

The Royal Hospital Donnybrook

Financial Statements

Year Ended 31 December 2014

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INDEPENDENT AUDITORS' REPORT TO THE GOVERNORS OF THE ROYAL HOSPITAL DONNYBROOK

We have audited the financial statements of The Royal Hospital Donnybrook for the year ended 31 December 2014 which comprise the Ordinary Income and Expenditure Account, the Ordinary Balance Sheet, the Special Fund Account, the Special Fund 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 Board of Management and auditors

As explained more fully in the statement of responsibilities of the Board of Management set out on page XI, the Board of Management 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 Board of Management 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 Board of Management; 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.



**INDEPENDENT AUDITORS' REPORT TO THE GOVERNORS OF THE ROYAL HOSPITAL
DONNYBROOK - continued**

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.

Adverse opinion on financial statements

In our opinion, solely 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 deficit and cash flows for the year then ended.

**PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin**

23 April 2015

ACCOUNTING POLICIES

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

Historical cost convention

The financial statements are prepared under the historical cost convention. The market value of quoted investments is disclosed in a note to the financial statements.

Income and expenditure

Income and expenditure is recognised when earned or incurred and is dealt with in the ordinary income and expenditure account or the special fund account of the year to which it relates.

The ordinary income and expenditure account reflects the day-to-day running of the hospital. The special fund account reflects voluntary activities, investment income and other receipts and bequests together with their application. The analysis of assets and liabilities in the balance sheet is consistent with this distinction.

Expenses incurred by the hospital, less contributions from patients and other income, are recovered from the Health Service Executive by means of an allocation.

Allocations from the Health Service Executive (HSE)

The total allocation to the hospital towards the net expenditure for the year is included in the ordinary income and expenditure account. Any part of the allocation included in the ordinary income and expenditure account but not received at the year-end is included in the ordinary balance sheet.

Allocations in respect of the excess of annual net expenditure over annual allocations are accounted for as and when agreed by the Health Service Executive.

Pensions

The liability in respect of pensions payable is underwritten by the Minister for Health and the net cost of pensions is included in the annual allocation towards net expenditure for the year.

Staff pension contributions are credited to the ordinary income and expenditure account when received and pension payments are charged to ordinary expenditure when paid.

Quoted investments

Quoted investments are stated in the special fund balance sheet at cost when purchased, or market value when acquired by way of bequest or gift.

The market value of all quoted investments at the balance sheet date is disclosed in a note to the financial statements.

Market value represents the mid price as quoted by a recognised stock exchange.

Fixed assets

Fixed assets for which grants have been received or are receivable, or which have been provided out of the special fund account, are not reflected in the balance sheet.

The cost of other fixed assets is charged to the ordinary income and expenditure account as incurred.

ORDINARY INCOME AND EXPENDITURE ACCOUNT
Year Ended 31 December 2014

	Note	2014 €	2013 €
Ordinary expenditure			
Pay expenditure	2	14,808,188	15,025,317
Non-pay expenditure	3	<u>4,316,419</u>	<u>4,696,850</u>
		19,124,607	19,722,167
Ordinary income	4	<u>2,409,912</u>	<u>2,195,331</u>
Net expenditure for year		16,714,695	17,526,836
Allocation from HSE towards net expenditure for year		<u>16,694,723</u>	<u>17,236,449</u>
(Deficit) for year		(19,972)	(290,387)
Accumulated surplus brought forward		<u>294,019</u>	<u>584,406</u>
Accumulated surplus carried forward		<u>274,047</u>	<u>294,019</u>

On behalf of the Board of Management

Chairman

Treasurer

ORDINARY BALANCE SHEET
31 December 2014

	Notes	2014 €	2013 €
Ordinary assets			
Allocations due - Revenue	6	1,601,926	1,637,533
- Capital		(49,016)	(49,016)
Debtors and prepayments		232,389	164,332
Bank balances and cash		<u>1,283,734</u>	<u>1,567,566</u>
		<u>3,069,033</u>	<u>3,320,415</u>
Ordinary liabilities			
Creditors and accrued expenses		(2,282,940)	(2,394,903)
Patient Funds		<u>(512,046)</u>	<u>(631,493)</u>
		<u>(2,794,986)</u>	<u>(3,026,396)</u>
		<u>274,047</u>	<u>294,019</u>
Represented by:			
Accumulated surpluses carried forward	5	<u>274,047</u>	<u>294,019</u>

On behalf of the Board of Management

Chairman

Treasurer

SPECIAL FUND ACCOUNT
Year Ended 31 December 2014

	2014 €	2013 €
Income		
Investment income	431	393
Rents receivable	4,308	338
Voluntary gifts and donations	24,245	20,683
Deposit interest	19,172	28,353
Bequests	<u>59,972</u>	<u>414,826</u>
	<u>108,128</u>	<u>464,593</u>
Expenditure		
Other payments	<u>76,585</u>	<u>206,100</u>
	<u>76,585</u>	<u>206,100</u>
Income less expenditure	31,543	258,493
Balance at beginning of year	<u>4,105,579</u>	<u>3,847,086</u>
Balance at end of year	<u><u>4,137,122</u></u>	<u><u>4,105,579</u></u>

On behalf of the Board of Management

Chairman

Treasurer

SPECIAL FUND BALANCE SHEET
31 December 2014

	Note	2014 €	2013 €
Special fund assets			
Quoted investments	7	252,136	252,136
Debtors and prepayments		8,973	9,251
Bank balances and cash		<u>3,915,573</u>	<u>3,858,013</u>
		<u>4,176,682</u>	<u>4,119,400</u>
Special fund liabilities			
Creditors and accrued expenses		<u>(39,560)</u>	<u>(13,821)</u>
		<u>4,137,122</u>	<u>4,105,579</u>
Represented by:			
Special funds		<u>4,137,122</u>	<u>4,105,579</u>

On behalf of the Board of Management

Chairman

Treasurer

CASH FLOW STATEMENT
Year Ended 31 December 2014

	Notes	2014 €	2013 €
Net cash outflow from operating activities	8	(16,939,821)	(17,514,653)
Returns on investments and servicing of finance	9	18,449	21,662
Capital expenditure	9	<u>-</u>	<u>-</u>
Net cash outflow before financing		(16,921,372)	(17,492,991)
Financing	9	<u>16,814,547</u>	<u>17,801,929</u>
Net cash (outflow)/inflow		<u>(106,825)</u>	<u>308,938</u>
(Decrease)/increase in cash	10	<u>(106,825)</u>	<u>308,938</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of responsibilities of the Board of Management

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

2 Pay expenditure	2014 €	2013 €
Administration	796,658	880,475
Medical	301,144	352,638
Nursing	5,484,486	5,456,189
Allied health	1,921,470	2,030,112
Support services	4,796,871	4,820,586
Maintenance	184,702	189,266
Pensions payable	<u>1,322,857</u>	<u>1,296,051</u>
	<u>14,808,188</u>	<u>15,025,317</u>

* Please note that there has been a reclassification within the 2013 pay expenditure from nursing to support services and administration to reflect the movement of care assistant levels.

Superannuation administration

In 2014 pension payments exceeded superannuation deductions by €135,108 (2013: €47,964), as follows:

	2014 €	2013 €
Pensions payable		
- once off payments on retirement	(127,179)	(128,764)
- ongoing pension payments	<u>(1,195,678)</u>	<u>(1,167,287)</u>
	<u>(1,322,857)</u>	<u>(1,296,051)</u>
Superannuation deductions	<u>1,187,749</u>	<u>1,248,087</u>
Pension (deficit) for the year	<u>(135,108)</u>	<u>(47,964)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Non-pay expenditure	2014	2013
	€	€
Drugs and medicines	509,590	469,640
Blood and blood products	3,678	2,126
Medical gases	23,259	50,846
Medical and surgical supplies	377,775	372,555
Medical equipment	199,041	260,565
Food and catering fees	913,191	1,107,326
Catering equipment	6,356	39,862
Furniture, crockery and hardware	25,183	27,939
Heat, light and power	379,407	403,094
Cleaning and washing	562,385	565,970
Maintenance and renovations	157,772	220,556
Bedding and clothing	10,572	8,229
Education and training	65,750	46,348
Farm and grounds	59,143	76,637
Transport and travelling	5,747	4,348
Transport of patients	25,090	23,197
Bank interest and charges	5,462	7,422
Insurances, audit, legal and other professional costs	107,525	130,957
Other professional services	184,423	124,802
Office expenses	40,593	43,793
Computer equipment	69,601	99,280
Other services cost	262,267	262,506
Office equipment	118,386	137,882
Sundries	204,223	210,970
	<u>4,316,419</u>	<u>4,696,850</u>
4 Ordinary income	2014	2013
	€	€
Patient maintenance	1,158,367	866,312
Superannuation deductions	1,187,749	1,248,087
Staff restaurant income	57,003	66,993
Sundry income	6,793	13,939
	<u>2,409,912</u>	<u>2,195,331</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Accumulated surpluses/(deficits) carried forward	2014	2013
	€	€
In respect of prior years:		
- 1999	3,566	3,566
- 2000	112,009	112,009
- 2001	(103,415)	(103,415)
- 2002	90,580	90,580
- 2003	9,193	9,193
- 2004	17,391	17,391
- 2005	8,760	8,760
- 2006	(3,250)	(3,250)
- 2007	(13,909)	(13,909)
- 2008	543	543
- 2009	(14,668)	(14,668)
- 2010	232,158	232,158
- 2011	336,365	336,365
- 2012	(90,917)	(90,917)
- 2013	(290,387)	(290,387)
- 2014	(19,972)	-
	<u>274,047</u>	<u>294,019</u>
 6 HSE allocation due	 2014	 2013
	€	€
In respect of:		
- prior years	(670)	(670)
- 2013	-	1,638,203
- 2014	1,602,596	-
	<u>1,601,926</u>	<u>1,637,533</u>
 7 Quoted investments	 2014	 2013
	€	€
At cost when purchased, or market value when acquired by way of bequest or gift, and as reduced to market value	<u>252,136</u>	<u>252,136</u>
Market value	<u>352,751</u>	<u>296,566</u>
 8 Reconciliation of net expenditure to net cash outflow from operating activities	 2014	 2013
	€	€
Net expenditure for year	(16,714,695)	(17,526,836)
Interest included in expenditure	5,462	7,422
Payments from special fund account	(76,585)	(206,100)
(Increase)/decrease in debtors and prepayments	(67,779)	36,857
(Decrease)/increase in creditors	(86,224)	174,004
Net cash outflow from operating activities	<u>(16,939,821)</u>	<u>(17,514,653)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Investing and financing activities	2014	2013
	€	€
Returns on investment and servicing of finance		
Interest received	19,172	28,353
Interest paid	(5,462)	(7,422)
Investment income	431	393
Rents receivable	4,308	338
	<u>18,449</u>	<u>21,662</u>
Capital expenditure and financial investment		
Expenditure on premises and equipment	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Financing		
Capital grants received	-	163,122
Revenue grants received (Note 11)	16,730,330	17,203,298
Bequests	59,972	414,826
Voluntary gifts and donations	24,245	20,683
	<u>16,814,547</u>	<u>17,801,929</u>

10 Analysis of the balances of cash as shown in the balance sheets	2014	2013	Change in year
	€	€	€
Bank balances and cash	5,199,307	5,425,579	(226,272)
Patient funds	(512,046)	(631,493)	119,447
	<u>4,687,261</u>	<u>4,794,086</u>	<u>(106,825)</u>

11 Analysis of changes in financing during the year	2014	2013
	€	€
Revenue allocations		
At beginning of year	1,637,533	1,604,382
Allocation for the year	16,694,723	17,236,449
Cash received	(16,730,330)	(17,203,298)
At end of year	<u>1,601,926</u>	<u>1,637,533</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Premises

As stated in the accounting policies on page V, fixed assets for which grants have been received or are receivable, or which have been funded from the special fund account, are not reflected in the hospital's balance sheet. These fixed assets include the hospital premises, which were acquired in 1792 and have been developed over subsequent years from the special fund account and capital grants.

13 RHD retirement benefits

The majority of the staff employed by Royal Hospital Donnybrook are members of either the Voluntary Hospitals Superannuation Scheme (VHSS) or the Single Public Service Pension Scheme ("the Single Scheme").

The VHSS was established by the Minister for Health in 1969 and the Hospital has administered the scheme, on behalf of the State, in relation to VHSS members who are current or retired staff of the Hospital since this date.

The Hospital has been directed by the Department of Health/HSE to retain the VHSS contributions paid by current Hospital staff and this has been treated as income in line with this direction. On receipt of written authorisation and direction from the HSE, pension entitlements are paid to retired Hospital staff who are members of the VHSS. These pension payments are funded by the deductions retained from current staff and additional HSE revenue grant funding which is periodically adjusted by the HSE to reflect changes in the pension liabilities to be paid and the terms of the scheme.

These 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" as the Board believes that the funds required to pay current pension liabilities under both schemes, as they arise in the future, will continue to be provided by the State/Department of Health. The Board has arrived at this position having taken into account a range of factors including the precedent set on the closure of certain other healthcare facilities. This issue is similar to that applying in the majority of other publicly funded hospitals.

From 1 January 2013, the VHSS was effectively closed to new members and was superseded by the Single Scheme in line with its introduction across the entire public service. The single scheme is a multiemployer scheme as defined by FRS 17.

14 Related parties

During the year the hospital had no material transactions with the Royal Hospital Donnybrook Housing Association or the Friends of the Royal Hospital.

15 Approval of financial statements

The Board of Management approved the financial statements on 23 April 2015.