

Royal Victoria Eye & Ear Hospital

Financial Statements

Year Ended 31 December 2014

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COUNCIL MEMBERS REPORT

The Members of Council present their report and the audited financial statements for the year ended 31 December 2014.

Principal activities and risks

The Royal Victoria Eye and Ear Hospital ("the Hospital") operates as an independent state funded hospital. The Hospital is subject to the normal operating and finance risks associated with the current public and private healthcare environments. These include reliance on continued funding from the HSE and for ever increasing demand for quality healthcare services which place significant cost pressures on the available funding.

Results

The surplus for the year was €10,396 (2013: €494,127 (deficit)). The surplus was arrived at after charging net superannuation costs of €2,828,676 (2013: €2,193,656) being superannuation payroll expenditure of €3,638,047 (2013: €2,998,130) less superannuation income of €809,371 (2013: €804,474).

The Council's view (as stated in Note 13 to the Financial Statements) is that the liability for superannuation lies with the Department of Health and not with the Hospital and that superannuation costs should be fully funded so there should be no charge to the Hospital's Financial Statements in relation to superannuation.

Review of activities and future developments

The Hospital plans to continue providing high quality healthcare, as well as keeping pace with appropriate developments and improvements in medical and clinical healthcare practices in line with Hospital strategy.

Taxation Status

The Hospital has charitable tax status.

Council members responsibilities

Note 1 to the Financial Statements outlines the responsibilities of Council Members.


Books of account

The Council have employed appropriately qualified accounting personnel to ensure proper books and accounting records are kept. The books of account are located at Adelaide Road, Dublin 2.

Subsequent events

There were no subsequent events.

Signed on behalf of the Royal Victoria Eye and Ear Hospital

Signed: D Dunne  Date: 23 March 2015
Chief Executive
Member of Council

Signed: Dr J Ruane  Date: 23 March 2015
Member of Council



INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF ROYAL VICTORIA EYE & EAR HOSPITAL

We have audited the financial statements of Royal Victoria Eye and Ear Hospital for the year ended 31 December 2014 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in the preparation of these financial statements is accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Respective responsibilities of council and auditors

As explained more fully in the Council's Responsibilities Statement set out on page 9, the council are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the council and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come including without limitation under any contractual obligations of the Hospital, save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Hospital's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for adverse opinion on financial statements

As more fully explained in note 13 to the financial statements, the financial statements do not include the pension costs, pension liabilities and pension assets of those staff who are members of the Voluntary Hospitals Superannuation Scheme, as required by Financial Reporting Standard 17 "Retirement Benefits". It is not practicable to quantify the financial effects of this misstatement.

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INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF ROYAL VICTORIA EYE & EAR HOSPITAL - continued

Adverse opinion on financial statements

In our opinion, because of the significance of the matter described in the Basis for adverse opinion paragraph, the financial statements do not give a true and fair view in accordance with Generally Accepted Practice in Ireland of the state of the Hospital's affairs as at 31 December 2014 and of its surplus and cash flows for the year then ended.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

23 March 2015

ACCOUNTING POLICIES

The significant accounting policies and estimation techniques adopted by the hospital are as follows:

Income and expenditure

- i) Treatment income from patients chargeable for hospital services is accrued when these patients are discharged.
- ii) Deficit grants from the Health Service Executive (HSE).

The total grant allocated to the hospital towards the deficit for the year is included in the income and expenditure account. Any part of the grant allocation included in the income and expenditure account but not received at the balance sheet date is included in the balance sheet.

- iii) Other income and expenditure is recognised when earned or incurred and is dealt with in the income and expenditure account of the year to which it relates.

Pensions

The liabilities in respect of pensions payable to employees who are members of the Voluntary Hospitals' Superannuation Scheme 1969 (VHSS) and the Single Public Service Pension Scheme 2013 (SPSPS) are underwritten by the Minister for Health and Children. Accordingly, no provision is required in the financial statements to cover the liability in respect of pensions payable to employees in future years.

Deductions of pension contributions from salaries of employees who are members of the VHSS are credited to the income and expenditure account when received. Pension payments under the scheme are charged to the income and expenditure account when paid.

Stocks

Medical stocks are stated at the lower of cost and net realisable value.

Fixed assets

The cost of certain fixed assets (under a certain amount) which may be financed out of the deficit grant allocation for the year is charged to the income and expenditure account as incurred.

Fixed assets for which grants have been received, or are receivable, are not reflected in the balance sheet.

Other fixed assets for which grants are not receivable are stated in the balance sheet at cost and no provision is made for depreciation (as the amounts involved are not significant).


Basis of preparation


The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those promulgated by the Institute of Chartered Accountants in Ireland and issued by the Financial Reporting Council.

INCOME AND EXPENDITURE ACCOUNT
Year Ended 31 December 2014

	Notes	2014 €	2013 €
HSE revenue grant for year		23,245,733	20,309,627
Hospital income	5	<u>5,143,478</u>	<u>6,151,082</u>
Total income		28,389,211	26,460,709
Pay expenditure	3	(19,982,709)	(19,365,938)
Non-pay expenditure	4	<u>(8,396,106)</u>	<u>(7,588,898)</u>
Operating surplus/(deficit)		10,396	(494,127)
Accumulated deficit at beginning of year		<u>(1,960,977)</u>	<u>(1,466,850)</u>
Accumulated deficit at end of year		<u>(1,950,581)</u>	<u>(1,960,977)</u>

On behalf of the Council


Signed: D Dunne  Date: 23 March 2015
 Chief Executive
 Member of Council

Signed: Dr J Ruane  Date: 23 March 2015
 Member of Council

BALANCE SHEET
As at 31 December 2014

	Notes	2014 €	2013 €
Current assets			
HSE revenue grants receivable	6	2,559,567	2,477,725
Debtors	7	1,222,380	1,095,232
Stocks		308,648	395,511
		<u>4,130,595</u>	<u>3,968,468</u>
Current liabilities			
Creditors and accrued expenses		4,574,334	4,048,528
Bank overdraft		715,747	1,211,322
HSE capital grants		266,386	144,886
		<u>5,556,467</u>	<u>5,404,736</u>
Net current liabilities		<u>(1,425,872)</u>	<u>(1,436,267)</u>
Fixed assets	8	<u>72,931</u>	<u>72,931</u>
Net (liabilities)		<u>(1,352,941)</u>	<u>(1,363,337)</u>
Represented by:			
Capital funds			
Building fund	9	527,070	527,070
Bequest fund		70,570	70,570
		<u>597,640</u>	<u>597,640</u>
Income and expenditure account		<u>(1,950,581)</u>	<u>(1,960,977)</u>
		<u>(1,352,941)</u>	<u>(1,363,337)</u>

On behalf of the Council

Signed: D Dunne  Date: 23 March 2015
Chief Executive
Member of Council

Signed: Dr J Ruane  Date: 23 March 2015
Member of Council

CASH FLOW STATEMENT
Year Ended 31 December 2014

	Notes	2014 €	2013 €
Net cash inflow/(outflow) from operating activities	10	500,711	(978,500)
Returns on investment and servicing of finance	11	<u>(5,136)</u>	<u>5,019</u>
Increase/(decrease) in cash	12	<u>495,575</u>	<u>(973,481)</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of the Council's responsibilities

The Council is required to prepare financial statements for each financial year and have them audited. In preparing these financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the hospital will continue in operation.

The Council is responsible for keeping proper books of account which enable it to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and show a true and fair view. The Council is also responsible for safeguarding the assets of the hospital and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council confirm that they have complied with the above requirements in preparing the financial statements.

2 Going concern

The financial statements have been prepared on the going concern basis. The Hospital is dependent on the Health Service Executive (HSE) to fund its activities and the ongoing support of the HSE at an appropriate level is fundamental to the Hospital's ability to continue as a going concern. The HSE has not given any indication that it will withdraw its financial support from the hospital in the foreseeable future. Management have reviewed the level of activity and costs of the Hospital and have drawn up plans to deal with the issues associated with current cost and funding pressures. The ongoing support of the HSE at an appropriate level is fundamental to the achievement of these plans.

3 Pay expenditure

	2014	2013
	€	€
Administrative	2,418,098	2,332,146
Medical and dental	2,929,863	2,955,730
Consultants	2,511,773	2,552,125
Nursing and allied	5,347,384	5,362,484
Para-medical	741,902	742,970
Catering and housekeeping	<u>1,117,965</u>	<u>1,185,188</u>
	15,066,985	15,130,643
Superannuation	3,638,047	2,998,130
Employer's PRSI	<u>1,277,677</u>	<u>1,237,164</u>
	<u>19,982,709</u>	<u>19,365,937</u>

There was an average of 243 employees included in the payroll during 2014 (2013: 264).

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Debtors	2014	2013
	€	€
Patients	934,896	599,875
Other debtors and prepayments	<u>287,484</u>	<u>495,357</u>
	<u>1,222,380</u>	<u>1,095,232</u>
8 Fixed assets	2014	2013
	€	€
Site	4,571	4,571
Buildings	62,391	62,391
Furnishings	2,609	2,609
Casualty department	<u>3,360</u>	<u>3,360</u>
	<u>72,931</u>	<u>72,931</u>
9 Building Fund	2014	2013
	€	€
At beginning and end of year	<u>527,070</u>	<u>527,070</u>
10 Reconciliation of expenditure to net cash outflow from operating activities	2014	2013
	€	€
Operating surplus/(deficit)	10,363	(494,127)
Interest included in expenditure	5,136	(5,019)
(Increase)/decrease in HSE revenue grants receivable	(121,842)	(455,151)
(Increase)/decrease in debtors	(127,148)	(190,639)
(Increase)/decrease in stocks	86,863	(343,744)
Increase/(decrease) in creditors and accrued expenses	<u>647,306</u>	<u>510,180</u>
Net cash inflow/(outflow) from operating activities	<u>500,711</u>	<u>(978,500)</u>
11 Gross cashflows	2014	2013
	€	€
Returns on investment and servicing of finance		
Interest received	-	5,950
Interest paid	<u>(5,136)</u>	<u>(931)</u>
	<u>(5,136)</u>	<u>5,019</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Analysis of changes in net cash

	At 31 December 2013 €	Cash flows €	At 31 December 2014 €
Bank balances	73,916	1,523,165	1,597,081
Bank overdraft	<u>(1,285,238)</u>	<u>(1,027,590)</u>	<u>(2,312,828)</u>
	<u>(1,211,322)</u>	<u>495,575</u>	<u>(715,747)</u>

13 Retirement benefits

The majority of staff employed by Royal Victoria Eye and Ear Hospital are members of either the Voluntary Hospitals Superannuation Scheme (VHSS) or the Single Public Service Pension Scheme (SPSPS).

The financial statements do not include pension liabilities and assets of those staff who are members of the VHSS, as required by Financial Reporting Standard 17 "Retirement Benefits". The VHSS is a scheme underwritten by the Minister of Health and Children. The VHSS was established by the Minister for Health in 1969 and is compulsory for all persons appointed to the hospital who are eligible under the scheme and is a condition of such appointments.

The SPSPS was established by the enactment of Public Service Pensions (Single Scheme and Other Provisions) Act, 2012 and, similarly, is compulsory for all persons appointed to the hospital who are eligible under the scheme and is a condition of such appointments after 1 January 2013. The SPSPS is a multi-employer scheme as defined by FRS17.

The Council of the Royal Victoria Eye and Ear Hospital believe that the funds required in the future to pay current pension liabilities, as they arise into the future, will be provided by the Department of Health and Children under the VHSS. The Council have arrived at this opinion having taken account of precedent set on the closure of certain other healthcare facilities in recent years where pension payments (including retirement lump sum payments) have been honoured by the Department of Health and Children. Therefore, they believe that it is not necessary for the financial statements of the hospital to include the liability at the balance sheet date in respect of pension entitlements accrued to that date by employees of the hospital, nor other disclosure requirements of the Financial Reporting Standard 17 "Retirement Benefits", because the Council believes that liability rests with the Department of Health and Children. The above issue is similar to that applying in the majority of other publicly funded hospitals.

The superannuation payments made (including retirement lump sum payments) and deductions retained by the hospital under the VHSS for the years 2011 to 2014 are detailed below.

	2014 €	2013 €	2012 €	2011 €
Superannuation payments made	3,638,047	2,998,130	2,577,345	3,321,890
Superannuation deductions	(809,371)	(804,474)	(862,868)	(838,372)
HSE pension allocation	-	-	<u>(231,223)</u>	<u>(76,028)</u>
Excess of payments over deductions	<u>2,828,676</u>	<u>2,193,656</u>	<u>1,483,254</u>	<u>2,407,490</u>

14 Approval of financial statements

The Council approved the financial statements on 23 March 2015.