



Feidhmeannacht na Seirbhíse Sláinte
Health Service Executive

HEALTH SERVICE EXECUTIVE

NATIONAL FINANCIAL REGULATION

INTRODUCTION TO NATIONAL FINANCIAL REGULATIONS

NFR - 00

NFR – 00 Introduction to National Financial Regulations

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1. Introduction to Financial Regulations

- 1.1. The Health Service Executive (HSE) suite of National Financial Regulations (NFRs) updates and replaces all previous financial regulations unless otherwise specified.
- 1.2. The NFRs form an integral part of the overall system of Financial Corporate Governance and are intended as the framework underpinning the System of Internal Financial Control.
- 1.3. The NFRs have been prepared to reflect current best practice generally.
- 1.4. Particular attention has been made to ensure that the NFRs, are consistent with statutory requirements and government guidelines and professional standards where appropriate.
- 1.5. In addition, existing former Health Board and other NFRs already in existence throughout the country and elsewhere have been reviewed, and the best elements have been incorporated as part of the development of these regulations.
- 1.6. The regulations outline responsibilities for all levels of management and staff.
- 1.7. The importance of managers and staff recognising their personal responsibilities in relation to the understanding of and compliance with the NFRs is stressed.
- 1.8. The NFRs and compliance with them, will require continuous monitoring by management at all levels to ensure that the level of assurance provided, regarding the effectiveness of our system of internal financial controls, is maximised.
- 1.9. The initial task for managers in implementing these NFRs is to identify any areas where there may be compliance gaps and put in place planned actions to address these gaps.
- 1.10. Where these NFRs reference members of the Leadership Team such references can be taken to include their formally delegated nominees, unless otherwise expressly provided.

2. General Provisions regarding Financial Regulations

2.a Purpose and Objectives of NFRs

2.1. Introduction

- 2.1.1. The NFRs are intended to outline the high level framework within which the internal financial control system of the HSE will operate.
- 2.1.2. These regulations are not intended as a detailed procedural guide for financial processes or activity within the HSE as the organisation is too diverse to allow that to be achieved in a practical and accessible document.
- 2.1.3. This document may be of assistance in providing training to managers and staff as to what their obligations are around compliance with the NFRs, however, it has not been produced as a training document, again for reasons of practicality.
- 2.1.4. These regulations have been prepared with the intention of ensuring that the financial controls in operation within the HSE are consistent with:
 - Irish and EU statutory requirements
 - Achievement of Best Value for Money
 - Government policies and guidelines
 - Presently available best practice appropriately interpreted for the Irish Public Health Service context.

2.2. Compliance with NFRs

- 2.2.1. No set of NFRs will be effective unless they are specific, understood and monitored for compliance.
- 2.2.2. It is the responsibility of all budget holders, managers and staff to ensure that the day-to-day operations and procedures of the organisation comply with the NFRs.
- 2.2.3. Budget holders must ensure that a record is maintained of the training undertaken by each employee with regard to NFRs. Certification of users of the NFRs where applicable, together with other relevant training records (e.g. Financial Information System/Accounting training) should be maintained as a record of user knowledge, available skill sets, training history etc.
- 2.2.4. All budget holders and other managers and staff have a direct responsibility to be pro-active in ensuring that they are aware of, understand and comply with these NFRs.
- 2.2.5. Persistent and negligent failure to comply with the NFRs is a very serious matter for any HSE employee and may lead to disciplinary proceedings.

2.3. Objectives

- 2.3.1. The NFRs and the system of internal financial controls that they underpin are intended to:
- i. Support the achievement of the corporate objectives of the HSE
 - ii. Ensure the HSE operates within the limits of its notified Budget
 - iii. Facilitate open and transparent accountability for the financial resources entrusted to the HSE
 - iv. Support the efficient and effective use of resources assigned to HSE
 - v. Ensure the safeguarding of the assets of the HSE
 - vi. Reduce the likelihood of fraud, theft or error in relation to financial matters and increase the likelihood of its detection

2.4. Context

- 2.4.1. These NFRs and compliance with them must be viewed in the context of the role of the HSE which is to improve the health and social well being of the population it serves.
- 2.4.2. Proper financial controls will assist the HSE in meeting this primary objective.

2.5. NFRs identify Minimum Controls

- 2.5.1. These NFRs set out what are, in effect, minimum standards of financial controls that are acceptable across this very large and diverse organisation.
- 2.5.2. It is the responsibility of every budget holder and his/her staff to put in place and document the detailed arrangements applicable to their own areas of responsibility.
- 2.5.3. Budget holders may decide to apply a higher level of control than the minimum set out in the regulations in order to achieve the objectives of the NFRs. For example, expenditure control could be amended for local use so that the value that each grade has approval authority for could be lower than that allowed by these regulations.

2.b Responsibilities and Appointment of Budget Holders

Budget Holders & Budget Holding

2.6. Minimum Controls required by these NFRs

These regulations require:

- 1) That there is clarity as to which managers are budget holders and this is known both to the budget holders and generally, as required.
- 2) That each budget holder is clear as to what his or her key responsibilities are, and are complying with same to the greatest extent possible.
- 3) That formal assignment of budget amounts to budget holders must be notified by the Finance Division on foot of decisions of the DG, each National Directors and their relevant staff.
- 4) Responsibility and authority for budgets once notified rest with each of the HSE National Directors, and their staff.

2.7. These regulations do not require:

- 1) The delegation of budget holding responsibility to any particular level or grade within the organisation **or**
- 2) Complete uniformity across the HSE as to the level at which, or the grades, by which budgets are held and managed.

2.8. Primary responsibilities of Budget Holders

These are:

- 1) To operate within the limits of the budgets notified to them subject to the overall direction of the budget holder to whom they report
- 2) To monitor variances from budget limits on an ongoing basis and initiate corrective measures in order to bring financial performance in on target, at the latest, by the end of each financial year
- 3) To co-operate fully with the requirements of the budget holder to whom they report so that higher level budget holder can meet their primary responsibility as outlined above.
- 4) To comply with the additional responsibilities placed upon them in relation to the general system of internal financial controls as dictated by these NFRs (see paragraph [2.9 below](#))

At its most basic and simplified level, the key objective of budget management is to ensure that the HSE meets its statutory requirement not to spend more money, in total, than it has been given by the Oireachtas. In order to meet this objective the HSE needs to assign budgets to individuals so that they can be managed effectively. In essence the DG assigns budgets to the National Directors who in turn assign them to Assistant National Directors or equivalent salary grade etc and so on down to whatever level is considered appropriate and feasible by each manager in the chain.

Accountability is exercised in a top down manner. Each budget holder remains fully responsible and accountable for the budget assigned to them regardless of however many levels of staff below them they may have assigned as budget holders.

If a budget holder at a particular level achieves breakeven by year end, it is entirely possible that the budget holders they are managing below them may have achieved a variety of results with some over budget and some under budget. This is a matter in the first instance between the higher level budget holder and those managing budgets below him or her. While it would clearly be preferable for all budget holders at all levels to be assigned budgets that they can realistically manage this, for a variety of reasons this may not always be possible.

The key requirement is for the higher level manager and those below them to work effectively together so that overall breakeven is achieved.

A local budget holder who overspends their budget is unlikely to be considered to be in breach of these NFRs provided they, at all times;

- Act responsibly and pro-actively in managing their budget
- Keep their manager fully informed of any emerging and continuing material issues affecting their capacity to achieve financial breakeven
- Identify any practical options to address these material issues
- Take corrective action as early as possible
- Comply fully with any requests or directions of their manager

2.9. Additional responsibilities of Budget Holders in relation to

2.9.1. Financial Controls generally and

2.9.2. The wider aspects of the NFRs

Budget holders are seen as key managers of resources and as such it is generally appropriate for them to play a role in relation to aspects of financial control that extend beyond the primary requirement for managing budgets within set limits.

These additional responsibilities are set out below;

2.9.3. Budget Holders – General Responsibility

- The primary role in relation to ensuring compliance with all aspects of these NFRs rests personally with each and every budget holder.
- In particular budget holders must ensure that they meet their obligation to operate within the limits of the budget is notified to them.

- Budget holders may for practical reasons delegate responsibility for aspects of compliance with the NFRs to other managers and staff who report to them.
- Regardless of any such delegation budget holders remain personally responsible for ensuring that these regulations are fully complied with.

2.9.4. Budget Holders – Responsibility to ensure compliance with these NFRs

Budget holders must make formal procedural arrangements to ensure that each and every manager and staff member under their control;

- Is fully aware of and understands the elements of these NFRs relevant to them.
- Is sufficiently knowledgeable and experienced to carry out their tasks in compliance with the regulations.
- Receives the appropriate training and development to enable them to carry out their tasks appropriately.
- Can comply with the segregation of duties specified by the budget holder
- Carry out whatever levels of supervisory checks are deemed appropriate.

2.9.5. Budget Holders – Responsibility to put in place specific arrangements

- Each budget holder must document and put in place formal procedural arrangements in respect of the implementation of the NFRs.
- These documents must set out the specifics of how each of the above process areas is operationally managed in compliance with these NFRs in each of the service areas covered by the budget holder.

2.9.6. Budget Holder's responsibility to mitigate control deficits in compliance with the NFRs

- Each budget holder must put in place additional measures to mitigate any deficits in the ability of their managers and staff to fully comply with these regulations.
- Deficits identified and the additional mitigation measures put in place must be notified to the relevant Assistant National Director or equivalent salary grade and to the relevant Assistant National Director of Finance.

2.9.7. Budget Holders responsibility to make efficient use of resources

In recognising our overriding objective of providing health and personal social service to our clients within available resources it is the responsibility

of every budget holder to ensure that full advantage is taken of all opportunities to;

- Share administrative workloads and resources
- Streamline processes
- Utilise available technology

In order to ensure that the minimum of available staff resource is required to ensure compliance with these NFRs.

2.9.8. Written Decision to Record Approval of a Manager as a Budget Holder

- The approval of a manager as a budget holder represents a formal delegation of responsibility in respect of expenditure and income for a defined service or area.
 - The approval of budget holders must be recorded by way of formal written decision.
 - Staff members appointed formally to act in place of budget holders carry all the responsibility and authority of the post including that of budget holder.
 - Any exceptions to this general rule i.e. where for some reason a manager is only being given part of the authority and responsibility for a post he is acting in must be notified to the relevant Assistant National Director of Finance.

2.9.9. A list of all approved budget holders below those deemed to be budget holders must be maintained by those nominating and copied to the relevant Assistant National Director of Finance on a quarterly basis.

2.9.10. This list must be reviewed and updated at least annually.

2.10. Appointment of Budget Holders

2.10.1. All budget holders must be approved and each must be notified of their assignment as budget holders

2.10.2. Only a budget holder can approve the assignment of another person as a budget holder

2.10.3. Such assignment can only be in relation to an element of the budget held by the budget holder approving the assignment.

2.10.4. Such assignment can only be to a staff member of the budget holder making the assignment.

2.10.5. The following are deemed, by virtue of the approval of these regulations, to be budget holders in respect of their own areas of

responsibility unless otherwise directed by the DG or their National Director:

- National Directors
- Assistant National Directors or equivalent salary Grade
- ISA (Integrated Service Area) Managers
- Hospital Managers

2.10.6. The approval of the assignment of any budget holders below the levels at 2.10.5 will only take effect once notified to the relevant Assistant National Director of Finance or their nominee(s)

2.c General Responsibilities of Management and Staff

2.11. Managers / Supervisors – General Responsibility

Notwithstanding the primary role of the budget holder, every manager and supervisor has responsibility in regard to complying with, and assisting with documenting and periodically updating formal arrangements in respect of all the financial processes delegated to him/her including:

- a) Responsibility to ensure regulations are complied with by him/her and by any managers and staff that may be involved in the financial processes.
- b) Responsibility to ensure awareness, understanding, knowledge, experience, training and development of any managers and staff he may involve in the processes.
- c) Responsibility to minimise staff resource utilised in the financial processes consistent with achieving value for money and complying with the NFRs.
- d) Responsibility to mitigate any compliance or capacity deficits regarding any of the managers and staff she/he may involve in the process and notify same to the budget holder

2.12. Staff – General Responsibility

2.12.1. Each member of staff has similar responsibilities to the manager / supervisor in respect of themselves with regard to:

- Compliance with the regulations.
- Being personally proactive about his/her own awareness, understanding, knowledge, training and development in order to ensure this compliance.

2.13. Responsibilities not reduced due to reliance on HSE Health Business Services (HSE-HBS)

- 2.13.1. The fact that budget holders and their managers may rely upon the shared services function or any other party outside their direct control to support them in terms of financial or purchasing activities does not diminish their personal responsibility to ensure compliance with these regulations.
- 2.13.2. It is a matter for each budget holder to effectively manage their relationships with HSE-HBS or any external provider to provide them with the assurances they need around compliance with these regulations.
- 2.13.3. In practical terms budget holders will exercise this responsibility by ensuring that they fully engage in a proactive manner with the HSE HBS in the ongoing monitoring and review of the services provided on their behalf.

2.14. Audit – A Key element of the System of Financial Corporate Governance.

- 2.14.1. As stated above the NFRs are intended to provide a framework underpinning the system of Internal Financial Control.
- 2.14.2. The NFRs will only be effective if they remain robust in nature and if there is a high level of ongoing compliance with their provisions.
- 2.14.3. Ongoing independent review and compliance monitoring by both internal audit and external audit (Comptroller and Auditor General) is a key element of the overall assurance required by the DG and the Directorate of HSE in respect of the effectiveness of the System of Internal Financial Control.
- 2.14.4. Further assurance is provided by the existence of a pro-active and empowered Audit Committee under the guidance of the Directorate.

2.15. Audit Trail ¹

Throughout these NFRs there are direct and indirect references that establish the minimum controls that should operate, including supporting documentation, evidence of supply etc. There is an overall requirement irrespective of the level of automation or complexity of the process that sufficient Audit Trail is maintained.

2.d Approval of and Amendment to The NFRs

- 2.16. These regulations take effect when approved by the HSE DG and the HSE Directorate.

¹ **Audit Trail** - A visible trail of evidence enabling a person to trace information in the financial statements or other information reported back to the original source document. For example, Purchase of Laboratory Supplies can be reported in the Annual Financial Statements (AFS) can be tracked back to the respective individual transactions, including supporting authorised Purchase Requisition or Order, Goods Received Note (& Proof of Delivery), invoice and payment details.

- 2.17.** Proposed amendments to the regulations must be recommended by the Chief Financial Officer (CFO) and approved by the HSE DG and the HSE Directorate.
- 2.18.** Initial approval and any subsequent amendment to the NFRs must be recorded on a formal written decision.
- 2.19.** Clarifications required in respect of these regulations should be addressed to the relevant Assistant National Director of Finance in the first instance.

2.e Departures from regulations; Approval, Recording, Annual Review and Reapproval

- 2.20.** Unless otherwise provided for in these NFRs, any departures from the regulations must be:
- Approved by the relevant Leadership Team Member (or Assistant National Director or equivalent salary grade delegated by the Leadership Team) and
 - Co-signed by the Assistant Chief Financial Officer, Finance Specialists
 - Explained and recorded by way of formal written decision.
 - Reviewed formally by the relevant National Director or Assistant National Director delegated at the end of the financial year.
 - Approved by the relevant National Director and the CFO where there are repeated departures from regulations that span more than one financial year.
- 2.21.** The requirement is that a departure from the NFRs must normally represent an interim measure pending the resolution of the issue giving rise to the need for the departure.
- 2.22.** Actions necessary to address issues giving rise to departures from the NFRs should be identified and implemented as soon as is practicable.
- 2.23.** The relevant Leadership Team Member (or Assistant National Director or equivalent salary grade) must identify any additional measures, for example additional supervision or random checking, necessary to mitigate any control risks associated with a departure from the NFRs.
- 2.24.** Such mitigation measures must be complied with fully by the relevant managers and staff.
- 2.25.** The formal written decision approving or renewing a departure from the NFRs must record:
- Description and explanation of the issues giving rise to the need for an approved departure from the NFRs.

- Service Area / Location and budget holder (s) covered by the departure
- Expected duration of the departure and actions proposed to remove the need for the departure over the short or medium term.
- Any expected control risk associated with the departure from the Regulations and the measures being proposed by the Leadership Team Member to mitigate that risk.