

## **Vote 40 – Health Service Executive**

### **Reconciliation of Appropriation Account to Annual Financial Statements**

#### **1. Annual Financial Statements**

- 1.1. Section 36 (2) of the Health Act, 2004 requires the HSE to prepare Annual Financial Statements (AFS) in such form as the Minister for Health and Children may direct and Section 36 (3) requires that these accounts be prepared in accordance with accounting standards specified by the Minister.
- 1.2. The AFS are prepared on an income and expenditure basis. That is all income relating to the period is recognised, whether actually received or not and all expenditure relating to the period both actual and accrued is charged. The balance of the account shows the excess of income over expenditure or vice versa.

#### **2. Appropriation Account**

- 2.1. Section 20 of the Health Act, 2004 establishes the Chief Accounting Officer as the Accounting Officer for the Health Service Executive (Vote 40).
- 2.2. Under Section 22 of the Exchequer and Audit Departments Act 1866, an Appropriation Account must be prepared annually, in respect of each Vote and transmitted for audit to the Comptroller and Auditor General and also to the Department of Finance. The account must be signed by the Accounting Officer.
- 2.3. The audited appropriation account is examined by the Public Accounts Committee together with the Report of the Comptroller and Auditor General.
- 2.4. The Appropriation Account is prepared on a receipts and payments basis and recognises cash received and paid during the period of the account. It is a non-cumulative account and any amount under spent at year end is surrendered to the Exchequer.

### **3. Reconciliation of Annual Financial Statements to Appropriation Account**

- 3.1. Prior to the establishment of the HSE the DoHC provided each Health Board with an annual Income and Expenditure allocation. This allocation was based on the amount provided in the DoHC Vote and was the income figure in each Health Board AFS. Since the establishment of the HSE and the establishment of the HSE Vote this no longer occurs. As a result of this the only income that can be recognised in the AFS is the funding provided by the Exchequer through the HSE Vote. As any surplus at year end has to be surrendered, the actual amount recognised as income in the AFS is the Estimate provided by the Dáil less any surplus to be surrendered.
- 3.2. The published Annual Financial Statements is compiled by consolidating 18 individual financial statements from each of the former Health Boards and streamlined agencies, each of which are prepared from the legacy financial systems in place in each area.
- 3.3. The Appropriation Account is derived from the AFS and as such this process of is in itself a major part of the reconciliation process.
- 3.4. The key to the reconciliation is that both sets of accounts are ultimately prepared from the same transactions. Table 1 summarises both the cash and non-cash transactions reflected in the AFS while Table 2 summarises how the AFS transactions are reflected in the Appropriation Account.

**Table 1 – Summary AFS Transactions**

	Balance at	Vote	Exchequer	Drawdown	Other	Bank	Movement	Year	Balance at	Movement
	01/01/2006	Estimate	Lodgements	from PMG	A-in-A	Movement	BS A/C's	End	31/12/2006	
Bank	5,912			11,817,278		-11,809,918			13,272	-7,360
PMG	59,738		10,018,917	-11,817,278	1,779,361				40,738	19,000
Net Liability to the Exchequer	-5,508	10,356,853	-10,018,917					-365,011	-32,583	27,075
Exchequer Grant 2006		-10,356,853						10,356,853	0	0
Net Expenditure						11,809,918	45,174	-11,855,092	0	0
Other A-in-A					-1,779,361			1,779,361	0	0
Stocks	96,670						23,545		120,215	-23,545
Debtors	196,008						16,171		212,179	-16,171
Creditors < 1 Year	-1,235,452						-96,640		-1,332,092	96,640
Creditors > 1 Year	-71,378						11,252		-60,126	-11,252
Deferred Income	-15,158						590		-14,568	-590
Fixed Assets	4,640,355						-29,979		4,610,376	29,979
Capitalisation	-4,640,260						29,887		-4,610,373	-29,887
Capital Reserves	184,499							5,331	189,830	-5,331
Revenue Reserves	784,574							78,558	863,132	-78,558
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note1**

Transaction	Explanation
Balance at 1/1/06	Opening Balances at 1 January 2006 per 2005 Appropriation Account and 2005 Annual Financial Statements. Vote balances at 1 January 2006 (suspense accounts) are various debtor and creditor balances which under the rules of vote accounting must be recorded on the vote balance sheet.
Vote Estimate	Net Estimate passed by Dáil Éireann. This is recorded as both an asset i.e. amount due from Exchequer and a liability i.e. any amount unspent at year end must be surrendered.
Exchequer Lodgements	Exchequer Lodgements to HSE Paymaster General (PMG) Account. These lodgements are determined by the Department of Finance and are based on PMG balances at the end of each quarter.
Drawdown from PMG	Drawdown from PMG by HSE Corporate (Revenue and Capital).
Other A-in-A	Receipts collected by HSE Corporate which are lodged directly to HSE PMG Account.
Bank Movement	This is the movement in 2006 of all Commercial Bank Accounts operated by the HSE.
Movement B/S A/C's	Movement in Debit and Credit Balances. The movement in vote balances (suspense accounts) is calculated from the individual annual financial statements.
Year End	Calculation of Vote Outturn, AFS Income and reconciliation to AFS Expenditure.

**Table 2 – Summary Appropriation Account Transactions**

	Balance at	Vote	Exchequer	Drawdown	Other	Bank	Movement	Year	Balance at	Movement
	01/01/2006	Estimate	Lodgements	from PMG	A-in-A	Movement	Suspense	End	31/12/2006	
Bank	5,912			11,817,278		-11,809,918			13,272	-7,360
PMG	59,738		10,018,917	-11,817,278	1,779,361				40,738	19,000
Suspense	-60,142						38,715		-21,427	-38,715
Net Liability to the Exchequer	-5,508	10,356,853	-10,018,917					-365,011	-32,583	27,075
Exchequer Grant 2006		-10,356,853						10,356,853	0	0
Net HSE Expenditure						11,809,918	-38,715	-11,771,203	0	0
Other A-in-A					-1,779,361			1,779,361	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### **4. Relationship Between Cash, Vote and Income and Expenditure**

- 4.1. As can be seen from the above, cash transactions are reflected in both the AFS and the Appropriation Account in a similar manner. At year end the movement in suspense account balances are reflected in the Vote outturn while the movement in other non-cash balance sheet balances e.g. debtors and creditors (working capital movements) are reflected in the AFS expenditure figures. The relationship between Cash, Vote and I&E can therefore be summarised per Table 3.

**Table 3 – Cash to Vote to I&E**

	€m	Source
<b>CASH FROM PMG</b>	<b>10,037,917</b>	<b>PMG</b>
Movement in Bank Balances	-7,360	AFS
Movement in Suspense Accounts	-38,715	AFS
<b>NET VOTE EXPENDITURE</b>	<b>9,991,842</b>	<b>See Note 3 AFS</b>
Increase in Stocks	-23,545	AFS
Increase in Debtors	-16,171	AFS
Increase in Creditors	85,388	AFS
Decrease in Deferred Income	-590	AFS
Reduction in Other Reserves	92	AFS
Increase in Bank	-7,360	AFS
Decrease in PMG	19,000	PMG
Increase in Liability to Exchequer	27,075	AFS
<b>NET I&amp;E EXPENDITURE</b>	<b>10,075,731</b>	
Other A-in-A	1,779,361	PMG
Patient Income per AFS	245,450	AFS
Other Income per AFS	386,163	AFS
Capital Income per AFS	8,747	AFS
<b>GROSS EXPENDITURE PER AFS</b>	<b>12,495,452</b>	