



Feidhmeannacht na Seirbhíse Sláinte
Health Service Executive

HEALTH SERVICE EXECUTIVE

NATIONAL FINANCIAL REGULATION

FINANCE SANCTION FOR SPECIAL PAYMENTS AND THE WRITE OFF OF BAD DEBTS AND STOCK

NFR-26

NFR-26 Finance Sanction for Special Payments and the Write Off of Bad Debts and Stocks

26.1	Introduction	<i>on page 3</i>
26.2	Purpose	<i>on page 3</i>
26.3	Scope	<i>on page 3</i>
26.4	Assistance / Further Information	<i>on page 3</i>
26.5	Effective Date	<i>on page 3</i>
26.6	Accounting Treatment - Bad Debts and Stocks	<i>on page 3</i>
26.7	Extract from the Public Financial Procedures	<i>on page 4</i>
26.8	Letter of Sanction Requirements	<i>on page 5</i>
26.9	Protocol for Finance Sanction – Special Payments	<i>on page 6</i>
26.10	Requirements for Finance Sanction - Special Payments	<i>on page 7</i>
26.11	Process for Finance Sanction – Special Payments	<i>on page 8</i>
26.12	Protocol for Finance Sanction – Write Off of Bad Debts and Stock	<i>on page 9</i>
26.13	Requirements for Sanction - Write Off of Bad Debts and Stock	<i>on page 10</i>
26.14	Process for Finance Sanction – Write Off of Bad Debts/Stocks	<i>on page 10</i>
26.15	Local Procedures	<i>on page 11</i>
26.16	Audit	<i>on page 11</i>
26.17	Appendices	<i>on page 13</i>

26.1. Introduction

26.1.1 In accordance with Public Financial Procedures (PFP), the Health Service Executive (HSE) may incur current expenditure up to the allocation set out in the Estimates for Vote 39 HSE in the Revised Estimates Volume (REV), subject to certain conditions. These conditions are set out in the Public Financial Procedures and the yearly Letter of Sanction from the Department of Public Expenditure & Reform (DPER).

26.1.2 The HSE is required to comply with the PFP and the yearly Letter of Sanction in relation to granting of sanction for special payments and the write off of bad debts and stock.

26.2. Purpose

26.2.1 This National Financial Regulation (NFR) details the protocol, requirements and process to obtain sanction for special payments and the write off of bad debts and stock as disclosed in the Annual Appropriation Account.

26.3. Scope

26.3.1 This NFR applies to HSE staff involved in the preparation of the request for sanction for special payments and the write off of bad debts and stock as disclosed in the annual Appropriation Account.

26.3.2 To set out the regulatory requirements relating to finance sanction to ensure HSE compliance control.

26.4. Assistance / Further Information

26.4.1 Additional information regarding this regulation should be addressed to the Assistant Chief Financial Officer, Finance Specialists.

26.4.2 It is intended that this regulation will be updated as necessary to reflect and incorporate new and additional legislative and other directives. Notification of any update will be issued on [HSE National Intranet - National Financial Regulations](#) and via email communications.

26.5. Effective Date

26.5.1 This regulation is effective immediately. This regulation applies to all employees of the HSE involved in the processes outlined in this regulation.

26.6. Accounting Treatment - Bad Debts and Stock

26.6.1 NFR-02 Policies and Procedures Guide for the Completion of the Annual Financial Statements (AFS), details the accounting treatment of bad and doubtful debts and stock in the preparation of the AFS.

26.7. Extract from the Public Financial Procedures (PFP)

Point C7.7-11 Legal Expenses, Losses and Gifts states:

C 7.7 Public Financial Procedures (PFP)¹

As a general rule, any write-offs or special payments should be sanctioned by DPER and any loss or special payment in excess of €10,000 should be noted in the Appropriation Account. It is necessary to bring significant payments of this nature to the attention of the Dáil in this way because it cannot be taken for granted that, in passing an Estimate, the Dáil would have allowed for such extraordinary items. Payments of write-offs under €10,000 should be noted where a serious issue of principle arises or where the Comptroller and Auditor General (C&AG) or DPER considers that a note should be given. Investments in State Bodies, for example, which are written off under legislation, must be recorded in the Finance Accounts.

C 7.8 Public Financial Procedures (PFP)

Losses maybe broadly defined as including the following:

- Physical Cash Losses;
- Stores Losses;
- Claims waived or abandoned;
- Nugatory or fruitless payments (i.e. payment for which the HSE obtains no value).

A cash loss should be charged to the most appropriate subhead, e.g. a salary overpayment should be charged to the Salaries Subhead. Where there is no appropriate subhead or where the loss is significant, the sanction of DPER should be sought to open a special subhead. Losses, including cash losses, are noted in the Appropriation Account.

C 7.9 Public Financial Procedures (PFP)

Normally DPER delegate's authority to the HSE to write-off losses within specified limits. In the exercise of their delegated powers, HSE should inform DPER of any case, irrespective of amount, which:

- Involves an important question of principle;
- Raises doubt about the effectiveness of existing systems; or
- Contains lessons that might be of wider interest.

C 7.10 Public Financial Procedures (PFP)

In seeking the sanction of DPER for any specific write-off, the following information should be provided:

- 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 facilitated by the action of neglect of any officer? If so, is it proposed to make the officer bear part of the loss?

¹ Threshold of €10,000 has been revised upwards to €30,000 with DPER Approval.

- Does the investigation show any defect in the existing system of control? If so, what remedy is proposed not only in the Section concerned, but in similar Sections elsewhere?

C 7.11 Public Financial Procedures (PFP)

Special payments of the following kind usually require prior Finance sanction and should also be the subject of a note in the Appropriation Account:

- Extra-contractual payments;
- Compensation payments;
- Extra-statutory and extra-regulatory payments;
- Gift given or received by HSE;
- Loans;
- Ex-gratia payments;
- Unvouched payments.

26.8. Letter of Sanction Requirements

The HSE is obliged to ensure that the following conditions are complied with:-

- All reasonable efforts have been made to recover the losses/debts;
- Effective systems, controls and cross checks are in place to limit the HSE's exposure to such losses;
- Notification of any case, irrespective of amount which involves an important question of principle, raises doubt about the effectiveness of existing systems or contains lessons which may be of wider interest.

Claims for Compensation:

Under the Letter of Sanction, - Legal Awards and Settlements, delegated sanction to incur expenditure in respect of claims brought against the HSE does not apply **except** for:

- Court Awards against the HSE and costs arising from such court awards, provided that in defending the claim on its merits with appropriate professional legal advice, the HSE satisfies itself in formulating its initial defence that the claim does not have wider public service implications and consults with the appropriate Government Department and public bodies for whom the claim might have implications in order to protect the wider public interest.

Out of Court settlements by the HSE costing less than €50,000 where

- (a) the settlement does not exceed the plaintiff's claim,
- (b) the legal costs payable by the HSE does not exceed the settlement,
- (c) the HSE also satisfies itself that there are no wider implications for the public service (as in the case of court awards),
- (d) 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,
- (e) settlement of the claim is fair and reasonable and is a proper charge against its Vote.

All other legal settlements will require the prior approval of the Department of Health (DoH) in the first instance and, following that Department's assessment of the case, the prior approval of DPER.

26.9. Protocol for Finance Sanction – Special Payments

Protocol for Finance Sanction - Special Payments		
Item	Process	Comment
General		
Sanction will be requested from the DoH for special payments on a once yearly basis following year end.		
Special Payments		
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 €30k	
Payments to Retired Employees	Finance Sanction Required for individual payments over €30k	
Severance Awards	Finance Sanction Required for individual payments over €30k	
Ex- Gratia Payments	Finance Sanction Required for individual payments over €30k	
Labour Court/Rights Commissioner Awards	Finance Sanction Required for individual payments over €30k	

Protocol for Finance Sanction		
Item	Process	Comment
Claims for Compensation	Finance Sanction is required with the exception of the following:-	
	1. Finance Sanction is not required as per the Letter of Sanction for Court Awards against the HSE and costs arising from such court awards, provided that in defending the claim on its merits with appropriate professional legal advice, the HSE satisfies itself in formulating its initial defence that the claim does not have wider public service implications and consults with the appropriate Government Department and public bodies for whom the claim might have implications in order to protect the wider public interest.	If the provisions of the Public Financial Procedures and the conditions of the Letter of Sanction are not met application for finance sanction is required.
	2. Finance Sanction is not required in the case of Out of Court settlements by the HSE costing less than €50,000 where (a) the settlement does not exceed the plaintiff's claim, (b) the legal costs payable by the HSE does not exceed the settlement, (c) the HSE also satisfies itself that there are no wider implications for the public service (as in the case of court awards), (d) 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, (e) settlement of the claim is fair and reasonable and is a proper charge against its Vote.	If the provisions of the Public Financial Procedures and the conditions of the Letter of Sanction are not met application for finance sanction is required.
Other	Finance Sanction Required for individual payments over €30k	

26.10. Requirements for Finance Sanction - Special Payments

- 26.10.1 Confirmation from local HSE areas of compliance with Letter of Sanction (see (a) -(e) in the above table) is required each year in relation to request for Finance Sanction for legal awards and settlements.
- 26.10.2 If compliance cannot be confirmed, full details are required on the Appropriation Account Supplementary Template for claims for compensation to enable request for Finance Sanction.

26.11. Process for Finance Sanction – Special Payments

26.11.1 Details of special payments are required by HSE Finance Vote, Treasury and Capital Section from each HSE area as part of the yearly Appropriation Account preparation process (as noted on the Appropriation Account Supplementary template) in accordance with the categories outlined below.

<i>Special Payments</i>
Gratuities (excluding Lump Sums)
Performance Related Awards
Payments to Retired Employees
Severance Awards
Ex- Gratia Payments (Excludes Superannuation payments)
Labour Court/Rights Commissioner Awards
Claims for Compensation
Other

26.12. Protocol for Finance Sanction – Write Off of Bad Debts and Stocks

The agreed protocol with the DoH for Finance Sanction is outlined below.

Draft Protocol for Finance Sanction	
Item	Process
General	Comment
Sanction will be requested from the DoH for individual bad debt and stock write offs and special payments on a once yearly basis following year end.	
Bad Debts	
Patient Bad Debts	Individual bad debt write offs under €30k delegated sanction applies subject to compliance with provisions of C.7.7-11 of the Public Financial Procedures and the Letter of Sanction. If the provisions of the Public Financial Procedures and the conditions of the Letter of Sanction are not met application for finance sanction is required.
	Individual bad debts write offs over €30k application for finance sanction (categorised)
Other Bad Debts	Individual Bad debt write offs under €30k delegated sanction applies subject to compliance with provisions of C.7.7-11 of the Public Financial Procedures and the Letter of Sanction. If the provisions of the Public Financial Procedures and the conditions of the Letter of Sanction are not met application for finance sanction is required.
	Individual bad debt write offs over €30k application for finance sanction (categorised)
Stocks	
Stocks	Individual stock write offs under €30k delegated sanction applies subject to compliance with provisions of C.7.7-11 of the Public Financial Procedures and the Letter of Sanction. If the provisions of the Public Financial Procedures and the conditions of the Letter of Sanction are not met application for finance sanction is required.
	Individual Stock write offs over €30k application for finance sanction
Accounting Treatment	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 subject to seeking DPER sanction. If DPER sanction is not forthcoming for any particular item then the bad debt/stock write off for that particular item will be reinstated in the bad debt/stock provision.

26.13. . Requirements for Sanction - Write Off of Bad Debts and Stock

- 26.13.1 Individual Bad Debts and Stock under €30,000
For individual bad debts and stock under €30,000, delegated sanction is applied via the yearly Letter of Sanction (Write Offs and Losses) subject to compliance with the provisions of C.7.7-11 (See details above) of Public Financial Procedures (PFP) and the conditions of the Letter of Sanction (see details above).
- 26.13.2 If compliance cannot be confirmed, then the detailed requirements for proposed bad debts/stock write-off's over €30k is required.
- 26.13.3 Individual Bad Debts and Stock over €30,000
For individual bad debts and stock over €30,000, sanction for write-off from DPER via DoH is required.
- 26.13.4 Each proposed bad debt/stock write off is required to be analysed into the various categories on the Tab "Patient Bad Debts > €30k" and "Other Debtors Bad Debts > €30k. A similar exercise is required for individual stock requiring write off over €30k. See tab "Stock > €30k" (See attached Excel Spreadsheet in Appendix A).
- 26.13.5 Local HSE areas can write off in local ledgers individual bad debts and stock over €30,000 subject to compliance with the provisions of C.7.7-11 (See details above) of Public Financial Procedures (PFP) and the conditions of the yearly Letter of Sanction (see details above) and a full listing and description of all individual debts over €30,000 disclosed in the Appropriation Account Supplementary Template on the assumption that DPER sanction will be forthcoming.
- 26.13.6 Each local HSE area should ensure that the area's 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

26.14. Process for Finance Sanction – Write Off of Bad Debts and Stocks

- 26.14.1 Details of proposed write offs are required by HSE Finance Vote, Treasury and Capital from each HSE area as part of the yearly Appropriation Account preparation process (as noted on the Appropriation Account Supplementary template) in accordance with the categories outlined below.

The categories are as follows:-

Bad Debts
Patient Bad Debts (Not covered by Insurance, Non EU National etc)
Other Bad Debts
Stocks (Vaccines etc)

- 26.14.2 Following receipt of the details, application will be made by HSE Finance Vote, Treasury and Capital Section to the DoH for finance sanction.
- 26.14.3 On receipt of sanction each HSE area will be provided by HSE Finance Vote, Treasury & Capital Section, with details of write offs/special payments that have been sanctioned by DPER.
- 26.14.4 If any particular item is not sanctioned then the area concerned should ensure that the provision for that particular item is reinstated into the following years account.**
- 26.14.5 Bills in Error - 1986 Road Traffic Accident (RTA) Act outlines in Section 2 that a health board may waive the whole or part of a charge under subsection (1) of this section if it considers it proper to do so— in a case where there was contributory negligence on the part of the person to whose injury the charge relates or of one for whose acts he is responsible, having had regard to any reduction in the amount which would have been received but for the contributory negligence.

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 a waive (billed in error) and not a write-off meaning that there is no need for DPER approval.

26.15. Local Procedures

- 26.15.1 Each location must prepare and implement a procedure outlining the local process and officers designated for particular tasks in accordance with this National Financial Regulation. The local procedure must be available for review purposes to Internal Audit and the Office of the Comptroller and Auditor General upon request.
- 26.15.2 All employees who are involved in the process must be fully inducted in the workings of the procedure.
- 26.15.3 Officers must fully understand their responsibilities. It is the responsibility of each local manager, or equivalent or officer designate to ensure that all officers are made aware of their roles and respective responsibilities.

26.16. Audit

- 26.16.1 The external and internal auditors of the HSE have the right to unrestricted access to all vouchers, documents, books of account, and computer data and to any other information which they consider relevant to their enquiries and which is necessary to fulfil their responsibilities. Both internal and external auditors also have the right to direct access to any employee or person responsible with whom it is felt necessary to raise and discuss such matters.
- 26.16.2 Sample checks may take place at regular intervals in each financial year.
- 26.16.3 Every officer shall attend at such place and at such time as may be appointed by the Auditor and shall submit his/her books and accounts for examination and checking.

- 26.16.4 Where any irregularities are disclosed at the checking of the accounts of an officer, the Auditor shall report such irregularities to the Chief Financial Officer (CFO), who shall cause a full investigation to be made and shall take all necessary action.

26.17. Appendices

Appendix A
Bad Debts/Stock

SUMMARY TABLE

SUMMARY	Patient Debtors	Other Debtors	Stocks	Total
Individual bad debts under €30k				0
Bad Debt Provision				0
Individual bad debts requiring sanction for write off over €30k				0
Individual stocks under €30k				0
Stock Provision				0
Individual Stock requiring sanction for write off over €30k				0
Summary Listing	0	0	0	0

Please complete the next 6 tabs for listing of the bad debts and stock.

For all individual debts under €30k that are fully provided for in your bad debt provision, please split into the categories listed on tabs Patient BD<€30K and Other Debtors BD<€30K

For individual stock under €30k that is fully provided for in your stock provision, please list on tab Stock<€30k

Delegated sanction to write off individual bad debts and stock under €30k is provided for in the Yearly Letter of Sanction (Point 11) subject to compliance with the provisions of C7.7-11 of PFP and 4 further points (See Explanatory Document for Completion of Notes)

**PLEASE CONFIRM COMPLIANCE WITH PROVISIONS OF C.7.7-11 OF PFP AND PROVISIONS OF POINT 11
(WRITE OFFS AND LOSSES) OF 2011 LETTER OF SANCTION**

For all individual bad debts over €30k that you require to write off and that are fully provided for in your bad debt provision, please split into the categories listed on tabs Patient BD>€30K and Other Debtors BD>€30K
For individual stock over €30k that you require to write off and that is fully provided for in your stock provision, please list on tab Stock>€30k

Request for Bad Debt Write Off

Individual Bad Debts over €30k	Category	Amount of Debt	Year of Debt	Detail all efforts to obtain amount due	Reasons for Write Off
	Patient Debtors				
	Non EU National	Amount of Debt	Year of Debt	Detail all efforts to obtain amount due	Reasons for Write Off
	Not Covered by Insurance	Amount of Debt	Year of Debt	Detail all efforts to obtain amount due	Reasons for Write Off
	RTA	Amount of Debt	Year of Debt	Detail all efforts to obtain amount due	Reasons for Write Off
	Other Patient Debtors- give details	Amount of Debt	Year of Debt	Detail all efforts to obtain amount due	Reasons for Write Off

Request for Bad Debt Write Off

PLEASE CONFIRM COMPLIANCE WITH PROVISIONS OF C.7.7-11 OF PFP AND PROVISIONS OF POINT 11 (WRITE OFFS AND LOSSES) OF THE YEARLY LETTER OF SANCTION

Individual Bad Debts less than €30k							
Area	Category	Amount of Debt	Year of Debt	Detail all efforts to obtain amount due	Reasons for Write Off		
	Patient Debtors						
	Non EU National	Amount of Debt	Year of Debt	Detail all efforts to obtain amount due	Reasons for Write Off		
	Not Covered by Insurance	Amount of Debt	Year of Debt	Detail all efforts to obtain amount due	Reasons for Write Off		
	RTA	Amount of Debt	Year of Debt	Detail all efforts to obtain amount due	Reasons for Write Off		
	Other Patient Debtors- give details	Amount of Debt	Year of Debt	Detail all efforts to obtain amount due	Reasons for Write Off		

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Request for Bad Debt Write Off

Individual Bad Debts over €30k	Category Other Debtors- give details of type of Debt	Amount of Debt	Year of Debt	Detail all efforts to obtain amount due	Reasons for Write Off

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Request for Bad Debt Write Off

PLEASE CONFIRM COMPLIANCE WITH PROVISIONS OF C.7.7-11 OF PFP AND PROVISIONS OF POINT 11 (WRITE OFFS AND LOSSES) OF THE YEARLY LETTER OF SANCTION

Individual Bad Debts less than €30k	Category	Amount of Debt	Year of Debt	Detail all efforts to obtain amount due	Reasons for Write Off
Other Debtors- give details of type of Debt					

Request for Stock Write Off

Individual Stock Write Offs over €30k					
Area	Category	Stocks - give details of type of Stock Write Off	Amount of Stock Write Off	Year Stock Write Off Arose	Reasons for Write Off

Request for Stock Write Off

**PLEASE CONFIRM COMPLIANCE WITH PROVISIONS OF C.7.7-11 OF PFP AND PROVISIONS OF POINT 11
(WRITE OFFS AND LOSSES) OF THE YEARLY LETTER OF SANCTION**

Individual Stock Write Offs less than €30k					
Area	Category	Stocks - give details of type of Stock Write Off	Amount of Stock Write Off	Year Stock Write Off Arose	Reasons for Write Off