

## Issue 1 - Appendix

### Notice Issued by the HSE Compliance Unit

To: **The Chairperson and the CEO, Each Section 38 Service Provider**  
**The Chairperson and the CEO, Each Section 39 Service Provider (funded over €150,000)**

**Dear Chairperson/CEO**

As you may be aware, as part of its services, the staff of the HSE Internal Audit Division conduct audits of Section 38 and Section 39 Service Providers each year and a report is compiled in respect of each audit. During 2016 and early 2017 a number of these audits were completed and in some instances the resultant Audit Reports highlighted significant matters of sub-standard administration / poor governance in respect of Exchequer funding released by the HSE to Section 38 and Section 39 Service Providers which have been the subject of these audits.

It should be pointed out that the terms and conditions under which funding is released to Section 38 and Section 39 Service Providers are contractually underpinned through the HSE's Governance Framework for the funding of Non-statutory organisations, in particular, the Service Arrangement (Parts I and II) and the Grant Aid Agreement. A number of the issues that have emerged in these reports reflect practices which are inconsistent with the terms and conditions of the Service Arrangement / Grant Aid Agreement and related documentation.

It is important, therefore, that Section 38 and Section 39 Service Providers fully acquaint themselves and become conversant with the requirements for proper governance and administration in respect of funding received from the HSE. Your attention is drawn in particular to the HSE Website (Compliance Unit/Non-Statutory Webpage), HSE National Financial Regulation 31 (NFR 31), the Department of Public Expenditure and Reform's Circular 13 of 2014 and the recently circulated Annual Financial Monitoring Return. For ease of access links to these are inserted herewith:

[http://www.hse.ie/eng/services/publications/Non\\_Statutory\\_Sector/](http://www.hse.ie/eng/services/publications/Non_Statutory_Sector/)

<http://www.hse.ie/eng/staff/Resources/Financial%20Regulations/>

<http://circulars.gov.ie/pdf/circular/per/2014/13.pdf>

In relation to these 2016/2017 Audit Reports, the attached document sets down some of the key issues of concern that have emerged during those audits. In that regard, you are requested to examine these matters in the context of your organisation and, firstly, ensure that similar matters are not occurring in your organisation and, secondly, where they are occurring, these matters should be remedied immediately.

We look forward to your assistance in this matter.

**Regards**

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## MATTERS IDENTIFIED IN HSE INTERNAL AUDIT REPORTS

### Governance and Controls

- The Provider must have an internal written Code of Governance in place which is consistent with the *Code of Practice for the Governance of State Bodies* and/or *The Governance Code – A Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations in Ireland*.
- The Provider's system of internal controls must ensure compliance with the Service Arrangement / Grant Aid Agreement with the HSE.
- Appropriate governance procedures should be in place to deal with all aspects of how the Board of Directors, Management Committee, etc. carry out its business.
- Where a provider has many branches, proper procedures must be in place to ensure proper oversight and control.
- All Members of the Board/Management Committee must complete and sign an *Ethics in Office* declaration, including a *Statement of Interest* form.
- Rotation of Board Members must take place at regular intervals and on a phased basis to ensure continuity of governance.
- All Service Arrangements and Grant Aid Agreements must be completed, finalised and signed with the HSE before 28 February each year.
- Only authorised personnel should have access to financial, payroll and other systems.
- A "Segregation of Duties" policy must be in place in relation to expenditure limits, payments, access passwords and other relevant processes/matters.
- A Fixed Asset Register must be in place and proper accounting procedures should be in place to demonstrate appropriate related records.
- A Risk Register should be maintained by the Provider and this should be included on the agenda for Board Meetings.
- Management should ensure proper books and records are retained at all times.
- The Provider should have comprehensive accounting policies in place, and written financial procedures and such policies and procedures must meet current accounting standards and be reviewed on a regular basis to ensure same.
- Requested information must always be available to Internal, External and HSE Auditors.
- A Complaints Policy should be in place for both Service Users and Employees.
- A formal policy should be in place in relation volunteers, and in particular their registration with the Provider.
- A formal Garda Vetting Policy must be in place to cover all relevant employees and volunteers and records in this regard must be maintained properly.
- An appropriate policy should be in place for mobile phones (to include approval, usage and payment of related accounts/expenses).
- Backups (and their storage) for all ICT Systems must be put in place.

### Bank Accounts, Cash Handling and Petty Cash

- The Governing Body of a Provider should reassure itself that the number of bank accounts being operated by the organisation is necessary and are kept to a minimum.
- Opening/closing of Bank Accounts should involve appropriate Board approval.
- All lodgements should be fully documented, prepared, approved and certified.
- Bank mandates should be updated periodically.
- A minimum of two personnel are required to authorise on-line banking payments.
- Bank reconciliations should be properly performed regularly, signed off and approved.
- There must be a robust cash handling, receipting and control process in place.
- A written policy, in line with the HSE's Financial Regulations, should be in place to deal with Post, Cash Receipts / Credit Card donations.
- Each Provider must have a system in place to ensure that Petty Cash expenditure is authorised and that the account is analysed and reconciled and all reviews should be documented. The Petty Cash account itself should be reviewed on a regular basis.
- Appropriate security measures should be in place to deal with cash handling related matters.
- Blank cheques should not be signed in advance.

## MATTERS IDENTIFIED IN HSE INTERNAL AUDIT REPORTS

### Procurement, Accounts and other funding matters

#### ***Procurement:***

- All Providers are required to adhere in all respects to the HSE's Public Procurement Policy, practices and guidelines.
- Awarding of contracts to suppliers should be formally recorded and documented.
- There should be a requisition, purchase order and delivery docket system established.
- Professional/consultancy services should be tendered for as per Public Procurement policy.

#### ***Accounts:***

- All invoices should be checked and then signed, certified and cleared for payment.
- A minimum of two personnel are required to authorise set-up of vendors or to make changes to the vendor details.
- Expenditure should always be reflected in correct cost centres.
- A policy should be in place with regard to all aspects of dealing with Debtors and Debts.
- "Miscellaneous" and Suspense accounts must not be used.
- Funding of clients – the HSE should formally be notified when service users are no longer in receipt of Provider services.
- All property transactions must be transparent and approved by the Board.
- A formal accounting package should be used for record keeping with regard to accounts.

#### ***Other:***

- Funding received from the HSE should be clearly identifiable in Provider Annual Financial Statements (AFSs).
- Where there are different funding streams, these must be kept separate and processed/ accounted for separately in the accounting systems and in the audited AFSs.
- Audited AFSs should disclose all related parties and group entities.
- The provider should ensure that the HSE is notified of instances of alleged fraud or misappropriation and the action taken by the Provider including Notification to An Garda Síochána.

### Policy on Credit Cards/Use of Credit Cards & Debit Cards

- The Provider must have in place a current written policy on credit cards and debit cards.
- Only the very minimum number of credit cards should be in use in any organisation.
- The governing body should formally authorise the number of credit cards in use and any proposed new cards.
- Credit cards should only be used where no alternative payment method is possible.
- Credit cards should only be used in relation to the provision of services and should not be used for the purchase of inappropriate sundry items.
- Credit cards should be retrieved from staff members who are leaving the organisation and the card account closed.
- Credit card statements should be checked, authorised, approved and properly supported by receipts.
- Inappropriate credit card expenditure by staff (for personal or other such items) should be recouped.
- The CEO's credit card statement must be approved by the Chair of the Board.
- The credit card policy should identify inappropriate expenditure items.
- The purchase of alcohol, flowers or gifts from exchequer funding is strictly forbidden.

### Provider's Insurance Policies and related matters

- A Provider's insurance policy must satisfy those requirements set down in the Service Arrangement and the Grant Aid Agreement, in particular, those requirements set down in Schedule 7 of Part 2 of the Service Arrangement.
- Employer's liability and public liability insurance cover should be in place for all employees and volunteers.
- Sub-contractors must provide evidence of relevant insurance cover including indemnification to Providers.

## MATTERS IDENTIFIED IN HSE INTERNAL AUDIT REPORTS

### Remuneration of Employees / Perquisites / Payroll

- The remuneration of the Provider's CEO must be disclosed in the Provider's audited AFSs.
- The Provider shall not pay nor subsidise salaries, expenses or other perquisites (including, but not limited to, bonus payments and benefits in kind) which exceed those normally paid within the public sector and to have regard to the Department of Health Circular 11/2013, as may be updated, amended or replaced from time to time and all requirements of Government pay policy as may be notified to the Provider from time to time in respect of remuneration of senior employees and officers of the Provider.
- Private health insurance, bonuses and the provision of company cars is not permitted.
- Payment of non-business related expenses is not permitted.
- All payments to employees should be properly approved, processed through payroll and should be subject to all relevant taxation and levies.
- It is essential that segregation of duties apply to all processing, approvals and payments associated with payroll.
- A payroll summary should be produced and this should be approved/signed and dated by the appropriate level of management.

### Other Employee related matters

- Personnel files should be in place for each member of staff and these should be kept updated as appropriate with all relevant documentation.
- There is a statutory requirement to have a signed contract of employment on each personal file.
- Annual leave entitlements should be approved by the appropriate Line Manager at the commencement of each leave year.
- Appropriate training must be provided to employees.
- A Whistle-Blower Policy must be in place.
- Provider management should receive all relevant documentation from pension providers and ensure they are aware of rules associated with employee pension schemes.

### Travel, Subsistence and use of Private Cars of Staff Members

- Subsistence and travel rates shall not exceed DPER approved rates.
- Travel costs should be kept to a minimum through the use of public transport (where possible).
- Foreign travel must be kept to an absolute minimum. Any foreign travel by a CEO must be approved in advance by the Board Chair.
- Where staff members use their private vehicles for business on behalf of the Provider, there is a requirement to have a formal policy in place for claiming and processing travel expenses. This policy should cover all aspects in connection with travel expense claims.
- Copies of Motor Tax documentation and Motor Insurance Policies should be obtained and kept on file for all employees who use their own vehicles for travel on Provider business. Such Insurance Policies should indemnify the Provider.
- Providers should not contribute in any manner to the costs associated with the maintenance or running of any employee's private vehicle other than standard approved mileage rates.

### Tax Compliance and related matters

- All PAYE/PRSI records must be kept up to date and payments must be paid according to Revenue requirements/schedules.
- All VAT records must be kept up to date and VAT must be paid according to Revenue requirements/schedules.
- Providers must have a valid Tax Clearance Certificate.
- Correct and up to date year-end records with regard all Revenue returns and requirements are essential.
- Providers must be in compliance with all Revenue and related/other taxation matters which are applicable to their organisation.

## MATTERS IDENTIFIED IN HSE INTERNAL AUDIT REPORTS

### Patients' Private Property

- Where an organisation is in charge of a client's private property, an appropriate system of administration must be in place.
- Such a system must include a policy and robust controls with regard to Patients' Private Property Accounts.

### Fundraising

- There must be a Board-approved fundraising policy in place and organisations should sign up to the Charities Institute Ireland/Fundraising Ireland, *Statement of Guiding Principles for Fundraising* activity.
- There must be robust controls, which include written financial procedures, in place to oversee and manage the proceeds of the fundraising.