

## Vote 41. - Health and Children

### 43. Recovery of cost of Health Services provided under regulations of the European Community

Under EU regulations, the country in which an employed or self-employed person is insured (or was insured before becoming a pensioner) must bear responsibility for the cost of health services for himself and his dependants even when he or they are resident permanently or temporarily in another Member State. A reimbursement agreement has been entered into with the United Kingdom (UK) on the basis of calculating its net liability, as there is a greater number of people living in Ireland who previously worked in the UK. Reimbursement is calculated on the basis of average health costs and estimates of the number of persons concerned. Each year, 80% of the estimated balance due to Ireland is paid by the UK authorities in two equal instalments in mid July and mid December, with the balance being paid some years later when the average cost calculation has been approved at EU level. The amounts are brought to account as appropriations in aid.

Receipts for 1997, according to the Appropriation Account, amounted to £69.7 million, comprising balances of £15.3 million, £13.1 million and £3.8 million for the years 1993, 1994 and 1996, respectively and an advance of £37.5 million for 1997. However, it was noted during audit that:

- In November 1997, the Department had requested the UK authorities to delay payment of a further 1997 advance of £20m, due in December 1997, until early 1998. The Department had also guaranteed to indemnify the UK authorities against any exchange loss which might occur due to re-scheduling of the payment from December 1997 to January 1998.
- The UK authorities, however, lodged £20m with the Central Bank of Ireland on 16 December 1997. The Central Bank then requested accounting instructions on the lodgment of the funds to the Department's account.
- The accounting instructions from the Department of Health and Children to the Central Bank did not issue until January 1998 and, as a result, the £20m was not credited to the Department's account until 5 January 1998.

As this delay in the transfer of the £20m to the Department from December to January had the effect of changing the surplus to be surrendered on the 1997 Appropriation Account from £21m to £1m, I asked the Accounting Officer to clarify the circumstances in which the delay occurred.

The Accounting Officer informed me that:

- The UK authorities initiated a review of the recoupment methodology in 1996. There were unresolved issues and other matters which made the net liability of the UK authorities somewhat uncertain during 1997.
- The issue was further compounded by the changes in the calendar for the public finances brought about by Government in 1997, which required the Department to determine its appropriations-in-aid figures earlier than normally would have been the case. The moving



forward of the Supplementary Estimate for 1997 and the early approval of the abridged Book of Estimates for 1998, did not allow the Department the necessary time to clarify the issues surrounding the UK liability for 1997. In this regard, an overstatement of the Department's income would have resulted in health agencies being notified of approved levels of spending, not matched in the Vote and the Department has always taken a prudent line on such matters.

- As the UK receipts are significant when determining the net contribution to health spending from the Exchequer such income should be clearly seen to benefit the Health Vote. The decision to bring the £20m UK receipts to account in 1998 has regard to the principle of applying such receipts to the provision of health services in 1998. He had asked his officials to explore with the UK side the possibility of making the payment in 1998 to achieve the outcome as stated but in the end this was not possible.
- He and his officials had spoken to officials from the Central Bank in order to fully understand the process of receiving and clearing such payments and did not request the Central Bank to delay the transfer.
- The offer to indemnify the UK authorities against any exchange loss was made in an effort to achieve some movement on this issue. Approval of the Department of Finance was not sought at that point of the process.

The Accounting Officer stated that he is absolutely satisfied that these funds were brought to account in a manner that is consistent with the funding principles of the health service. This treatment, of what is considered to be health-related receipts, is both transparent and equitable and will be available to support health spending when taken into the Supplementary Estimate during 1998. Treating such funds as a surplus in 1997 would be wholly incorrect in the context of the UK agreement and general health funding.

One of the fundamental principles upon which accounting is based is that substance should take precedence over form. In my opinion the substance of the transaction is that £20m was received by the Central Bank in mid December 1997 for the Vote for Health and Children and should have been brought to account as appropriations in aid in 1997. The failure to do so means that the Appropriation Account for that Vote does not reflect the full receipts proper to 1997.

In cases of disagreement between an Accounting Officer and myself about the accounting treatment of transactions it is customary to obtain the views of the Department of Finance which has overall responsibility for public financial procedures. Accordingly, I sought the views of the Secretary-General of the Department of Finance in relation to (i) the accounting treatment of the receipt and (ii) whether it should be accounted for in the 1997 Appropriation Account. In response to the first question he stated that his Department had not been previously informed of or consulted about this matter. Had they been consulted, they would have been obliged to advise that the receipt should be brought to account promptly in line with the provisions of the public financial procedures<sup>1</sup>. In response to the second question, he stated that he was conscious of the fact that the Appropriation Account is a cash-based record of receipts and payments compared

<sup>1</sup> *Public financial procedures state that it is imperative that all receipts by Departments or Offices (including foreign currency receipts) should be brought to account promptly.*



with the Estimate provision in the year in question. Because of this, he was not convinced that, at this stage, a receipt actually brought to account in January 1998 should be recorded as an appropriation-in-aid in the Appropriation Account for 1997. It would seem preferable if the receipt were dealt with in the context of the 1998 Accounts. Nevertheless, he would consider it incumbent on the Department of Health and Children to note the Central Bank lodgment as part of the accrued income shown in the closing accruals column of the Appropriation Account. The Account has been amended by the Accounting Officer of the Department of Health and Children to reflect this view.

Notwithstanding the Department of Finance's view, I am still of the opinion that the £20m receipt should be recorded as an appropriation in aid of the Vote for 1997 and my audit certificate on the Appropriation Account of the Vote is qualified accordingly.