Accounting Unit, Department of Finance should be contacted on (01) 639 6262 or by email at Govacc@finance.gov.ie for any advice that might be required in relation to the requirements of Public Financial Procedures.

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David Doyle
Secretary General

To: All Accounting Officers
Appendix to Department of Finance Circular 29/2007, Extract from Public Financial Procedures

C.5 Payments and Receipts

Suspense Accounts

19. A suspense account is an account to which items are temporarily charged or credited for any of the following reasons:

(a) because the proper destination of the charge is not known;

(b) because it is not clear whether a receipt should be accounted for as an appropriation-in-aid or an Exchequer Extra Receipt;

(In either case the transaction may be temporarily posted to suspense pending clarification. Payments should be treated with extreme caution since doubt over the incidence of charge implies that they do not have proper authority. Payments should not be charged to a suspense account pending receipt of Finance sanction.)

(c) because they are not proper to the Vote Account: for example, deductions from pay, such as life insurance premia, are legitimately held in suspense until they are payable at the end of a quarter when a payable order in favour of the insurance company is drawn on the suspense account;

(d) because they are Agency transactions (C6);

(e) because the correct amount chargeable to the Vote is not known: for example, adjustable advances, imprests to staff for travelling expenses etc.

(f) because the expenditure is recoupable e.g. travel costs which are recoupable from another body. (See Finance Circular 32/94: Accounting for certain recoupable expenditure (13 December 1994) and Circular letter of 10 February 1995 on, Recoupable Expenditure: Adjustment to 1995 Revised Estimates Volume).

20. Different kinds of transactions should be recorded in separate suspense accounts. A suspense account of a general nature is undesirable.

21. It is accepted that suspense accounts are necessary in certain instances, but their use should be kept to a minimum. Where used, they should be kept under very regular review and cleared as quickly as possible, those involving the Vote Account before the end of the financial year.

22. Any balance in a suspense account at 31 December represents an asset or a liability of the Accounting Officer and requires to be recorded in the Assets and Liabilities Statement which is included by way of note with the Appropriation Account.

C.6 Interdepartmental Transactions

Agency Services

6. A Department may act as agent for another Department in the provision of a service which, although not its primary function, it is better equipped to do than the principal Department, from the point of view of economy and convenience. Examples of Agency Services include

- the construction of prisons which is provided for in the Vote for Prisons, but undertaken by the Office of Public
Works on an agency basis for the Department of Justice

- the collection of social insurance contributions by the Revenue Commissioners on an agency basis for the Department of Social Welfare which administers the Social Insurance Fund.

7. The principal Department is responsible for policy governing the transactions. The agent Department is responsible for efficiency and economy in providing the service. Unlike the case of Allied Services, Agency Services do involve financial transactions between the principal and agent Departments:

(a) the agent normally puts the transactions through suspense (C5), the service being a final charge in the principal’s Appropriation Account;

(b) the agent may require the principal to provide advances in the nature of imprests from which to meet payments falling due. The amounts charged to the principal’s Appropriation Account are those amounts certified by the agent as having been actually disbursed by it in the year of account. Where it may be some time after the end of the final year before the agent can determine the precise amounts disbursed, the principal, in order to close its Appropriation Account on 31 December, may bring to charge in the financial year amounts in respect of Agency Services arrived at on an estimated basis. The estimate, which should be agreed between the Departments, in consultation where necessary with the C&AG, should be adjusted in the next financial year when final figures are available;

(c) if the expenditure involved is not significant the agent may make payments in respect of the service from its own voted moneys on a suspense basis. The agent should secure recoupment from the principal within the year in which the payments are made, in which event the year of payment by the agent will coincide with the year of account by the principal. If the agent fails to seek or secure recoupment from the principal until after the close of the year, then the date of payment by the principal will be the date of charge in its Appropriation Account;

(d) the agent usually retains the detailed vouchers etc., in connection with the expenditure which it certifies as correct to the principal. The latter normally pays the claims on sight;

(e) the agent is responsible for operating safeguards against fraud but the principal’s Vote must bear any losses arising from the agent’s actions;

(f) a Department may also provide an agency service for a departmental fund (e.g. Social Insurance Fund) or a body other than a Government Department. In such cases and where a Department provides for another Department an agency service which is outside its usual range of activities, the agent Department should recover its administrative overheads. Where expenditure is involved, the agent Department should be funded in advance by the principal.