



# National Financial Regulations

## A – Internal Controls Framework and Principles

Frequently Asked Questions

Version 1.2

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## NFR A – Internal Controls Framework and Principles

### 1.1 What are the National Financial Regulations?

The NFRs are policy documents which form part of the overall HSE internal control environment, by providing a high-level framework within which the internal financial controls operate. The HSE is required under [Section 35 of the Health Act 2004](#) to have in place a [Code of Governance](#) setting out the HSE's internal controls.

The NFRs have been prepared to ensure the financial controls are consistent with:

- Irish and EU statutory requirements
- Achievement of best Value for Money (VFM)
- Government policies and guidelines

The NFRs are not intended to be detailed procedural guidelines for financial processes or activity within the HSE. The NFRs provide high level controls to guide local procedures. It is the responsibility of each local area to ensure that their local procedures are aligned to the controls as set out within the NFRs.

### 1.2 Do all staff need to be aware of the NFRs?

Yes all staff must be aware of and comply with the NFRs. We have a responsibility to ensure the efficient and effective use of HSE resources. Complying with the NFRs will help us to do this and it will also ensure the HSE's interests are protected.

### 1.3 What is the difference between a policy and a procedure?

A policy is a written principle used to provide direction in the HSE on the organisation's position and values on a subject. It also provides information on why there is a rule about it. It explains the "what" and "why" however, it does not inform exactly how something will be done. It guides decisions and regulates actions within the organisation. It should be used within the framework of the objectives, goals and management philosophies of the HSE. A procedure is a particular way of doing something. It deals with the "how" to do something. It should be designed as a series of steps to be followed as a consistent and repetitive approach to accomplish an end result. A procedure supplements policies and as such, should follow said policies.

### 1.4 What is the aim of Internal Controls?

The aim of these controls are:

- the safeguarding of people and assets
- accuracy, completeness, and reliability of financial reporting
- improved efficiency
- preventing fraudulent behaviour
- compliance with appropriate laws and regulations

### 1.5 How are the NFRs categorised?

Document Category	Description
A	The overarching principles of the NFR's giving context as to the HSE's financial governance and internal control.
B	A set of operational regulations which are aimed for practical financial operations and activities (including payroll, procurement and so on) with a focus on the end-user.
C	A set of custodian regulations which govern the HSE's responsibilities to protect the property of those under its care.
D	A set of regulations aimed at those involved in preparing the Annual Financial Statements.

### 1.6 What happens if I need to depart from the controls set out in the NFRs?

In all cases, each HSE area and all HSE staff must endeavour to comply with the NFRs. When it is necessary to depart from the controls set out in the NFRs, for example, following SOD in smaller facilities, a derogation may be considered if alternative compensating controls can be put in place. A consideration for a derogation must be applied for by contacting [govn.compliance@hse.ie](mailto:govn.compliance@hse.ie). All derogations require ACFO Financial Specialists approval.

### 1.7 What is the Annual Controls Assurance Review Process (CARP)?

Controls Assurance Review Process (CARP) is one of the tools that is used to measure the effectiveness of the HSE's system of internal.

The key components of the CARP are:

- The Internal Controls Questionnaire (ICQ)
- Controls Assurance Statement (CAS)
- Statement of Positions held

The CARP allows the HSE to not only identify potential areas and activities which may require additional support and focus but also assists in highlighting the strengths of the HSE's controls environment.

### 1.8 What is Segregation of Duties?

Segregation of duties (SOD) is a key control activity used to separate responsibilities over various tasks, including authorising and recording transactions and maintaining assets.

Improper or inadequate segregation of duties can be a controls failure for the HSE as this deficiency could result in a greater potential for fraud, errors or irregularities in processes, transaction processing and financial reporting.

Proper segregation of duties establishes that the critical steps of a process are dispersed between different individuals or teams. This means that a different person will handle processing at various stages of a transaction, ensuring that the person who is tasked with inputting, requesting or creating a transaction is not the same person who approves it. Appropriate SOD reduces the likelihood that errors, whether they are intentional or unintentional, will remain undetected.

SOD requires more than one person involved in a task which builds review activities into a process. By having appropriate SOD in place both the HSE and employees can be protected. SOD should be evidenced and recorded to maintain audit trails.

To create effective SOD controls you should identify the distinct key steps of a process.