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FINANCIAL REPORTING



NATIONAL FINANCIAL REGULATIONS

Version 2023.1
Effective 31 January 2023





This policy covers:

- HSE accounting policies for Annual Financial Statements (AFS)
- inventory policy
- stock taking procedures and controls
- guidance on finance sanctions

Ideally, you should read this document online as we link to other guidelines you also need to know. Additional accessibility functions are also available such as the interactive Table of Contents where you can click on any section of the table and be brought directly to that content.

To help you take note of these links and other features of this policy, we use the icons below.

D ICON SET

	<p>Highlighting Important Information</p>
 <p style="font-size: 8px; margin-top: 5px;">DOWNLOAD FORM</p>	<p>Download Form</p>
 <p style="font-size: 8px; margin-top: 5px;">MAKE CONTACT</p>	<p>Contact Details or Connection Point</p>
	<p>Legal Reference</p>

Who needs to read this policy?

The National Financial Regulations (NFRs) apply to all staff in all divisions, Community Health Organisations (CHOs) and Hospital Groups (HGs) where services are provided on behalf of the HSE. This includes permanent, temporary and agency staff. Equivalent controls should also be implemented by Section 38 and Section 39 providers where services are being provided on behalf of the HSE or where HSE grant aid funding is being received.

How we keep the policy up to date – and how you can help

There is a change control process in place for the NFR documents to ensure they are kept up to date with current practice and guidelines. All change control requests and feedback should be submitted using the [change control form](#).

If you have to create a local procedure document

If you are responsible for developing a local procedure document, you might find the following resources useful:

- the [key control checklist](#) on [page 52](#) as it lists required key controls which you must have in place
- a [sample local procedures template](#)

Frequently Asked Questions (FAQs)

You can find answers to some of the most common queries related to the NFRs on our [FAQs page](#) on the HSE website.

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At a glance

Document at a glance	
<ul style="list-style-type: none"> ▪ This document sets out the policies, procedures and controls for the Annual Financial Statements (AFS), obtaining sanction for special payments and the write-off of bad debts and inventory. ▪ These policies, procedures and controls aim to help staff fulfil their duties and minimise financial risk for the HSE. 	
Key users	Key concepts
<ul style="list-style-type: none"> ▪ All staff involved in the preparation of AFS. ▪ HSE staff involved in the preparation of the request for sanction for special payments and the write-off of bad debts and stock. ▪ All staff employed in store locations. 	<ul style="list-style-type: none"> ▪ Accounting policies for AFS. ▪ Inventory. ▪ Stock-taking. ▪ Finance sanctions.
Key objectives of this document	Key relevant links
<ul style="list-style-type: none"> ▪ To ensure all staff are aware of the key controls and regulations in place for the preparation of AFS, inventory, stock-taking, and finance sanctions. ▪ To provide key support material and contacts to help staff in the relevant area. 	<ul style="list-style-type: none"> ▪ Public Financial Procedures ▪ Revised Estimates Volumes for the Public Service ▪ Statutory HSE Superannuation Scheme ▪ Annual Financial Statements Standard Operating Procedure ▪ Financial Emergency Measures in the Public Interest Act, 2009 ▪ Health Service Executive (Governance) Act 2013 ▪ Circular No. 01/2021 Control of Secured Borrowing by General Government ▪ Public Service (Single Scheme and Other Provisions) Act 2012 ▪ Financial Reporting Council FRS102 ▪ HSE Annual Financial Statements ▪ Department of Health Accounting Standards
Key contacts	
<ul style="list-style-type: none"> ▪ Finance sanctions and inventory control – Contact the Assistant Chief Financial Officer, Finance Specialists – AFS-Team@hse.ie ▪ Completion of AFS figures – Contact Assistant Chief Financial Officer, Finance Specialists and General Manager AFS – AFS-Team@hse.ie ▪ Control Queries – Contact Governance and Compliance – govn.compliance@hse.ie 	

1. Introduction

This document sets out guidance in relation to HSE accounting policies for Annual Financial Statements (AFS), inventory policy, stock taking procedures and controls, and guidance on finance sanctions.

It is particularly relevant to staff involved in the preparation of AFS, the request for sanction for special payments, the write-off of bad debts and stock and those involved in the management of inventory.

It is important that you are aware of the key controls and procedures relevant to you and the support materials and contacts that are available to help you in your work.

We have included a [glossary of terms](#) on page 46 and a [list of acronyms and abbreviations](#) on page 49. You may find it helpful to refer to these as you read.

2. Accounting policies for AFS

2.1 Introduction

This section sets out the accounting policies used in the preparation of the AFS. For information on procedures to complete the AFS templates, refer to [AFS SOP Document](#).

Under the [Health Services \(Financial Matters\) Act, 2014](#), the Minister for Health issues a Letter of Determination to the HSE. This sets out the maximum level of net non-capital expenditure for the financial year. After Department of Health (DoH) consideration, they send a yearly letter including the requirements that the HSE must follow.



The HSE also receives a Letter of Determination for Capital Expenditure as well as Revenue Expenditure. The letters can sometimes be combined.

The HSE prepares the AFS, under Section 36 of the [Health Act, 2004](#). This includes the Primary Financial Statements and notes to the accounts. The AFS must be completed on or before 1 April in the next year after the current financial year has ended. For example, the AFS for the financial year 31 December 2023, will be completed on or before 1 April 2024. The AFS are required to be signed off and the associated audit certificate issued in May.



The timeline shown below outlines the relevant dates for the completion of the AFS.



Relevant dates for AFS completion	
October	<ul style="list-style-type: none"> ▪ Completion of interagency reconciliation to the end of the third quarter in the current year.
November	<ul style="list-style-type: none"> ▪ External confirmation of main sources of Non–DoH income agreed with areas to the end of the third quarter in the current year. ▪ Workshop for the teams involved in the AFS preparation.
December	<ul style="list-style-type: none"> ▪ Final AFS templates for the current year circulated by AFS team.
January	<ul style="list-style-type: none"> ▪ Year end interagency reconciliation submitted to AFS team. ▪ Final external confirmation of main source of Non–DoH income agreed and reconciled with areas to the end of the current year.
February	<ul style="list-style-type: none"> ▪ Completed AFS templates submitted electronically by areas to AFS team. ▪ Capital commitment details at year end to be submitted by the Treasury and Capital section. ▪ AFS income figure confirmed by Treasury and Capital section. ▪ First draft of the consolidated AFS (including notes) to be completed and forwarded to the DoH and Office of the Comptroller and Auditor General by the end of February.
March	<ul style="list-style-type: none"> ▪ Consolidated AFS to be considered by HSE Audit and Risk Committee (including the Statement of Internal Controls, and the Operating and Financial Review). ▪ Draft AFS to be submitted and signed off by the board at the end of March.
April	<ul style="list-style-type: none"> ▪ Final AFS is to be adopted by board at end of April. ▪ Inclusion of AFS in Annual Report for adoption by HSE Board.
May	<ul style="list-style-type: none"> ▪ Final AFS to be signed off in May. This can change depending on whether the Office of the Comptroller and Auditor General have any amendments. ▪ Audit certificate to be issued by the Office of the Comptroller and Auditor General before presenting the HSE Annual Report to the House of the Oireachtas by the Minister for Health.

2.2 General accounting policies

Accruals

The AFS are prepared on an [accrual's](#) basis in accordance with the historical cost convention. Under Section 36 (3) of the [Health Act, 2004](#), the Minister for Health specifies the accounting standards to be followed by the HSE.



Disclosure notes

All disclosure notes in the AFS must be approved by the HSE Chief Financial Officer.

Accounting standards

The HSE has adopted Generally Accepted Accounting Principles (GAAP), FRS 102 in accordance with the accounting standards issued by the [Financial Reporting Council \(FRC\)](#). These are subject to exceptions specified by the Minister.

Exceptions specified by the Minister for Health

Depreciation

- Depreciation is not charged to the Statement of Revenue Income and Expenditure but is charged against the Capitalisation (Reserve) Account balance.
- Under GAAP, depreciation must be charged in the Statement of Revenue Income and Expenditure.

Capital grants

- Capital grants received from the State to fund the purchase of Property, Plant and Equipment (PPE) are recorded in the Statement of Capital Income and Expenditure.
- Under GAAP, capital grants are recorded as deferred income and [amortised](#) over the useful life of PPE.
- Capital Grants and Capital Expenditure in relation to assets other than those purchased by way of [service concession arrangement](#), are recognised in the Statement of Capital Income and Expenditure as incurred. Under FRS 102, such expenditure is capitalised and charged to income and expenditure over the life of the asset.

Exceptions specified by the Minister for Health

Pensions

- Pensions are accounted for on a ‘pay-as-you-go’ basis. The provisions of FRS 102 ‘Section 28: Employee Benefits’ are not applied. The liability for future pension benefits [accrued](#) in the year has not been recognised in the financial statements.

Clinical Indemnity Scheme

- Claims under the Clinical Indemnity Scheme which are paid by the HSE and administered by the State Claims Agency on the HSE’s behalf are accounted for on a ‘pay-as-you-go’ basis.
- Details of the amount recognised in the Statement of Revenue Income and Expenditure, together with the actuarially estimated future liability attaching to this scheme are set out in the [AFS SOP](#) Policies and Procedures.

Voluntaries

Details of staff numbers employed by HSE voluntaries are included in a note to the AFS (as published in the Annual Report). They are reported based on employee numbers at the year end, rather than the average number employed during the year.

AFS Structure

The [Health Service Executive \(Governance\) Act 2013](#) provides the following structure to be applied when completing the AFS Templates. These templates are shown within the [AFS SOP](#) Policies and Procedures.



2.3 Income recognition

The DoH provides grants to the HSE for administration, capital, and non-capital services.

The HSE must manage and deliver services in line with an approved National Service Plan.

As grant income is recognised on an [accruals](#) basis, the amount specified in the Letter of Determination for the relevant financial year is recognised as income in that year using the following guidelines:

Guidelines
<p>Grant income from administration and non-capital services</p> <ul style="list-style-type: none"> ▪ Accounted for in the Statement of Revenue Income and Expenditure where it is applied to non-capital areas of expenditure. ▪ Accounted for in the Statement of Capital Income and Expenditure under the heading 'Revenue Funding Applied to Capital Projects' where non-capital grant monies are used to fund capital expenditure.
<p>Grant income from capital services</p> <ul style="list-style-type: none"> ▪ Accounted for in the Statement of Capital Income and Expenditure.

2.4 Statement of Revenue Income and Expenditure

The [Health Act, 2004](#) states that any deficits should be charged to the Statement of Income and Expenditure in the next financial year. Subject to the approval from the minister, surpluses can be credited to the Statement of Income and Expenditure in the next financial year.



In respect of other income:

- patient and service income is recognised at the time the service is provided
- superannuation (pension) contributions from staff are recognised when the deduction is made
- income from all other sources is recognised when received, except for payments made for products and services that are to be delivered in the future or where the expenditure has not yet occurred

2.5 Statement of Capital Income and Expenditure

A Capital Income and Expenditure account is maintained in line with the accounting standards required by the Minister for Health.

Capital funding is provided in the Letter of Determination for the following:

- construction or the purchase of major assets
- capital maintenance

- miscellaneous capital expenditure not capitalised on the Statement of Financial Position (SOFP)

In addition, capital funding is provided for the payment of capital grants to outside agencies.

Note: Further analysis of capital expenditure by category is provided in Note 13 in the AFS titled '[Capital Expenditure](#)' as published in the Annual Report.



Revenue funding applied to meet the repayment of monies borrowed by [predecessor bodies](#) and which were used to fund capital expenditure is accounted for in Capital Income and Expenditure. The heading 'Revenue Funding Applied to Capital Projects' is used.

Capital grant funding is recorded in the Statement of Capital Income and Expenditure.

Some minor capital expenditures can also be funded from revenue. In this case, the amount is charged to the Statement of Revenue Income and Expenditure in the year. This accounting treatment (which does not comply with GAAP) is an exception specified by the Minister.

2.6 Deferred income

Deferred Income refers to advance payments for products or services that are to be delivered in the future.

DoH income

As a rule, DoH income should not be deferred however there are additional projects where exceptions may apply when specified by the DoH. Service Level Agreements (SLA) for each project should be reviewed for more details.

Deferred Income Account

The Deferred Income Account is reserved for:	
1	Unspent income items arising from donations and bequests to the HSE where the donors have specified the purposes for which the money may be used but the related expenditure has not yet occurred.
2	Monies held by law agents in respect of prospective sale of HSE owned property.
3	Unspent General Practitioners (GPs) Development money.

Grants to GPs

Any under or overspending of grants to GPs should be shown as deferred income as 'Balance on GPs' development monies. This relates to the **North West only** as they are the only area to receive GPs development money in advance.

Purchase Property Deposits

Purchase Property Deposits for the purposes of deferred income are deposits held by law agents in respect of the prospective sale of HSE land or property where the title has not yet been transferred.

AFS note

Deferred Income is analysed in a note in the Published AFS under the following headings:

- donations and bequests
- grant funding from the state and other bodies
- funding from specific capital projects
- general

2.7 Covid-19 donations

Covid-19 donations **under €10,000** may be coded to the Income and Expenditure account.

Covid-19 donations **above €10,000** must be coded to deferred income and released as used or spent.

For more on income from donations refer to [NFR B2 – Income, Charges and Debtors](#).

2.8 Grants to outside agencies

The HSE funds other service providers, which provide health and personal social services on its behalf. This is done under Sections [38](#) and [39](#) of the Health Act, 2004.



Before entering such an arrangement, the HSE must determine the maximum amount of funding that it proposes to make available in the financial year under the arrangement. The level of service it expects to get for that funding is also considered.

This funding is charged to the Statement of Income and Expenditure at the maximum determined level for the year, although the full amount may not be spent until the following year.

For more information on grants to outside agencies, see [NFR B6 – Section 38 and Section 39 Arrangements](#) and the [Compliance Support Unit](#) website.

2.9 Leases

Operating leases

Operating leases are dealt with in the financial statements as they fall due.

Finance leases

Finance leases may involve an element of borrowing. The HSE is not allowed to enter into any finance agreements without the sanction of the Minister of Finance ([Circular No. 01/2021 Control of Secured Borrowing by General Government](#)).

However, where assets of [predecessor bodies](#) have been acquired under finance leases, these leases have been taken over by the HSE when it was established. For these leases, the capital element of the asset is included in fixed assets and is depreciated over its useful life.

In addition to the normal GAAP treatment for assets acquired under finance leases, the cost of the asset is charged to the Statement of Capital Income and Expenditure and the Capitalisation (Reserve) Account is credited with an equivalent amount.

The outstanding capital element of the leasing obligation is included in Creditors. Interest is charged to the Statement of Income and Expenditure over the period of the lease.

2.9.1 Primary care centres and leasing

Primary care centres acquired under [Public Private Partnership](#) service concession arrangements are capitalised and accounted for using the finance lease liability model.

The value of the primary care centre assets and the service concession liability is recognised as assets and liabilities in the SOFP. The amounts equal to the fair value of the leased property or if lower the present value of the minimum lease payments. This is determined at the start of the lease.

2.9.2 Service concession agreements

Assets acquired under [service concession agreements](#) are handed back to the HSE at the end of the concession term with useful lives equivalent to that of the asset when originally commissioned. Performance of the 'hand back' provisions is guaranteed by financial retentions and penalties provided for in the concession agreements. As a result of these provisions, the HSE does not charge depreciation on these assets.

2.10 Property, Plant and Equipment (Tangible Fixed Assets) and Capitalisation Account

PPE is comprised of:

- land
- buildings
- work in progress
- equipment
- motor vehicles

PPE from predecessor bodies

The HSE holds land for the provision of health and personal social services only. Land taken over from [predecessor bodies](#) is valued based on rates per hectare or square metre supplied by the DoH following consultation with the Valuation Office.

The carrying values of such tangible fixed assets taken over from predecessor bodies by the HSE were included in the opening SOFP on 1 January 2005 (the date of the HSE's establishment), at their original cost. The related aggregate depreciation account balance was also included in the opening SOFP.

PPE additions after 1 January 2005

Additions after 1 January 2005 are stated at historic cost, less accumulated depreciation. As required by the Minister, expenditure on PPE additions is charged to the Statement of Revenue Income and Expenditure or the Statement of Capital Income and Expenditure, depending on whether the asset is acquired through capital or revenue funding.

Both capital funded and revenue funded assets can be capitalised in certain cases.

Capital funded assets and revenue funded assets are capitalised if the cost exceeds €10,000.

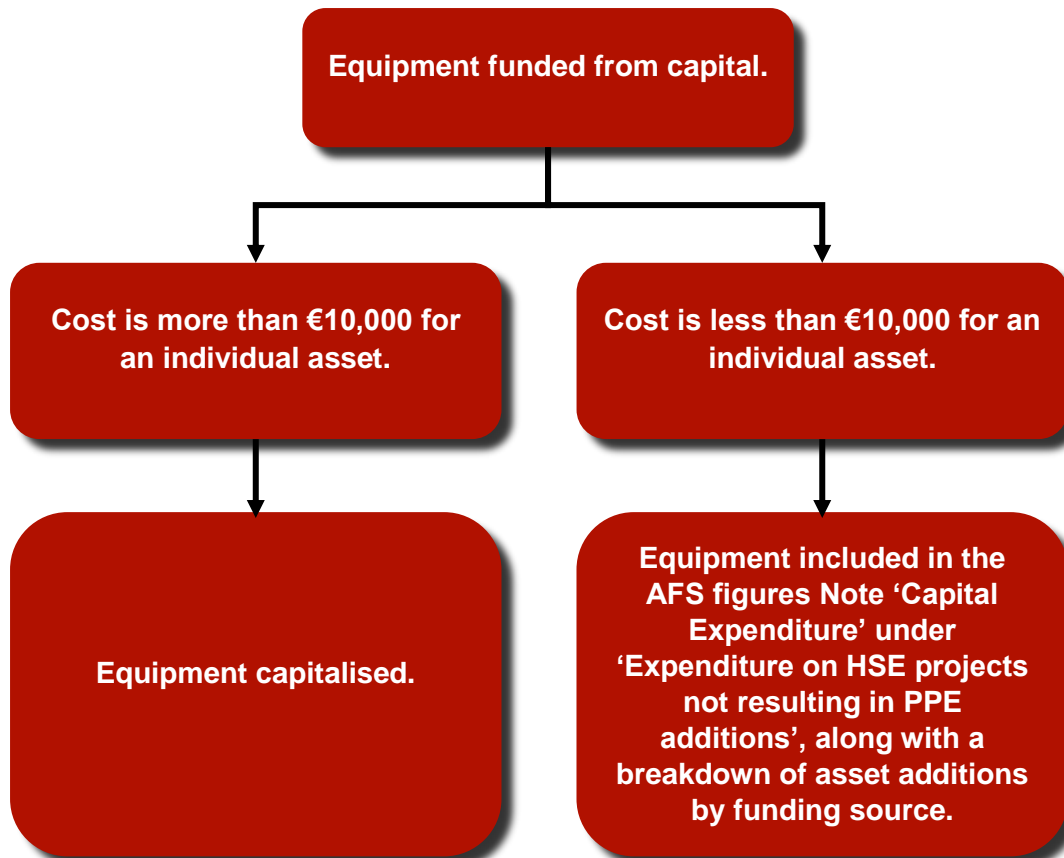
Assets that do not exceed €10,000 do not need to be recorded on the fixed asset register. Local HSE areas need to log all assets where asset value does not exceed €10,000. This includes assets such as laptops, mobile phones and other items that are in use for more than one year.



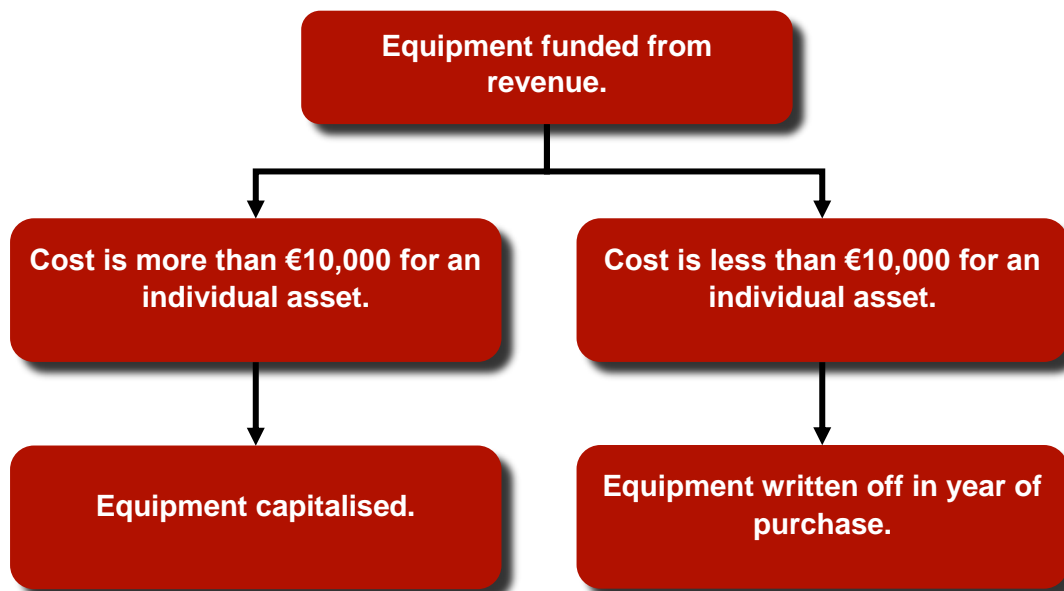
Asset additions below this threshold and funded from revenue are written off in the year of purchase. Asset additions below this threshold funded from capital are included in the AFS Note 'Capital Expenditure' under 'Expenditure on HSE projects not resulting in PPE additions'. A breakdown of asset additions by funding source is provided and is also included in this note to the accounts.

Refer to the below diagrams for the capitalisation policy to use.

Where equipment is funded from capital



And where equipment is funded from revenue



2.11 Depreciation

Depreciation is calculated to write-off the original cost or valuation of each asset over its useful economic life on a straight-line basis at the following rates:



Depreciation rates for different asset types	
Land	No depreciation
Buildings	2.5% per annum
Modular buildings (including prefabricated buildings)	10% per annum
Work in Progress	No depreciation
Equipment	Computers or ICT: 33.33% per annum Other Equipment: 10% per annum
Motor Vehicles	20% per annum

As required by the Minister for Health, depreciation is **not** charged to the Statement of Income and Expenditure over the useful life of the asset. Instead, a SOFP Reserve Account (Capitalisation Account) is the corresponding entry to PPE. Depreciation is charged to the PPE and Capitalisation Accounts over the useful economic life of the asset.

Assets are not depreciated where they have been acquired or are managed under [Public Private Partnership](#) service concession agreements (see [Section 2.9](#)). This guarantees residual useful lives and operating capacity at the end of the concession term that would be equivalent to that of the asset when it was first commissioned.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal.

Other fixed assets which are subject to depreciation are depreciated for a full year in the year of acquisition.

Disposal

On disposal of PPE, both the PPE and Capitalisation Accounts are reduced by the [net book value \(NBV\)](#) of the asset disposal. An analysis of the movement on the Capitalisation Account is provided in the Statement of Changes in Reserves in the AFS.

The Multi–Annual Delegated Capital Sanction 2019–2022 and the Letter of Sanction for Capital provides for an allowance to reinvest proceeds from the sale of fixed assets.

Any request to write off the following types of assets should be dealt with under the finance sanction process (see [Section 6](#)):

- fall under the HSE thresholds for capitalisation

- are fully depreciated
- do not contain an individual entry in the fixed asset register

2.12 Inventories

Inventory valuation

Inventories are stated at the lower of cost and [net realisable value \(NRV\)](#).

Vaccine inventory

The HSE historically carries a provision against specific vaccine inventories.

Obsolete inventory

Any write-offs or adjustments for obsolescence are charged in the current year against revenue income and expenditure.

For more information on inventory, see [Section 3](#) and [Section 4](#).

2.13 Critical accounting judgements and estimates

The preparation of the AFS requires the HSE to make judgements and estimates that affect the amounts reported for assets and liabilities as at the SOFP date. They also affect the amounts reported for revenue and capital income and expenditure during the year. For more information, refer to the [AFS SOP](#) Policies and Procedures.

With estimation, actual outcomes could differ from those estimates. Some of these estimates are discussed below.

- Bad debts are written-off in the period in which they are identified. Specific provision is made for any amount which is considered doubtful. Provision is made for patient debts which are outstanding for more than one year (see [Section 2.14](#)).
- Salaries, wages and employment related benefits are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the financial year is recognised in the financial statements to the extent that employees are permitted to carry forward unpaid annual leave into the following year. Certain assumptions are made for holiday pay accrual based on current conditions.

2.14 Bad debts

A bad debt is a debt that cannot be recovered.

Where known bad debts arise, they are written off in the period in which they are identified. A provision is made for amounts due which are considered doubtful to be

repaid. A provision is made for patient debts which are outstanding for more than one year.

For write-offs of amounts greater than €30,000, approval must be sought from the Chief Financial Officer of a Hospital Group or Head of Service or Head of Function or Head of Finance of a CHO or a designated approver and the DoH through finance sanctions (see [Section 6](#)).

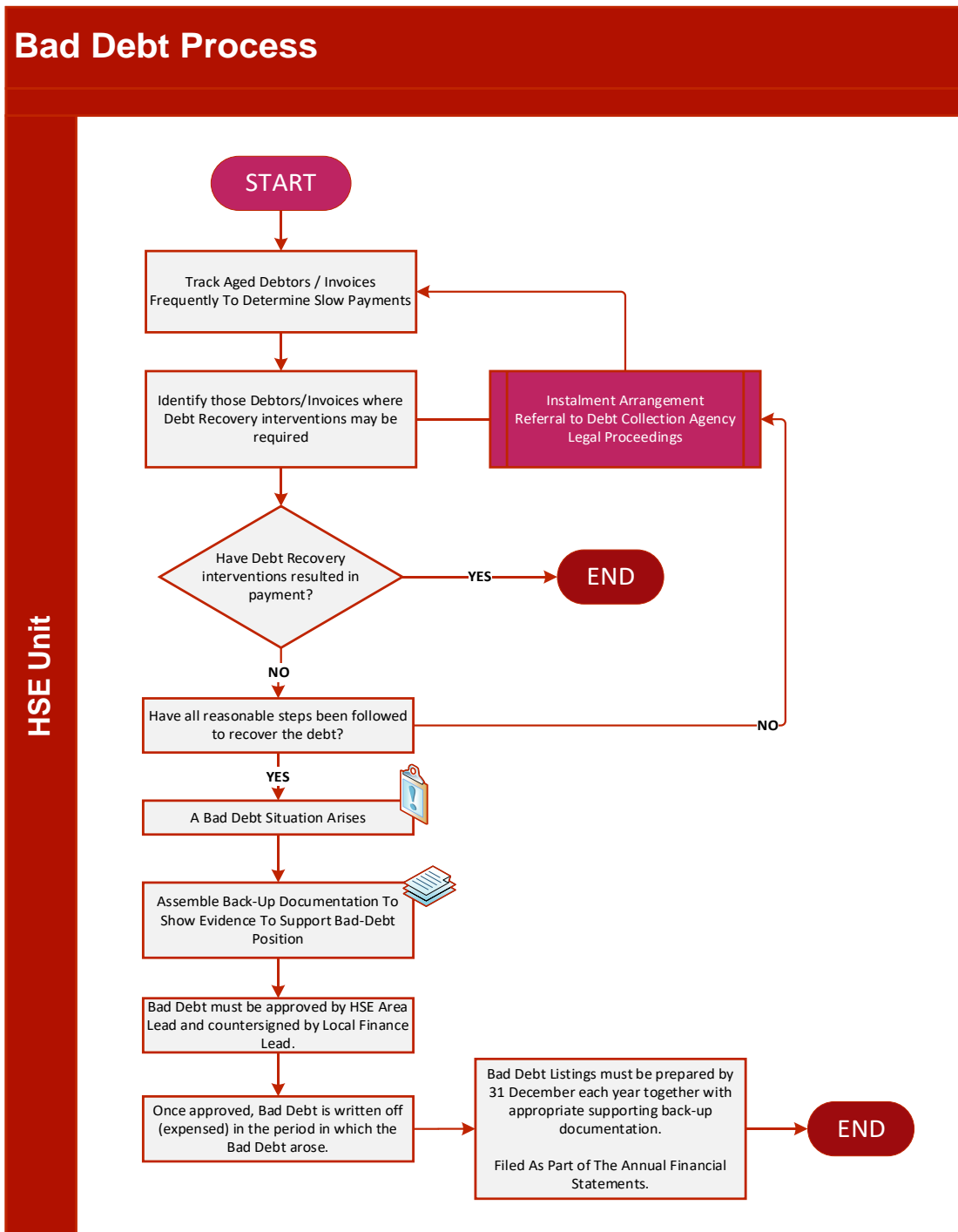


The bad debt provision policy is shown below:

Bad debt provision policy	
Charge	Provision
Inpatient Charges	Full provision for amounts more than 1 year.
Private Patient Charges	
Long Stay Charges	
Road Traffic Accident (RTA) Charges	100% provision to match corresponding debtor.
Accident and Emergency (A&E) Charges	
Outpatient Charges	
Payroll Overpayments	Full provision.
Secondments and Other Debtors	Provision on a case-by-case basis.

Under FRS102, the process for estimating and accounting for bad debt provisions requires objective evidence, based on observable data that an impairment exists before a loss can be recognised. This is determined on the basis that assets are carried at the lower of their carrying amount and their recoverable amount.

The bad debt review process is illustrated below:



The [FRC](#) recommends the identification of groups of debtors with similar credit risk characteristics and the estimation of expected losses for each group.

Before bad debts are written off, it is important that the local HSE area tries to recover the debt.

For information on the debt collection process, see [NFR B2 – Income, Charges and Debtors](#).

2.15 Pensions

The HSE is funded by the State on a **pay-as-you-go basis** for the purpose of paying pensions to former employees. Funding from the DoH in respect of pensions is included in Income.

Pension payments under the defined benefit superannuation schemes are charged when paid as follows:

HSE employees who are or were members of defined benefit superannuation schemes	Employees or retirees of voluntary health service providers
<ul style="list-style-type: none"> ▪ Superannuation paid to retired HSE employees is accounted for within the pay classification of Statement of Revenue Income and Expenditure. ▪ Contributions from HSE employees are credited to the Statement of Revenue Income and Expenditure when received. 	<ul style="list-style-type: none"> ▪ Superannuation paid to retirees are accounted for under ‘Grants to Outside Agencies’ within the non-pay classification of the Statement of Revenue Income and Expenditure. ▪ Contributions from employees who are members of the scheme are retained as income of the voluntary health service provider.

No provision is made in respect of pension benefits earned by employees and payable in future years under the pension scheme.

All HSE staff who are **new entrants to the Public Sector on or after 1 January 2013** are members of the Single Public Service Pension Scheme (according to the [Public Service Pensions \(Single Scheme and Other Provisions\) Act 2012](#)).

Members’ contributions are paid to the Department of Public Expenditure and Reform (DPER). }

An “**Additional Superannuation Contribution**” ([Financial Emergency Measures in the Public Interest Act 2009](#)) applies to all staff who are members of a Public Service Pension Scheme. This includes staff of certain HSE funded service providers. This is accounted for as income by the HSE and included in the AFS. Further details can be found in the [AFS SOP](#) Policies and Procedures. }

2.16 Patients’ Private Property (PPP)

Patients may require the HSE to step in as custodians of their personal property and make decisions on their behalf in circumstances where they may become vulnerable or have impaired capacity. This is known as Patient’s Private Property (PPP).

PPP is **not** HSE property, but the HSE has a duty to ensure it properly maintains and protects any PPP for patients under its care. For more information on PPP, see [NFR C1 - Patient’s Private Property and Finances](#).

Monies received for safekeeping by the HSE from or on behalf of patients are kept in [Patients’ Private Property Accounts \(PPPA\)](#) and the HSE is responsible for the administration of these accounts.

As this money is not the property of the HSE and the HSE acts only as a trustee of these funds, that is, the HSE holds the money on behalf of the patient, the accounts are not included on the HSE’s SOFP. PPPA are independently audited each year.

2.17 Contingencies

A “Contingency” is a condition which exists on 31 December, where the outcome can only be confirmed by a future event(s) but is currently unknown.

A list of contingencies should be forwarded to ACFO, Finance Specialists with the following details.

You must include the following details for all contingencies – checklist	
Note outlining the nature of the contingency.	<input type="checkbox"/>
Any uncertainties which are expected to affect the outcome.	<input type="checkbox"/>
Estimate of contingency amount.	<input type="checkbox"/>
Consideration of insurance cover when determining amount of a contingent loss.	<input type="checkbox"/>
Where material expenditure is contingent upon the outcome of litigation involving the HSE, a note should be drafted in consultation with HSE solicitors (no reference to materiality or amount).	<input type="checkbox"/>

2.18 Engineering base costs

No central charges should be held. Central Engineering base costs are to be recharged to all cost centres receiving maintenance or engineering services.

2.19 Events after the end of the reporting period

Events occurring after the SOFP date may be classified as either adjusting events or non-adjusting events. For more information, see [FRS102 Guide](#), Section 32.

In exceptional circumstances, an adverse event which would normally be classified as non-adjusting may need to be reclassified as adjusting. In such circumstances, full disclosure of the adjustment is required.

2.20 Exchequer extra receipts and liability to the exchequer

Under Section 2 of the [Public Accounts and Charges Act, 1891](#), receipts may be treated differently according to how they arise:



Receipts arising in the ordinary course of HSE business

Receipts are retained by the HSE and accounted for as income in the AFS.

Examples:

- private charges
- superannuation
- miscellaneous receipts
- pension levy

Determination funded expenditure and “windfall” receipts

Receipts are credited to the Exchequer and are not retained by the HSE for its own use.

Examples:

- interest, dividends or capital repayments
- compensation

If there is doubt in relation to whether a windfall receipt should be treated as Income or as an extra exchequer receipt, the amount in question should be credited to the SOFP (sundry creditors) until a ruling from the DoH is obtained.

2.21 Journals and accruals

The HSE currently has a high volume of manual journals and the authorisation of these can cause problems with non-compliance. For more on this please also see [the HSE's Journal Entry and Balance Sheet reconciliation policy](#).

Integrated Financial Management System (IFMS)

Under the new Integrated Financial Management System (IFMS), journal policies and procedures will be adopting a local self service model which will allow for a more flexible workflow and an approval matrix.

For more information on local procedures, see [NFR A – Internal Controls Framework and Principles](#).

Audit File

HSE staff must be aware of the policies regarding the [Audit File](#) when posting journals. Sufficient and accurate evidence of all transactions must be documented and maintained in an appropriate manner. This ensures the audit trail is maintained on all income and expenses including the purpose of the income or expense and the reasoning behind its journal entry.

Accruals

Accruals must also be prepared consistently throughout the HSE and in a manner that exercises appropriate discretion and judgement. Each accrual must provide supporting evidence for why it is required.

Accrued expenses and provisions require documenting for audit purposes, meaning:	
1	Each has adequate support – Accrual template must be completed, signed by two appropriate signatories, with printed supporting documentation.
2	Where backup is a soft copy file, a summary page must be provided behind the template (printed) with: <ul style="list-style-type: none"> ▪ a description of the backup and explanation of the accrual ▪ references to locations of soft copy backup files ▪ name of accrual contact and email address
3	Each posting has appropriate approval.
4	Support is prepared and approval obtained prior to posting and readily available for audit purposes.
5	Proof of payment must be added to the backup documentation when payment has been made for example, the SAP vendor screenshot or the Payment batch reference.

2.22 De-recognition of payables and accruals

Payables and accruals are derecognised only when the liability is extinguished. That is, when the obligation is discharged, cancelled (with agreement of the supplier) or expires.

If a prior period error is discovered, the charge must be written back to the account it was originally charged against.

If a material error is discovered, the comparatives must be restated.

2.23 Changes in provisions

Provisions should be reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

If a provision is being reversed, the reversal must be classified the same as the original provision within the statement of profit and loss.

These principles must be established and applied to all HSE areas in a way which is most suitable for individual localities. For more information on local procedures, see [NFR A – Internal Controls Framework and Principles](#).

For more information regarding journal posting and guidance on accruals, see [the HSE's Journal Entry and Balance Sheet reconciliation policy](#).

2.24 Interagency reconciliations

Currently various areas in the HSE operate on independent legacy financial systems and consolidation adjustments are made for the HSE to report as a single entity. The AFS of the HSE are derived from this consolidation.

Interagency transactions between areas must be reconciled to present a true and fair view of the HSE as a single entity, rather than just an amalgamation of the individual areas within the HSE. An interagency reconciliation checklist will be issued for year–end to reconcile the interagency transactions on consolidation. Refer to the [AFS SOP](#) Policies and Procedures for more information.

2.25 Audit file

The AFS are produced from a set of consolidated accounts and must be audited. The general requirements for this audit are set out in a “Letter of Engagement” issued by the [Office of the Comptroller and Auditor General](#). To facilitate the audit, an Audit File should be prepared for all accounts that will be included in the consolidation to be presented to the auditors upon commencement of the audit.

You must include the following details in an Audit File – checklist

A draft set of Financial Statements.	<input type="checkbox"/>
Accounts figures or an appropriate breakdown of those figures supported by a trial balance.	<input type="checkbox"/>
Schedules analysing SOFP figures.	<input type="checkbox"/>
Other documentation supporting SOFP figures such as reconciliations, file back–ups and records of inventories.	<input type="checkbox"/>

You must include the following details in an Audit File – checklist

Correspondence for the period in relation to grant and banking facilities.	<input checked="" type="checkbox"/>
Analysis and explanations of variances with the previous year's income and expenditure figures.	<input type="checkbox"/>

Detailed requirements in respect of the AFS Audit are set out in [Appendix 1](#).

To facilitate the timely completion of the audit and the certification of the accounts for the production of the Annual Report, the relevant areas must ensure that the Audit File required by the [Office of the Comptroller and Auditor General](#) is available to accompany the final accounts.

There is a strict two day turnaround policy for the Office of the Comptroller and Auditor General queries relating to the Audit File and supporting details.

As part of the audit process, the Office of the Comptroller and Auditor General provides independent assurance that public funds and resources are used in accordance with the law, are well managed and properly accounted for.

The powers and duties of the Office of the Comptroller and Auditor General are set out in the [Comptroller and Auditor General Act 1923](#) and the [Comptroller and Auditor General \(Amendment\) Act 1993](#).



All staff must comply fully with audit enquiries. For more information on audit procedures, see [NFR A – Internal Controls Framework and Principles](#).

3. Inventory

3.1 Inventory policy

All employees have the responsibility for the correct use, care and safeguarding of HSE stocks in their possession. It should be noted that ‘inventory’ does not include fixed assets, which are discussed in [NFR B7 – Property and Equipment](#).

Inventory should only be held where it is not practical to purchase goods on an “as needed” or “just in time” basis due to the availability or specific nature of those goods.

Budget Holders are responsible for establishing arrangements for the care and control of any stocks or stores of materials held in their area.

Inventory held by the HSE must be properly maintained.

The objective of storekeeping is to ensure:
<ul style="list-style-type: none"> ▪ there is an accurate and up to date list of stock held, indicating stock levels and price
<ul style="list-style-type: none"> ▪ high demand items are available with minimum delay and at a competitive price
<ul style="list-style-type: none"> ▪ appropriate data is available for all stocked items
<ul style="list-style-type: none"> ▪ stock items will be maintained at optimum levels, to minimise supply delays, whilst minimising the investment of funds
<ul style="list-style-type: none"> ▪ materials are stored safely and securely
<ul style="list-style-type: none"> ▪ stock items are available to approved users
<ul style="list-style-type: none"> ▪ reserved and restricted items are available to authorised users
<ul style="list-style-type: none"> ▪ users are provided with timely and accurate information of store transactions

Up to date records, whether manual or electronic, must be maintained. These records must include:

- details of all receipts
- issue date
- balances of stocks on hand and so on

Relevant stock management reports (for example, slow-moving stock items, material by expiry date, material by batch number) must be completed regularly to help with stock management.

These reports include:

- slow moving stock items
- material by expiry date
- material by batch number

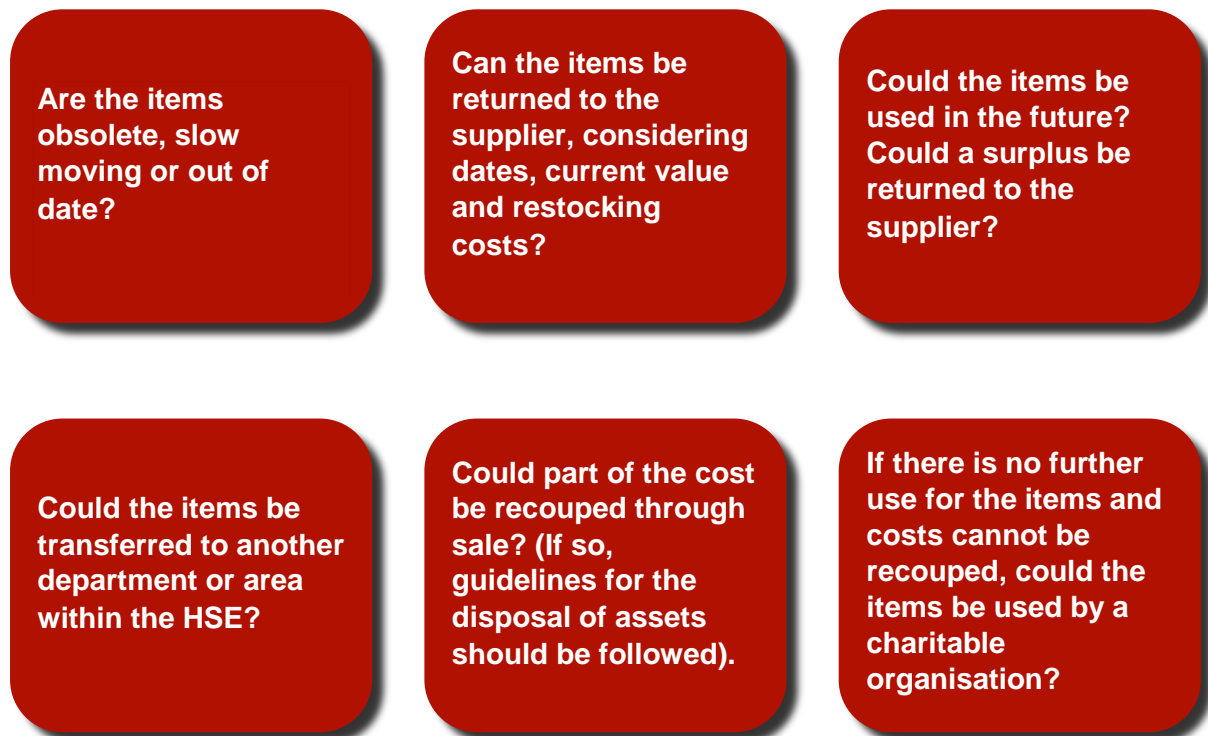
Appropriate General Ledger postings should be made to ensure accurate recording of [write offs](#) and provisions.

3.2 Obsolete or slow moving materials

Obsolete inventory is inventory that is no longer of use to the HSE.

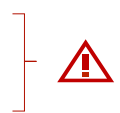
Slow moving stock refers to items that have not been used for a specified number of days, or which have a low usage rate.

Staff who manage goods must examine materials which are **obsolete or slow moving** on a regular basis (at least twice yearly). When examining those items, the following needs to be taken into consideration:



Before proceeding with any of these options, a recommendation must be sent to the appropriate Budget Holder(s) for authorisation and be endorsed by the Inventory Manager.

Where an individual **write off exceeds €30,000**, approval by the Chief Financial Officer of a Hospital Group or Head of Service or Head of Function or Head of Finance of a CHO or a designated approver is required. Reports on **all write offs** should be sent to the General Manager Financial Specialists (Region) and write offs greater than €30,000 should be sent to the ACFO Financial Specialists office at agreed intervals. For more refer to [Section 6](#).



Where all options for obsolete or slow moving inventory shown above have been tried and no solution found, items may be disposed of through a recognised licensed waste management company.

3.3 Security

All staff must recognise their responsibility for the care of HSE property and comply with all measures set out within this document and any other regulations or legislation mentioned.

Standard measures are in place to ensure stores are as secure as possible such as:

- restricted access
- CCTV
- locking
- alarms

Specific stock security measures

- Where possible, there should be a separate entry to offices attached to the supplies department.
- The receiving area should be separated from stock holding areas.
- The issuing area should be clearly separated from stock holding areas and receiving areas.

It is also important that all storage areas are suitable for the items that are held. These areas must be kept clean and tidy to allow easy access to all stock and to ensure the working environment remains safe for all staff and visitors.

4. Stock taking

A year–end stock take must be carried out in all locations where significant stocks are held.

Physical inventory is valued at the end of the accounting period to ensure inventory costs are recorded accurately in the AFS and form an accurate inventory opening balance for the following year.

Manager’s responsibilities for stock take:

Organising staff

- Organising suitably trained counting teams (of at least two people) with clearly defined roles and responsibilities. This must be supervised by an independent person. For example, not a person who checks in or receives stock, maintains the stock records for the items, or is responsible for the daily security and accountability of the stock.
- Stock takes can be conducted by appropriately trained HSE staff or qualified external parties.

Master schedule

- Establish a master schedule that sets out the beginning and completion dates for the counting process and the stock reconciliation.

Manager’s responsibilities for stock take:

Timing and accuracy

- Ensure stock takes represent average stock holding levels and are done as close as possible to 31 December, and not before 1 December (otherwise will have to reconcile stock movements to 31 December).

Communication

- Notify affected parties of dates and times of stock take date(s) providing adequate time to plan appropriately for all involved parties such as employees, suppliers, customers, and the Finance Department.

Purchasing supplies

- Purchase necessary supplies before the count – count stickers, pens, calculators and so on.

Preparing stock area

- Prepare the storage area for the stock count by ensuring it is clean, tidy, and well arranged.

Instructions

- Develop written physical stock instructions and prenumbered stocktaking record sheets for individuals participating in the stock count.
- Establish clear guidelines around which items to include or exclude from the stock count.

Stock is valued at the lower of cost and [NRV](#), considering deterioration, obsolescence or change in demand.

Recycled stocks are included in the count but are allocated a nil NRV as part of the stock take value recordings. Recycled stock generally refers to equipment that is passed through a system again for further use but which does not qualify as a tangible fixed asset (see [NFR B7 - Property and Equipment](#) for further information on tangible fixed assets).

However, the stock in the National Distribution Centre (NDC) is valued at [moving average price \(MAP\)](#).

4.1 Planning the stock take

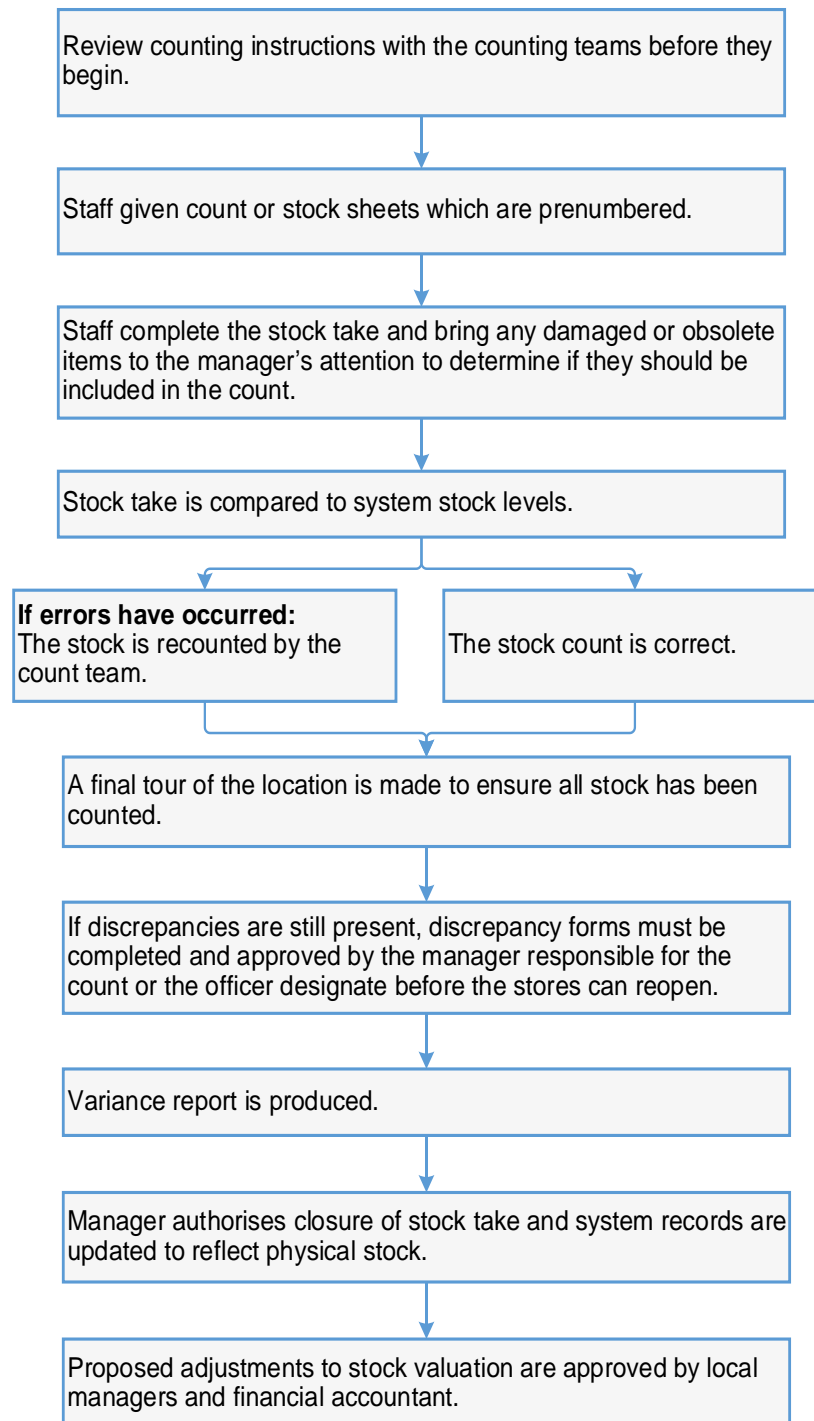
One manager in each stock location should be assigned responsibility for the stock take. This manager’s responsibilities are described in [Section 5.2](#).

Finance must be informed and they must then issue advance notification of a minimum of two weeks to independent observers (C&AG, Internal Audit).

4.2 Conducting the physical count

The process for the physical count is shown below.

Physical count process



Depending on the amount, the stock taking adjustments may instead be approved by inventory monitors or controllers within Procurement. Amounts under €20 do not need to be approved by the Finance Department.

After all stock has been counted and the discrepancies checked, a variance reports should be produced. At this point, on the manager’s authorisation, the stock-take will be closed and the system records will need to be updated to reflect the physical stock. Any proposed adjustment to the stock valuation is required to be approved by the local managers and financial accountant.

4.3 Cycle counting

Cycle counting, counts stock at regular intervals which allows fast moving items to be counted more frequently than slow moving items.

Items are grouped into categories based on consumption, value or other relevant criteria.

Item Category	Interval
Category A	Monthly (12 per year)
Category B	Every second month (6 per year)
Category C	Every sixth month (2 per year)



Note: Movement of stock during the physical count is not permitted without documentation and must be noted in the count or in the discrepancy reconciliation.

If the accuracy of the cycle counting can be maintained at a sufficiently high level, the need for an end of year stock take may be eliminated or reduced.

Frequency of count

Frequency of the physical count will depend on the type of items that are in inventory. It is advisable to assign inventory items categories based on the nature of inventory which will influence the frequency of counts (for example, all inventory items in ‘Category A’ counted monthly). Essential or expensive items should be counted more often to ensure appropriate supply is on hand.

Agreement should be reached with the local manager prior to implementing cycle counting or continuous stock.

4.4 Stock levels and valuation

The HSE values stock using only the following approaches:

- First-in, First-out (FIFO) – the cost of material is based on the earliest price of the material purchased.
- Weighted Average – the cost is based on the average price of all units currently in stock.

The HSE values stock using only the following approaches:

- Other methods similar to either of the above, such as Standard Cost.

The cost of any recoverable unsold or unconsumed stocks is carried forward until the period in which the stock is sold or consumed.

The approval process for purchase orders is done automatically. Manual approval should only be required where there is a change to the authorised maximum or minimum stock level, or where a purchase order breaks the thresholds set.

Maximum and minimum stock threshold levels should be reviewed at 6-monthly intervals to ensure their accuracy. Any necessary changes should be made to ensure compliance with the stock holding policy of the HSE and to ensure optimum stocks are available.

At year end, the ONLY method to be followed is valuing the stock at the lower of cost or net realisable value as per FRS102.

5. Roles and responsibilities

5.1 All staff

- You must ensure you are fully compliant with the financial regulations set out within these documents and all other regulations and legislation referenced within this document.
- Any public assets entrusted to you must be appropriately safeguarded, regardless of their value, and must be used sensibly and with care.
- You must ensure you take part in the appropriate trainings and are aware of the local procedures which are in place at the HSE location in which they work (see also [NFR A – Internal Controls Framework and Principles](#)).
- You must follow the Health and Safety procedures set out in the [HSE Corporate Safety Statement](#).
- You must ensure you meet your responsibilities within the required timeframes and deadlines, for example, the [Office of the Comptroller and Auditor General](#) Audit File queries must be completed within two days. For more information on the Audit File, see [Section 2.25](#).
- For further information on general staff responsibilities see [NFR A – Internal Controls Framework and Principles](#).

5.2 Line Managers

Line Managers have additional responsibilities:

- you must ensure all staff have been made aware of their responsibilities and have access to this suite of documents and any other applicable guides, regulations, or legislation as appropriate
- you must ensure that new staff receive induction training, and all staff participate in regular training to refresh their knowledge
- you must ensure appropriate Segregation of Duties measures are in place (see [NFR A – Internal Controls Framework and Principles](#))
- you must ensure the location of all stocks is known and that such stocks are reasonably secure from possible theft and other hazards
- you must review, verify, and respond to the annual stock report of the status of departmental stock
- you must discourage theft and loss of HSE property by assigning proper responsibility
- you must ensure significant surpluses, deficiencies, or losses of stock are reported immediately to the relevant senior staff (Assistant Chief Financial Officer, Finance Specialists)
- you must ensure staff comply with any audit enquires (see [NFR A – Internal Controls Framework and Principles](#))

6. Finance sanctions

6.1 General guidelines

- The HSE must comply with specific requirements of DoH in relation to obtaining sanction to incur expenditure in relation to write offs and losses and Legal Awards and Settlements. For example, claims not covered by the State Claims Agency or HSE insurance policies.
- The HSE is required to comply with the [Public Financial Procedures \(PFP\)](#) and any finance sanctions must be given the appropriate approval by the DOH.
- In seeking sanction, the HSE must ensure that all reasonable efforts have been made to recover the losses or debts. The HSE must also ensure that there are effective systems and controls to limit any future losses of a similar kind.
- Any loss or write off in excess of €30,000 must be approved by the Chief Financial Officer, Hospital Groups or Head of Service or function, or CHO Head of Finance as per [Section 6.4](#) as well as the DoH through finance sanction.

- Write offs under €30,000 should be noted where a serious issue of principle arises, where the [Office of the Comptroller and Auditor General](#) or the DPER considers that a note should be given, for example, investments in State Bodies.
- General Manager Finance Specialist (Region) should be notified of all debt written off in order to complete AFS requirements and onward notification to ACFO Finance Specialist of all debt written off greater than €30,000.
- Legal Awards and Settlements in excess of €50,000 or court awards against the HSE which have a wider public interest must receive prior specific approval of the DoH.
- Certain Special Payments also require finance sanction as required by [PFP C7.11](#).

6.2 Legal Awards and Settlements

Legal awards and settlements refer to all other legal awards and settlements **excluding** claims covered by the State Claims Agency or HSE insurance policies.

The table below sets out the responsibilities and roles of HSE staff in relation to the sanction requirements for Legal Awards and Settlements.

Role	Responsibility	Requirement
Chief Financial Officer, Hospital Group or Head of Service or Head of Function or Head of Finance CHO or Designated Approver	<ul style="list-style-type: none"> ▪ Implement a procedure outlining the local process and officers designated for particular tasks in accordance with this NFR. 	<ul style="list-style-type: none"> ▪ Inform on an ongoing basis the Office of Legal Services of any new proceedings being instigated by or against the HSE.

Role	Responsibility	Requirement
	<ul style="list-style-type: none"> Confirm compliance with the requirements of the exercise of delegated authority in relation to legal awards and settlements to relevant National Director for approval – see section 6.3. The Office of Legal Services to be advised also. 	<ul style="list-style-type: none"> If compliance with delegated authority cannot be confirmed, details should be referred to the Office of Legal Services for referral of request for prior specific sanction to the DoH before payment is made.
	<ul style="list-style-type: none"> Advise the relevant National Director of any case where it appears that there will be an out of Court Settlement in excess of €50,000. 	<ul style="list-style-type: none"> Inform the Office of Legal Services on an ongoing basis of cases where it appears that there will be an out of Court Settlement in excess of €50,000.
National Director	<ul style="list-style-type: none"> To confirm approval to the exercise of delegated authority in relation to Legal Awards and Settlements – see section 6.3 	<ul style="list-style-type: none"> Approval to the exercise of delegated sanction in any particular case will be retained on file.
Office of Legal Services	<ul style="list-style-type: none"> The delivery and management of legal services to the HSE (excluding claims covered by the State Claims Agency or HSE insurance Policies). Manage Legal Award and Settlement sanction requirements with the DoH. 	<ul style="list-style-type: none"> Establishes protocols for dealing with legal matters across the whole of HSE. Make application to the DoH for prior specific sanction for payment for legal awards and settlements where the exercise of delegated authority cannot be confirmed or where there will be an out of Court Settlement in excess of €50,000.

6.3 Exercise of delegated authority – legal awards and settlements

Protocol for sanction to the DoH	
Process	Comment
<p>Prior specific approval of the DoH for sanction to incur costs in relation to Legal Awards and Settlements is required except for the following:</p>	
<p>Court Awards Court awards against the HSE and any costs that come from these court awards if, while the HSE defends itself using appropriate legal advice, the claim does not have wider public service implications. The HSE must consult with the appropriate Government Department and public bodies which may be affected by the claim. This is to protect the wider public interest.</p>	<p>If the specific requirements are not met, application for prior specific approval for sanction to incur expenditure must be made to the DoH.</p>
<p>Out of Court Settlements Sanction is not required in the case of Out of Court Settlements by the HSE costing less than €50,000 where:</p> <ul style="list-style-type: none"> ▪ the settlement does not exceed the plaintiff’s claim ▪ the legal costs payable by the HSE does not exceed the settlement ▪ the HSE is satisfied that there are no wider implications for the public service (as in the case of court awards) ▪ the HSE obtains appropriate professional legal advice that there is a strong probability based on the facts of the case and the evidence that the plaintiff’s claim could succeed if considered by a Court and ▪ settlement of the claim is fair and reasonable and is a proper charge against the HSE Grant from the DoH 	<p>If the specific requirements are not met, application for prior specific approval for sanction to incur expenditure must be made to the DoH.</p>

6.4 Write-offs of bad debts and stock

DoH delegates authority to the HSE to write-off losses within specified limits.

Losses

According to the [PEP](#) (C 7.8), losses are defined as including the following:

- Physical Cash Losses – these should be charged to the most appropriate subhead. Where there is no appropriate subhead, a request must be made for the DoH to authorise a special subhead.
- Stores losses.
- Claims waived or abandoned.
- Nugatory or fruitless payments (that is, payment for which the HSE obtains no value).
- Due to the timeframe involved and the completion of the AFS, the proposed accounting treatment for bad debt and stock write-offs will be on the basis that they are written off in the AFS throughout the financial year subject to seeking DoH sanction.

Bills in Error

If it is appropriate to do so, part of the charge may be waived if there was contributory negligence ([Road Traffic Accident \(RTA\) Act, 1986, Section 2](#)). It is important therefore that the hospital establish independently that the judgement did state that there was contributory negligence. This can be achieved by getting a copy of the court report. This is not classified as a write-off and therefore there is no need for DoH approval or sanction in this case. It is important that the hospital establish independently that the judgement did state that there was contributory negligence. This can be achieved by getting a copy of the court report. This is not a write-off, therefore there is no need for DoH approval in this case.



Protocol for finance sanction – bad debts and stock write-offs	
Process	Comment
<p>General</p> <p>Sanction will be requested from the DoH for individual write offs and losses (bad debt and stock write offs and so on) on a once yearly basis following year end.</p>	<p>Write offs can be processed to the ledger throughout the financial year on appropriately local approved and subject to DoH sanction approval.</p>
<p>Write Offs – Patient Bad Debts:</p> <p>Individual bad debt or write offs under €30,000 delegated sanction applies subject to compliance with the requirements outlined at Section 6.5. Individual bad debts or write offs over €30,000 application for sanction (categorised) is required.</p>	<p>If the specific requirements are not met application for sanction to incur expenditure is required from the DoH.</p>
<p>Write Offs – Other Bad Debts:</p> <p>Individual bad debt write-offs under €30,000 delegated sanction applies subject to compliance with the requirements outlined at Section 6.5. Individual bad debts or write offs over €30,000 application for sanction (categorised)</p>	<p>If the specific requirements are not met application for sanction is required from the DoH.</p>
<p>Losses – Stocks</p> <p>Individual Losses or stock write offs under €30,000 delegated sanction applies subject to compliance with the requirements outlined at Section 6.5. Individual losses or stock write offs over €30,000 application for sanction.</p>	<p>If the specific requirements are not met application for sanction is required from the DoH.</p>

6.5 Exercise of delegated authority – bad debts and stock write offs

The process for the finance sanction of the write-offs and losses is shown below

Process for the finance sanction of the write-offs and losses		
Role	Responsibility	Requirement
Chief Financial Officer, Hospital Group or Head of Service or Head of Function or Head of Finance CHO or Designated Approver	<ul style="list-style-type: none"> ▪ Implement a procedure outlining the local process and officers designated for particular tasks in accordance with this NFR. 	<ul style="list-style-type: none"> ▪ The proposed accounting treatment for bad debt and stock write-offs will be on the basis that they are written off in the AFS throughout the financial year subject to seeking DoH sanction at year end. ▪ Individual bad debts and losses under €30,000 – delegated sanction for write off is permitted using the yearly Letter of Sanction from the DoH subject to compliance with requirements in this section and completion of relevant templates at Appendix 2. ▪ Individual bad debts and losses over €30,000 – can be written off in local ledgers and completion of relevant template at Appendix 2. ▪ Completed templates at Appendix 2 to be forwarded to General Manager, Finance Specialists (Region), for consolidation as part of yearly AFS process. ▪ Detail any case, irrespective of the amount, which: <ul style="list-style-type: none"> ○ involves an important question of principle

Process for the finance sanction of the write-offs and losses		
Role	Responsibility	Requirement
		<ul style="list-style-type: none"> ○ raises doubt of the effectiveness of existing systems ○ contains lessons that might be of wider interest
General Manager, Finance Specialists(Region)	<ul style="list-style-type: none"> ▪ To arrange collation and consolidation of all details from their HSE area for write offs and losses for referral to AFS Team as part of the yearly AFS process. 	<ul style="list-style-type: none"> ▪ Ensure that all required information on Appendix 2 templates has been provided by the Chief Financial Officer Hospital Groups or the Head of Services or Functions CHO or the CHO Head of Finance and agree to Form 4C and N12 of the AFS.
AFS Team	<ul style="list-style-type: none"> ▪ To consolidate all details for write offs and losses received from General Manager, Finance Specialists (Region) for inclusion in the AFS figures and referral of completed templates at Appendix 2 to the DoH. 	<ul style="list-style-type: none"> ▪ Ensure that all write offs and losses agree to AFS figures. Refer request for sanction for write offs and losses to the Assistant Chief Financial Officer, Financial Specialists for submission of request to the DOH.
Assistant Chief Financial Officer – Finance Specialists	<ul style="list-style-type: none"> ▪ Comply with financial regulations and DoH circulars and other 	<ul style="list-style-type: none"> ▪ Governance and Compliance update the NFRs as required and ensure that it reflects current PFP; the HSE Code of Governance.

Process for the finance sanction of the write-offs and losses		
Role	Responsibility	Requirement
	financial requirements.	<ul style="list-style-type: none"> The Assistant Chief Financial Officer, Finance Specialists sends the Annual Letter of Sanction to the DoH.

6.6 Completion of templates at appendix

Each proposed **bad debt or stock write off** is required to be analysed into the various categories on the template shown in [Appendix 2](#).



- [“Patient Bad Debts \(Patient Debtors, Non-EU National, Not Covered by Insurance, Road Traffic Accident Act and Other Patient Debtors\) over €30,000”](#) and
- [“Other Debtors Bad Debts over €30,000”](#).

A similar exercise is required for individual stock requiring **write off over €30,000**. See template [“Stock over €30,000”](#).

Proposed application for sanction for losses

Proposed application for sanction for losses should include the following information.

- The amount of the loss and how it occurred. In the case of assets, the replacement cost should be indicated.
- Is there a suspicion of fraud? Is prosecution proposed and if not, why not?
- Was the loss in any way caused or affected by the action of neglect of any employee? If so, is it proposed to make the employee bear part of the loss?
- Does the investigation show any fault in the current system of control? If so, what solution is proposed not only in the Section concerned, but in similar Sections elsewhere?

The Chief Financial Officer of a Hospital Group or Head of Service or Head of Function or Head of Finance of a CHO or a designated approver can write off in local ledgers individual bad debts and stock over €30,000 subject to compliance with the requirements of [Section 6.5](#) on Delegated Authority and a full listing and description of all individual debts over €30,000 disclosed in the templates found at [Appendix 2](#) on the assumption that DoH sanction will be forthcoming.

Each General Manager, Finance Specialists (Region) should ensure that the areas listing agrees back to AFS figures on:

- form 4C Line 34A – Patient Bad Debts
- form 4C Line 34C – Other Bad Debts
- form 4C Line 34B – Patient Bad Debt Provision
- form 4C Line 34D – Other Bad Debt Provision
- form N12 – Stock

6.7 Special payments

Finance sanction will be requested through DoH for special payments on a yearly basis following year end. The types of special payments are shown below:

Protocol for finance sanction – special payments	
Item	Process
Gratuities (excluding lump sums)	Finance sanction not required. Payments in accordance with Statutory HSE Superannuation Scheme.
Performance related awards	Finance sanction required for individual payments over €30,000.
Payments to retired employees	
Severance awards	
Ex-Gratia Payments (excludes superannuation payments)	
Labour Court or Adjudication Officer awards	

Details of special payments must be submitted to Finance Specialists (Region) as part of the AFS figures process.

7. Due diligence

Due diligence is the process of examining the operations of an entity prior to incorporation, amalgamation, merger and so on. A due diligence investigation must be performed prior to the incorporation of any other organisation (regardless of its current legal status or the proposed future legal arrangements and status) into the HSE.

The final due diligence report should, normally, be completed before the formal and final incorporation decision is approved. The National Director who will ultimately assume responsibility for an organisation once it is incorporated into the HSE, will commission the due diligence investigation.

The due diligence recommendation should be considered by the relevant National Director and included in the final report to the HSE Chief Executive Officer and Executive Management Team (EMT) on the proposed incorporation of another organisation into the HSE.

8. Irregularities, whistleblowing and fraud

HSE staff must not engage in or be in any way associated with fraudulent or unlawful behaviour.

Any member of staff who considers that there may have been an irregularity that could lead to a misappropriation of funds or fraud should refer to the Whistleblowing and Fraud section of [NFR A – Internal Controls Framework and Principles](#) to report serious matters under the [Protected Disclosures Act 2014](#). This act aims to protect staff who raise concerns about possible wrongdoing in the workplace such as financial fraud.



Refer to the [HSE Fraud Policy](#) for further information.

9. Glossary of terms

Term	Meaning
Accruals	<p>An accrual is the recognition of revenue or expenses that have been earned or consumed respectively and for which the related cash amounts have not been received or paid out as yet.</p> <p>This means you recognise income and expenses in the period it is earned or consumed.</p>
Amortisation	<p>Process of gradually decreasing the value of an intangible asset over time.</p>
The Office of the Comptroller and Auditor General (C&AG)	<p>The Office of the Comptroller and Auditor General (C&AG) performs an audit every year of the State's accounts and submits an annual report of the audit to Dáil Eireann. The Comptroller and Auditor General is nominated by Dáil Eireann and appointed by the Irish President. For more information, see the The Office of the Comptroller and Auditor General website.</p>
Ex-Gratia Payments	<p>A payment for damages or claims, which does not require the party making the payment to admit liability.</p>
Financial Reporting Council FRC	<p>The Financial Reporting Council (FRC) is an independent regulator in the UK and Ireland that is responsible for regulating auditors, accountants, and actuaries. The FRC seeks to promote transparency and integrity in business by aiming its work at investors and others who rely on company reports, audits, and high quality risk management. For more information, see the FRC website.</p>
Moving average price MAP	<p>Moving average price (MAP) is a method of valuing stock by dividing total stock value by total stock quantity.</p>
Net book value NBV	<p>Net book value (NBV) is calculated using the asset's original cost minus the depreciation over the life of the asset.</p>
Net realisable value NRV	<p>Net realisable value (NRV) is the estimated proceeds of the sale less costs incurred because of the sale.</p>

Term	Meaning
<p>Payables</p>	<p>Goods and services received and invoiced.</p>
<p>Patients' Private Property PPP</p>	<p>Includes:</p> <ul style="list-style-type: none"> ▪ money and funds placed by the client in a PPPA ▪ clothing and footwear ▪ jewellery and other small valuable items ▪ luggage ▪ personal items of furniture, ornaments and so on ▪ pension Books ▪ documents or Monies that provide access to monies or facilitate the future transfer of monies to the HSE to be held in safe keeping for the client ▪ other personal effects <p>For more information on PPP, see NFR C1 - Patient's Private Property and Finances.</p>
<p>Patients Private Property Accounts PPPA</p>	<p>Defined by Section 2 the Health (Repayment Scheme) Act 2006 as:</p> <p>“client's private property account means so much of the money and personal property of:</p> <p>(a) a person provided with in–client services referred to in section 53 of the Health Act 1970 (as amended by section 4 of the Health (Amendment) Act 2005)</p> <p>(b) a person provided with institutional assistance under section 54 of the Health Act 1953</p> <p>(c) a person in residence used wholly or partly as a setting to provide care for persons with physical or mental disability or</p> <p>(d) a person otherwise being cared for by, or on behalf of, the Executive due to a physical or mental disability or ill–health, that is managed, on behalf of that person, by the Executive or by another person under an arrangement with</p>



Term	Meaning
	<p>the Executive whether before, on or after the commencement of Section 9.”</p> <p>For more information on PPPA, see NFR C1 - Patient’s Private Property and Finances.</p>
Predecessor bodies	<p>This relates to the various regional health boards that ran the health service in Ireland before the establishment of the HSE in 2005.</p>
Provisions	<p>A liability of uncertain timing or amount. An obligation as a result of a past event.</p>
Public Private Partnerships	<p>A contractual agreement between public and private sector partners for the delivery of infrastructure or services. In most cases, the public sector partner pays the private sector partner, subject to satisfactory performance, in the form of regular payments over the term of the contract.</p> <p>For example, many Primary Care Centres will be delivered using this model.</p>
Residual value	<p>Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal.</p>
Service concession arrangement	<p>A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop, operate and maintain an infrastructure asset.</p> <p>In the case of the HSE, Primary Care Centres are an example where a service concession arrangement may be used.</p>

10. Acronyms and abbreviations

Term	Meaning
A&E	Accident and Emergency.
AFS	Annual Financial Statements.
CHO	Community Healthcare Organisation.
DoH	Department of Health.
DPER	Department of Public Expenditure and Reform.
EMT	Executive Management Team.
FIFO	First-in, First-out.
FRC	Financial Reporting Council.
FRP	Financial Reform Programme.
GAAP	Generally Accepted Accounting Principles.
GP	General Practitioners.
IFMS	Integrated Financial Management System.
MAP	Moving Average Price.
NBV	Net Book Value.
NDC	National Distribution Centre.
NEMU	National Employment Monitoring Unit.
NRV	Net Realisable Value.

Term	Meaning
PFP	Public Financial Procedures.
PMR	Performance Monitoring Reporting.
PPE	Property, Plant and Equipment.
PPP	Patients' Private Property.
PPPA	Patients' Private Property Accounts.
RTA	Road Traffic Accident.
SLA	Service Level Agreements.
SOP	Standard Operating Procedures.

11. Key control checklist

Please click the icon below to view the NFR D key control checklist.



12. Appendices

12.1 Appendix 1 – General audit requirements

General Audit Requirements – HSE AFS figures	
Documentation and Audit Schedules required at a minimum under each heading below.	
Department of Health or Finance, Copies of all correspondence relating to:	<ul style="list-style-type: none"> ▪ Service Plan Approval. ▪ Letter(s) of Sanction for overall expenditure. ▪ Specific sanctions in respect of write offs. ▪ Bank overdrafts and borrowings. ▪ Leases. ▪ Staffing levels. ▪ HSE Chief Executive Officer’s salary and allowances. ▪ Any other issues relating to the financial management of the Board.
Board and other minutes	<ul style="list-style-type: none"> ▪ Provide copies of all Board minutes, Audit Committee, ICT Committee, Risk Committee, Remuneration Committee and Management Team minutes for the year. ▪ Provide a listing of the Board Members Interests and Designated Officers declarations.
Statement on system of Internal Control	<ul style="list-style-type: none"> ▪ A copy of the proposed statement on the system of internal financial control. ▪ Details of the review of the system of internal control required to be carried out by the Code of Practice on the Governance of State Bodies.
Contingent Liabilities or Legal Actions	<ul style="list-style-type: none"> ▪ Details of contingent liabilities and legal actions.
AFS figures preparation documentation for the HSE (Consolidated)	<ul style="list-style-type: none"> ▪ Soft copy of completed area templates. ▪ Soft (merge file) copy of the AFS figures or financial statements. ▪ Upon completion of the second and any subsequent drafts of the merge file an adjustment tracking file detailing the changes made from the previous version

General Audit Requirements – HSE AFS figures

Documentation and Audit Schedules required at a minimum under each heading below.

	<p>together with the revised template for the areas where the adjustment occurred.</p> <ul style="list-style-type: none"> ▪ These files should be password protected and uploaded onto the HSE secure file share for access by the senior auditor or auditor lead at the Office of the Comptroller and Auditor General.
<p>AFS figures preparation documentation for each HSE Area</p>	<ul style="list-style-type: none"> ▪ A complete AFS figures template. ▪ Detailed analysis and explanations of significant variances between current years and prior years' financial results. ▪ Nominal ledger or Trial Balance and schedules analysing the SOFP figures. ▪ Supporting map of account showing the amounts and nominal ledger or cost codes of all items included in the financial statements. ▪ A breakdown of Income received from HSE Corporate. ▪ A listing of Capital Form A's submitted to HSE Corporate before 31 December that was not cashed in the current year.
<p>Bank and Cash</p>	<ul style="list-style-type: none"> ▪ Lead Schedule (breakdown of the SOFP Bank or Cash figure). ▪ List of all accounts opened or closed during the year. ▪ Copy of documentation issued to bank to open or close accounts. ▪ For all bank accounts the reconciliation to the ledger at 31 December. ▪ For all bank accounts list of outstanding cheques and lodgements at 31 December. ▪ For all bank accounts copy of backup documentation for all adjusting items. ▪ For all bank accounts list of cheques outstanding at 31 December that are still outstanding at the following 31 January.

General Audit Requirements – HSE AFS figures

Documentation and Audit Schedules required at a minimum under each heading below.

	<ul style="list-style-type: none"> ▪ For all bank accounts copies of bank statements for the months of December and the following January. ▪ For all bank accounts list of dates where banks were in overdraft in the relevant financial year together with the related values and interest charges. ▪ In respect of all Interest or petty cash balances, copies of certificates from all responsible officers verifying balances on hand at 31 December with reconciliation to AFS figures. ▪ Contact name, email address and phone number to whom audit queries should be issued to on our audit of the balances.
<p>Fixed Assets</p>	<ul style="list-style-type: none"> ▪ Have available a comprehensive Fixed Assets Register, with schedules. ▪ Reconciliation of the Fixed Assets Register with the SOFP. ▪ List of additions by category. Have available copies of supporting documentation for material additions. ▪ List of disposals by category (including original costs, accumulated depreciation, profit or loss on disposal). Provide copies of supporting documentation for the material disposals. ▪ List of items scrapped or written off, together with value at that date and related approvals and explanations. ▪ List of Leased assets – both operating and finance. ▪ List of Lease Commitments – both operating and finance. ▪ Copies of Board and DoH approvals for major leases.
<p>Inventories (Stock)</p>	<ul style="list-style-type: none"> ▪ For each HSE area they should provide backup for the AFS figures template N12 giving a detailed breakdown of each type of stock held at each location in the area at 31 December.

General Audit Requirements – HSE AFS figures

Documentation and Audit Schedules required at a minimum under each heading below.

	<ul style="list-style-type: none"> ▪ Copies of stock return sheets (or other supporting documentation) for each line item in N12. ▪ Reconciliation between the AFS figures template N12 line items and the supporting information provided for point 2 if the supporting documentation does not clearly support each line item. ▪ A brief description of what the reconciling items are and why they are reconciling items. For example, why stock returns or the supporting documentation does not agree to the AFS figures template. ▪ Contact name, email address and phone number to whom audit queries should be issued to on our audit of the balances.
<p>Deferred Income</p>	<ul style="list-style-type: none"> ▪ Provide confirmation from solicitors of balances held at year end 31 December.
<p>Receivables (Debtors)</p>	<ul style="list-style-type: none"> ▪ Provide an aged listing of debtors at 31 December. ▪ Listing of doubtful debts at 31 December and back-up documentation supporting the provision for doubtful debts. ▪ Details of and authorisation for all amounts written-off in the year. ▪ List of prepaid expenses and sundry debtors at 31 December with supporting documentation. ▪ Reconciliation of the nominal ledger debtors control account with the list of individual debtor balances at year end 31 December. ▪ Obtain agreement in writing on amounts due at 31 December by Department of Social Protection; and local authorities. ▪ Debtor and prepayment lists prepared at cost centres and submitted to accounts for inclusion in the SOFP. This information should be presented on a spread sheet incorporating all locations.

General Audit Requirements – HSE AFS figures

Documentation and Audit Schedules required at a minimum under each heading below.

	<ul style="list-style-type: none"> ▪ Provide an analysis of recoupable salaries outstanding at 31 December and at a current date.
<p>Payables (Creditors)</p>	<ul style="list-style-type: none"> ▪ A file containing the reconciliation of all creditors at the year–end with creditor’s statements. ▪ A reconciliation of the creditor’s ledger control account with listing of individual creditor balances at 31 December. ▪ If a creditors ledger is not maintained, prepare detailed analysis of creditors analysed as “unpaid bills” accruals. ▪ Prepare a listing of pay accruals (attach copies of monthly statements from Revenue, other backup documentation and related calculations). ▪ Prepare a listing of non–pay accruals. ▪ Accruals lists prepared at cost centre level and submitted to accounts for inclusion in the creditors figure on the SOFP. Each amount included on listings to be itemised and accompanied by supporting documentation or a documented reason (including calculations and specific reference numbers for invoices). ▪ Provide analysis of ‘sundry creditors’, together with backup documentation. ▪ Provide details of Capital Creditors.
<p>Capital Income and Expenditure</p>	<ul style="list-style-type: none"> ▪ Copies of all DoH or HSE approvals for capital expenditure. ▪ Provide details of all transfers from non–capital to capital together with DoH or HSE approval. ▪ Provide analysis of ‘other income’. ▪ Provide analysis of EU funding. ▪ Reconciliation of Form A applications to HSE Corporate receipts.

General Audit Requirements – HSE AFS figures

Documentation and Audit Schedules required at a minimum under each heading below.

<p>Non – Capital Income and Expenditure</p>	<ul style="list-style-type: none"> ▪ Prepare listings of all income categories, to include copies of backup documentation. ▪ Provide analysis of “other income” where applicable.
<p>Payroll, Salaries and Wages</p>	<ul style="list-style-type: none"> ▪ Undertake reconciliations of all wages deduction accounts at 31 December with deductions per December payrolls. ▪ Provide a list by individual of any redundancy payments made during the year. ▪ Provide a list of all ex–gratia payments to staff during the year. ▪ Provide a list of salary overpayments outstanding at 31 December, together with details of any written off in the year. ▪ A reconciliation to sanctioned staff numbers as reported to the Board in the Performance Monitoring Reporting (PMR) group with actual staff numbers per the census returns to National Employment Monitoring Unit (NEMU). ▪ HSE Head Office – Provide copy of DoH sanction for staff numbers at 31 December.
<p>General Payments</p>	<ul style="list-style-type: none"> ▪ Provide a computer file of all general payments in the year of account. ▪ Provide a computer file of all general payments in the current year. That is, since the year of account.
<p>Grants to Outside Agencies</p>	<ul style="list-style-type: none"> ▪ Schedule of grants paid to outside agencies. ▪ Provide copies of service agreements with and the latest available set of audited accounts for the five largest beneficiaries of grants.

Note from the Office of the Comptroller and Auditor General: Ensure that personnel information such as employee names are removed from all reports provided. Employee identification numbers will be used to identify the cases.

Where possible, provide the information required in soft copy format (MS Excel, MS Word) to the senior auditor or auditor lead at Office of the Comptroller and Auditor General.

Where the information cannot be provided in soft copy, forward to the senior auditor or auditor lead at Office of the Comptroller and Auditor General.

12.2 Appendix 2 – Templates for sanction of write offs and losses

12.2.1 Appendix 2.1 – Overall write off and losses template

Area:	Patient Debtors (€)	Other Debtors (€)	Stock (€)	Total (€)
Individual Bad Debts under €30k				
Bad Debt Provision				
Individual Bad Debts over €30k requiring sanction for write off				
Individual Stocks under €30k				
Stock Provision				
Individual Stock over €30k requiring sanction for write off				
Total				
Summary				

Notes:

1. Complete next six templates for listing of bad debts and stock.
2. For all individual debts that are fully provided for in the bad debts provision split into the categories listed in the template. That is, patient debtors or other debtors or stock less than €30,000 or stock over €30,000.
3. Delegated sanction to write off individual bad debts and stock under €30,000 is provided for in the yearly Letter from the DoH subject to compliance with requirements at [Section 6](#). Compliance must be confirmed on the individual templates.

12.2.2 Appendix 2.2 – Request for sanction write offs and losses over €30k – patient debtors

Area _____

Category	Amount of Debt to be written off (€)	Year Debt was originally booked	Detail all efforts to obtain amount due	Reasons for Write Off
Patient Debtors				
Non-EU National				
Not Covered by Insurance				
RTA				
Other Patient Debtors				
Total				

Notes:

All bad debts and losses over €30,000 **must be listed individually** in the categories above.

Signed _____

Grade _____

Date _____

12.2.3 Appendix 2.3 – Write offs and losses under €30k – patient debtors

Area _____

Category	Amount of Debt to be written off (€)	Year Debt was originally booked	Detail all efforts to obtain amount due	Reasons for Write Off
Total				

Notes:I wish to confirm compliance in accordance with [Section 6.5](#)

Signed _____

Grade _____

Date _____

12.2.4 Appendix 2.4 – Request for sanction write offs and losses over €30k – other debtors

Area _____

Other Debtors Category	Detail the Type of Debt/Loss	Amount of Debt to be written off €	Year Debt was originally booked	Year Stock Write Off arose (€)	Detail all efforts to obtain amount due	Reasons for Stock Write Off
Total						

Notes:

All losses over €30,000 **must be listed individually.**

Signed _____

Grade _____

Date _____

12.2.5 Appendix 2.5 – Write offs and losses under €30k – other debtors

Area _____

Other Debtors Category	Detail the Type of Debt/loss	Amount of Debt to be written off €	Year Debt was originally booked	Year Stock Write Off arose (€)	Detail all efforts to obtain amount due	Reasons for Stock Write Off
Total						

I wish to confirm compliance in accordance with [Section 6.5](#)

Signed _____

Grade _____

Date _____

12.2.6 Appendix 2.6 – Request for sanction write offs and losses over €30k – stock

Area _____

Stock Category	Detail the Type of Stock Write Off	Amount of Stock Write Off (€)	Reasons for Stock Write Off
Total			

Notes:

 All losses over €30,000 including stock **must be listed individually**

Signed _____

Grade _____

Date _____

12.2.7 Appendix 2.7 – Write offs and losses under €30k – stock

Area _____

Stock Category	Detail the Type of Stock Write Off	Amount of Stock Write Off (€)	Reasons for Stock Write Off

I wish to confirm compliance in accordance with [Section 6.5](#)

Signed _____

Grade _____

Date _____