



Feidhmeannacht na Seirbhíse Sláinte  
Health Service Executive

## HSE Audit & Risk Committee Meeting

### Minutes

A meeting of the HSE Audit & Risk Committee was held on Friday 12<sup>th</sup> June 2020 at 08:15 via videoconference.

Members Present: Ann Markey, Brendan Lenihan (Vice Chair), Fergus Finlay, Fiona Ross, Pat Kirwan, Colm Campbell, Martin Pitt.

HSE Executive Attendance: Geraldine Smith, Stephen Mulvany, Mairead Dolan, James Gorman (item 6), Dara Purcell (Secretary), Hannah Barnes.

C&AG representatives in attendance: Andy Harkness (Item 3), Ruth Foley (Item 3), John Crean (Item 3)

Minutes reflect the order in which items were considered and are numbered in accordance with the original agenda.

### 2. Governance and Administration

The Vice Chair welcomed Committee members to the meeting and Ann Markey agreed to chair for the duration of this meeting. No conflicts of interest were declared.

The Committee approved the minutes of the 12<sup>th</sup> May and 15<sup>th</sup> May subject to an amendment to wording clarifying the HSE's lack of contractual basis to take over a Private Nursing Home facility and correction of the name of the Clinical and General Indemnity Schemes.

The Committee reviewed the action log and EMT members present clarified expected timelines for certain actions. The following actions were agreed:

- Update on approval of Capital Plan 2020 – (July Meeting)
- Update on Children's Hospital governance arrangements - D. Sullivan (July Meeting)

### 3. C&AG

#### 3.1 Report on the Audit of the Financial Statements 2019

Andy Harkness, Ruth Foley, and John Crean joined the meeting at 08:45 for this item.

R. Foley presented the Audit Completion Memorandum for the year ended 31<sup>st</sup> December 2019 which had been circulated prior to the meeting. She confirmed the C&AG issued a clear audit opinion. The audit report drew attention to the statement on internal control which discloses that compliance with procurement regulations remains an issue for the Health Service Executive and that it is not yet in a position to quantify the value of its expenditure on goods and services where the procedures employed did not comply with procurement guidelines.

She highlighted the findings and conclusions relating to significant risks as outlined in the audit planning memorandum. In relation to grant to outside agencies, the committee noted that the issues identified by the audit are similar to previous years. Compliance with procurement regulations remains an issue. R. Foley drew attention to the HSE's SIC which discloses that the HSE were not in a position for 2019 to quantify the value of its expenditure on goods and services where the procedures employed did not comply with procurement guidelines.

Following discussion of the report with the CAG officials the committee noted that notwithstanding the restrictions on audit field work due to COVID-19 measures sufficient and appropriate audit evidence had been provided to enable the C&AG to conclude on all significant account areas. No modification to the audit opinion for limitation of scope was required. R. Foley confirmed there are no other significant matters are subject to on-going correspondence to report and there are no unconnected misstatements.

The committee requested an indication of when the Management letter on the audit will be available. R. Foley said a draft should be ready for the following months Audit and Risk Committee meeting. R. Foley informed the Committee that the C&AG's special report on the Operation of the Nursing Home Support Scheme Fair Deal Scheme had been submitted to the Minister for Health in May 2020.

The V/Chair informed the committee that he had discussed with A. Hartnett whether a private session would be required with the C&AG representatives and agreed this was not required. The CFO thanked the C&AG team for working with the HSE's finance team during difficult times.

Andy Harkness, Ruth Foley, and John Crean left the meeting at 09:05.

M. Dolan responded to questions which arose regarding the C&AG's special report on NHSS explaining that the process for special reports is they are submitted to the Minister rather than published in the

Annual Report. The Committee requested that HSE response to the draft C&AG's Special Report on the Operation of the Nursing Home Support Scheme Fair Deal Scheme to be brought to the Committee for consideration at its next meeting.

In reply to questions on the management plans to improve the areas of concern within the C&AG audit findings the CFO confirmed management are examining these control issues to develop mitigation plans. He noted that some of the control weaknesses are now captured on the Corporate Risk Register (CRR) and that the SIC discloses these control weaknesses and sets out the steps being taken by the HSE to address these. He said that compliance with procurement regulations remains an issue for the HSE however, he expects to be able to provide a definitive rate of procurement non-compliance in respect of 2020. The CFO noted the significant part of the procurement team is now dedicated to securing PPE. The CFO said the three-year Compliance Improvement Plan for 2017- 2020. was intended to improve compliance in the area of procurement.

Regarding the control environment for s39 facilities the CFO confirmed that the controls are the same as those in place for s.38 facilities. The HSE has agreements with all facilities and they are subject to audited by the HSE's Internal Audit unit. He briefed the Committee on proposals to enhance corporate governance support systems within each CHO area in recent years to address the weaknesses identified. These include the establishment of Contract Management Support Units (CMSU) in each of the nine CHOs. The CMSUs will be a key resource within the CHOs in terms of enhancing the level of management and oversight in respect of s38 and s39 agencies funded by the CHOs. Four pilot sites are currently being put in place.

**Actions:**

- HSE response to the draft of the C&AG's Special Report on the Operation of the Nursing Home Support Scheme Fair Deal Scheme to be brought to the Committee – M.Dolan (July meeting)
- The CFO is to revert back to the committee by September with a longer term plan to improve the controls environment with funded agencies – S. Mulvany (August/ September Meeting)
- The committee is to look at the work being undertaken to quantify to the amount of procurement that did not comply with procurement guidelines in greater detail – CFO (August Meeting)

**4. Accounting, Financial & Governance Reporting**

#### 4.1 Health Budget Oversight

The briefing paper circulated prior to the meeting setting out COVID expenditure decisions that were directly related to the delegated decision making authority granted by the HSE Board to the CEO was discussed. The CFO provided the committee with information on the individual decisions, the value of those decisions and a general outline of matters.

The paper also provided an outline of Government oversight in respect of COVID expenditure, through the Health Budget Oversight Group (HBOG), terms of reference of the group, core membership and other relevant matters. The CFO confirmed that following the submission of the COVID scaling up Action Plan to Government on March 16<sup>th</sup> it was decided that the HBOG would be the primary oversight mechanism used by Government to oversee COVID expenditure. A number of HBOG sub groups have also been established to enable more detailed discussion around specific expenditure items. The groups overarching purpose is to monitor and control Health spend and staffing within the Budget allocation and act as an early warning mechanism for any deviations. This ensures the Government is made aware of any overruns of the Health Budget as soon as possible. The Group normally meets monthly and is comprised of officials from the Health Service Executive (HSE), the Department of Health (DoH) and the Department of Public Expenditure and Reform (D/PER). During the COVID crisis the HBOG convenes weekly with additional sub HBOG meetings taking place on key issues.

In relation to Board and committee oversight and visibility of expenditure a discussion ensued and the financial decisions in relation to the funding of Citywest Hotel, the establishment of a temporary hospital by the ULHG and changes to the testing and tracing strategy were noted as examples of matters that should have been reported to the Committee. The committee emphasised the need to have Board assurance around expenditures and controls including the monitoring of arrangements which formed a condition of D/PER sanction approval.

#### 4.2 YTD Expenditure Update end of April & 4.3 Covid Expenditure Tracker Report

*Item 4.2 and 4.3 were taken together.*

The committee reviewed the YTD April 2020 Finance report which was circulated prior to the meeting. As per the previous month a weekly COVID-19 flash report was also provided to the committee. The CFO said the response to Covid-19 has been our number one priority in recent months and will be for the foreseeable future. The indicative planned funding level associated with the HSE Action Plan already submitted to DOH and DPER was c. €2.3bn and this had reduced to 1.8bn. He confirmed the

additional budget sanctions to the Health / HSE in relation to Covid-19 will initially be on a gross basis but will ultimately be on a net basis i.e. after full offset for any underspends on pre-existing revenue and capital budgets, including developments that do not progress. Maintaining fundamental approval controls and robust cost tracking, including core monthly financial reporting, albeit cognisant of the current exceptional circumstances, will be essential as we move through this crisis in 2020. He also confirmed that it was too early to forecast outturns yet but work is being undertaken with colleagues to develop the end of year forecast.

## **5. Internal Audit**

G. Smith provided a verbal update to the Committee on the Internal Audit workplan noting that Internal Audit operations were suspended with effect from 13<sup>th</sup> March 2020 due to the HSE's COVID-19 repose and the addition of new audits being undertaken in response to COVID-19. She confirmed that two new Covid 19 audits are currently in progress, one relating to the PPE warehouse and related aspects such as setup, security, and one relating to PPE receipting process. Other Covid 19 related audits will include, inter-alia, the PPE Contract, the PPE Distribution Contract, the PPE modelling system, and the operation of vendor set up controls during the pandemic. G. Smith will bring the revised 2020 plan to the Committee's next meeting. G. Smith informed the Committee that she is working with management and plans to bring redeployed staff back on a gradual basis from July. Planning for the internal audit plan 2021 is expected to begin in early July and a draft plan will be prepared for this Committee to review at its November meeting. A number of COVID-19 related audits will also be included in the 2021 Audit Plan. G. Smith agreed to consider an audit on COVID absenteeism rates.

G. Smith informed the Committee that she is working on revising the audit opinion ratings to widen the band from 3 levels to 4 levels and she will bring this to the Committee's July meeting.

G. Smith said that the scoping work for the Genomics audit is still on track and agreed to provide an update directly to the V/Chair.

### **Actions:**

- Revised 2020 audit plan to be brought to the Committee for review – G. Smith (July)
- Consider including in the revised 2020 plan an audit on Absenteeism during the COVID-19 pandemic - G Smith
- Draft 2021 Internal Audit workplan to be brought to Committee for review in November – G. Smith (November)
- G. Smith to update Committee on Revisions to Audit Opinion Ratings - G. Smith (July)

- G. Smith to provide an updated scope for the GMI Audit to the V/Chair – G. Smith (July)

## **6. Special Legislative Accounts**

James Gorman joined the meeting at 11:14.

M. Dolan informed the Committee that in addition to the Annual Financial Statements the HSE is required to prepare certain accounts under legislation. The accounts are the Patient Private Property Accounts (PPP), the Hepatitis C Insurance Scheme Accounts, the Long Stay Repayments Account, and the Long Stay Donations Fund. Legislation provides that the accounts must be submitted to the Comptroller and Auditor general for audit as soon as it is practicable after the end of the financial year to which they relate, but, in any case not later than 6 months after the end of that year. The Committee noted that these accounts have been submitted to the C&AG for Audit on 4<sup>th</sup> June 2020 in accordance with this requirement. M. Dolan provided an overview of the accounts and then responded to questions regarding the administration of the accounts. The Committee noted that payments made within the Special Account established for the purpose of the Health (repayment Scheme) Act, 2006 were primarily related to administration costs and no significant payments to claimants were made. The Committee requested that the administration role and related costs be explained better within the explanatory notes for the account. The Committee also noted that within the Health Repayment Scheme Account there were no funds at the end of 2019. The Committee recommended a timeframe for close down of the Health Repayment Scheme to be agreed with the Department.

J. Gorman provided an overview to the Committee of the 2019 PPP Crowley's DFK Management Letter and consolidated National Accounts in addition to the 2018 C&AG PPP Management letter. He noted Crowleys DFK completed their audit of the 2019 PPP accounts nationally and the Management Letter was received by the HSE on 22<sup>nd</sup> May. The Committee noted that in individual care centres more detailed Management Letters are received from the auditors each year and the main findings are reoccurring. J. Gorman confirmed there is a continuous quality initiative for the centres not within the HSE PPP Central Scheme which is being co-ordinated by the PPP Central Unit. This unit has delivered year on year improvements to the service and reduction in the level of control issues identified in audits. J. Gorman confirmed specific findings in the care centres will be subject of a co-ordinated approach between the PPP Central Unit and local CHO management. The Committee expressed the view that the recommendations in the DFK management Letter were unspecific and requested that this be raised with the auditors so that the Committee could understand the specific level of assurance that could be taken from the Crowleys DFK work. The Committee requested that a further dialogue is had with Crowleys DFK and a paper to return in September.

Actions:

- J. Gorman to revert in September following engagement with Crowleys DFK on recommendations for the PPP accounts – J. Gorman (September meeting)

**7. Any Other Business**

The V/ Chair thanked members of the Committee and Executive Team for their contributions. The meeting concluded at 12:15.

Signed: 

A/Chairperson

10/07/2020

Date