# National Financial Regulations
# D Financial Reporting

# Frequently Asked Questions

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# NFR D Financial Reporting

## 1.1 How do I access the AFS SOP?

You can access the HSE AFS SOP Policy and procedure guide for completion of Annual financial statements.

## 1.2 What is the turnaround time for C&AG queries?

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.

## 1.3 What is the process regarding obsolete or slow moving stock?

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:

Are the items obsolete, slow moving or out of date?

Can the items be returned to the supplier, considering dates, current value and restocking costs?

Could the items be used in the future? Could a surplus be returned to the supplier?

Could the items be transferred to another department or area within the HSE?

Could part of the cost be recouped through sale? (If so, guidelines for the disposal of assets should be followed).

If there is no further use for the items and costs cannot be recouped, could the items be used by a charitable organisation?

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 from the Assistant Chief Financial Officer is required. Reports on all **write–offs less than €30,000** should be sent to the Assistant Chief Financial Officer at agreed intervals.

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.

### 1.4 How often should a stock take be carried out?

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

## 1.5 How is grant income recognised?

Grant income is recognised on an accruals basis, the amount specified in the Letter of Determination for the relevant financial year and this is recognised as income in that year using the following guidelines:

| Guidelines |
| --- |
| **Grant income from administration and non–capital services**<br>▪ Accounted for in the Statement of Revenue Income and Expenditure where it is applied to non–capital areas of expenditure.<br>▪ 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. |
| **Grant income from capital services**<br>▪ Accounted for in the Statement of Capital Income and Expenditure. |

## 1.6 What is 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

## 1.7 What are the depreciation rates for different asset types?

| 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<br>Other Equipment: 10% per annum |
| **Motor Vehicles** | 20% per annum |

## 1.8 What is the policy for bad debts?

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, Hospital Groups, the Head of Service or Function, or the Head of Finance and the Department of Health through finance sanctions.

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.

### 1.9 What is a contingency?

A "Contingency" is a condition which exists on 31st 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. | ☐ |
| Any uncertainties which are expected to affect the outcome. | ☐ |
| Estimate of contingency amount. | ☐ |
| Consideration of insurance cover when determining amount of a contingent loss. | ☐ |
| 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). | ☐ |

### 1.10 What is the process for finance sanction of write-offs and losses?

| Process for the finance sanction of the write–offs and losses | | |
|---|---|---|
| **Role** | **Responsibility** | **Requirement** |
| **Chief Financial Officer, Hospital Groups**<br><br>**or Head of Service or Function**<br><br>**or Head of Finance** | ▪ Implement a procedure outlining the local process and officers designated for particular tasks in | ▪ 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. |

| Role | Responsibility | Requirement |
|---|---|---|
| | accordance with this NFR. | ▪ 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.<br>▪ Individual bad debts and losses over €30,000 – can be written off in local ledgers and completion of relevant template.<br>▪ Completed templates at to be forwarded to General Manager, Finance Specialists (Region), for consolidation as part of yearly AFS process.<br>▪ Detail any case, irrespective of the amount, which:<br>o involves an important question of principle<br>o raises doubt of the effectiveness of existing systems |

| Role | Responsibility | Requirement |
|---|---|---|
| | | ○ contains lessons that might be of wider interest |
| **General Manager, Finance Specialists(Region)** | ▪ 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. | ▪ Ensure that all required information on 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** | ▪ 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 to the DoH. | ▪ 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. |

| Role | Responsibility | Requirement |
| --- | --- | --- |
| **Assistant Chief Financial Officer – Finance Specialists** | ▪ Comply with financial regulations and DoH circulars and other financial requirements. | ▪ Governance and Compliance update the NFRs as required and ensure that it reflects current PFP; the HSE Code of Governance.<br>▪ The Assistant Chief Financial Officer, Finance Specialists sends the Annual Letter of Sanction to the DoH. |