



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> February 2021 at 08:00 via videoconference.

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

Joined this meeting: Andy Harkness (C&AG Representative), John Crean (C&AG Representative), Paula Brophy (C&AG Representative).

HSE Executive Attendance: Geraldine Smith (ND Internal Audit), Stephen Mulvany (CFO), Mairead Dolan (ACFO), Dean Sullivan (CSO) (item 1.3), Patrick Lynch (ND Quality Assurance and Verification) (item 5 onwards), Dr Lucy Jessop (Director National Immunisation Office)(item 7), Dara Purcell (Corporate Secretary), Hannah Barnes.

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

The Vice Chair welcomed Committee members to the meeting and held a private session to consider the agenda and papers for the meeting and the approach to conducting the meeting. Ann Markey agreed to formally act as Committee chair for the purposes of signing the minutes at this meeting and then asked the Vice Chair to handle the conduct of the meeting.

No conflicts of interest were declared.

#### **1. Accounting, Financial and Governance**

*C&AG representatives joined the meeting at 08:30. CSO joined the meeting at 09:00.*

##### **1.1 Meet C&AG in absence of management & 1.2 Committee Discussion on C&AG Audit Memorandum**

In accordance with governance best practice the Committee met with the C&AG representatives in the absence of HSE executives. Executives then joined the meeting.

Andy Harkness and John Crean led the discussion on the C&AG's audit plans for the year ended 31<sup>st</sup> December 2020. The significant impact of Covid-19 on the HSE was acknowledged and the Committee were told that the audit will focus on how the HSE has maintained key financial controls in light of the changes brought about by the new working environment. The Audit will consider how management has assessed the potential for increased financial risks due to error and fraud. The Committee were assured that the Audit cert is expected to be delivered on time as all required work should be completed fully with workarounds in place. In response to questions from the Committee on Audit delivery timelines the C &AG officials confirmed that they expected that the Audit will be completed on time, in May 2021, as planned notwithstanding the challenges posed from working in a Covid environment. The CA&AG noted that there will be a special report on PPE expenditure, but this will not impact on the financial audit or the formation of the audit opinion.

The CFO told the Committee that constructive engagement has taken place with the C&AG team and that they are reasonably satisfied that there are no matters identified which will prevent the C&AG achieving their deliverables. The V/Chair thanked the C&AG representatives for their time and said that the engagement had been very helpful.

### **1.3 AFS 2020 Update on significant issue and judgement paper and expected timelines**

The ACFO briefed the Committee on the statutory and regulatory responsibilities, timelines and processes in respect to the preparation of the AFS 2020 as outlined in the paper. She confirmed to the Committee that the process is currently going well and is expected to be completed in accordance with the expected timeline.

The ACFO spoke to the significant issues arising out of AFS 2020 to date, highlighting the reporting of PPE stock held in various warehouses at 31 December. As funding for this PPE has been received and recorded in 2020, the accounting treatment is in line with the standard however, this does pose an issue as the creation of this stock asset has the unintended consequence of producing an Income/Expenditure surplus for 2020, which could then lead to an unintended deficit in 2021 and future years. Under S33(3) of the Health Act the HSE cannot carry forward a first surplus arising without Ministerial Approval. Currently the HSE and the DOH are in discussions regarding the appropriate accounting treatment for the PPE stock as the Minister specifies the appropriate accounting standards to be followed by the HSE. Any departures from FRS102 will require Ministerial derogation which will be disclosed in Note 1 Accounting Policies.

The CSO provided an update to the Committee on the KPMG audit due to be undertaken to comply with the Minister for Health's request for an external audit on the management of PPE. The

committee were informed that the negotiated tender procedure was used for this process and this award was finalised week ending February 5<sup>th</sup>. The audit is expected to be concluded towards the end of March or early April and the Committee will be kept up to date of this process.

The ACFO also brought the issue of Accrued Holiday Pay to the Committee's attention. She highlighted that in previous years the HSE's calculation of accrued holiday pay was based on an agreed estimate based on an extrapolation from HSE areas which were recording untaken leave. Prior to 2020 there were only 3 major HSE areas that were recording untaken leave, however, due to the rollout of NiSRP the HSE now has 6 significant areas recording staff's untaken leave. This further increases the accuracy of the calculation of the accrual. However, based on a first review of the information provided to the AFS team it is expected that there will be a very material increase in the cumulative accrual which will create a significant impact on 2020's financial position. In response to questions from the Committee the CFO agreed to provide the Committee with the HR Annual leave usage policy.

The Committee were also briefed on the accounting procedure for Primary Care Centres (PCC) purchased by way of Public Private Partnership (PPP) service concession arrangements which are capitalised and accounted for using the finance lease liability model. In response to queries the ACFO confirmed there were no significant issues arising from the PCCs as the HSE has reviewed the asset lives and associated residual values of the PCCs and have concluded that the asset lives and residual values are appropriate. The CFO responded to further queries regarding Public Private Partnership (PPP) projects used by the HSE and agreed to bring a paper on PPP bundles once the Community Nursing project comes on board.

Actions:

- CSO is to keep the ARC updated on progress of the KPMG PPE Audit.
- CFO to confirm Annual Leave Carry Forward policy to committee.
- The CFO agreed to bring a paper on the accounting treatment of Public Private Partnership bundles once the Community Nursing project comes on board.

#### **1.4 Controls Assurance Update**

The CFO assisted by the ACFO updated the Committee on the Controls Assurance process which the HSE is obliged under the Code of Practice for the Governance of State Bodies 2016, to undertake a review of the effectiveness of the system of internal controls on an annual basis.

The ACFO informed the Committee that the 2020 Controls Assurance testing and external verification process has been completed for all staff including appropriate enhancements to facilitate current Covid-19 remote working restrictions and to ensure minimal disruption to those involved in priority

activities – including remote on-line training, completion of ICQ via online platform, electronic submission of CAS, NFR17 Statement of Positions and Data protection policy documents, and follow-up external audit and verification process completed via remote online meetings. It was noted that due to the current surge, an extension to several National Directors has been provided to complete the process, however work is ongoing towards finalisation of the Statement of the effectiveness of internal controls report per the deadline of the 28th Feb.

The Committee noted the improved 37% rate of compliance but had concern around the low response rate to the questionnaire. The CFO said that the controls assurance process will form part of the overall compliance improvement programme, which has both short term actions and a longer-term plan to be in place by end of Q1. An update will be brought to the next Committee meeting.

Actions:

- CFO to bring an update on the outcome of the controls assurance process which will form part of the overall compliance improvement programme

## **2. Financial matters**

### **2.1 YTD Expenditure Update and Covid-19 Flash Report**

In relation to the YTD Expenditure report the CFO informed the Committee that the management assessment of the end of year position will be reported to the Committee at its next meeting. He said the initial indications are that the HSE will have a substantial break even in its revenue and capital expenditure.

The CFO briefed the Committee on the COVID19 Flash Report which has a revised format going into 2021. The 2021 Flash Report builds on the reporting established in 2020. The report estimates spend against the items funded in the 2021 Revised Letter of Determination received from the Department of Health on 4th January 2021. The Committee noted that it is intended that the Flash Report will evolve and expand to include all COVID-19 directly funded initiatives in 2020/21 as soon as the information becomes available. The estimated spend to date is €91.4m as at close of business on Friday 29<sup>th</sup> January.

The Committee sought clarification regarding what costs are covered under the term Management Consultancy. The CFO said that there is some distinguishing between consultancy and other external assistance costs in the DPER code however in the HSE there is a tendency to class all external

assistance under this term which is the case in this report. The V/Chair requested that a paper providing visibility of all 2020 management consultancy costs incurred and what projects were covered be prepared prior to the conclusion of the AFS process.

The CFO confirmed that there is a reconciliation between the main management accounts system and the AFS. There is no reconciliation between the weekly flash reports and the main management accounts system currently, but the CFO agreed to consider it going forward.

Actions:

- A paper on management consultancy costs (fees incurred and for what projects) to be presented to the Committee prior to the conclusion of the AFS process.
- The CFO will consider reconciliation of the weekly flash report with the main management accounts system.

## **2.2 Letter of Sanction**

The CFO clarified that the letter of sanction refers to vote holders and the HSE as a non-vote holder receives a Letter of Determination (LoD) from the minister. He noted that in relation to Covid-19 expenditure during the year the sanction was not covered in the LoD 2020 but that a revised LoD was received on 29<sup>th</sup> December 2020, which provided for the appropriate accounting treatment of both the expenditure on PPE and the additional Covid-19 funding provided during 2020.

## **3. Governance and Administration**

### **3.1 Approval of Minutes**

The Committee approved the minutes of the 11<sup>th</sup> December.

### **3.2 Annual Report of the Audit and Risk Committee**

The Committee noted the draft Annual Report of the Audit and Risk Committee and the V/Chair will review.

### **3.3 Annual Review of Effectiveness**

In accordance with the requirements of the DPER code, the V/Chair will engage with Committee members separately on the effectiveness of the Committee through the circulation of the Checklist for the Effectiveness of Audit and Risk Committees from the Code of Practice for the Governance of State Bodies.

### **3.4 Review of the Committee Terms of Reference**

The Committee agreed with the suggestion that the V/Chair will discuss with the Board Chair and the Board that the following changes be reflected in the next review of the ARC Terms of Reference: Committee will scrutinise property transactions and contracts prior to Board approval; that ARC will have increased visibility of the Protected Disclosures process and that the integration of Healthcare Audit into Internal Audit be taken into account. The Terms of Reference will also be amended to provide that the Committee reviews the Protected Disclosures Annual Report required in accordance with legislation.

#### **4. Internal Audit**

*The ND IA joined the meeting at 10:40.*

##### **4.1 Meeting with ND IA in absence of Management**

The ND IA met with the Committee in the absence of HSE Executives in line with good governance practice.

##### **4.2 Internal Audit Annual Report**

The HSE Executives re-joined the meeting and the ND IA spoke to the Internal Audit Annual Report which had been circulated in advance of the meeting. The Report detailed that from mid-March to August the vast majority of audit staff were redeployed to assist other business units as part of the HSE's response to Covid 19 but that despite this the unit's work in 2020 continued to have a significant impact in supporting HSE management to strengthen the governance and control environment within the organisation and in funded agencies. Key activities identified in the Report include, inter-alia, 128 audit reports issued (110 HSE and 18 TUSLA), tracking and reporting on management's implementation of Internal Audit recommendations, analysis of all outstanding 2018 recommendations, revision of the 2020 annual audit programme, enhanced quarterly reporting to the ARC and HSE's EMT, review of public hospital arrangements with GMI, delivery of the IA Quality Assurance and Improvement Programme (QAIP), updated the Internal Audit Charter, commencement of audit client surveys, redesign of audit assurance levels, release of IA reports under FOI, development of the 2021 audit plan, the provision of advice and guidance, and participation in a number of groups. Additionally, the report noted that one protected disclosure was referred to Internal Audit by HSE Management.

The ND IA outlined that the overall opinion is that limited assurance can be provided for 2020 in respect of the governance, risk management and financial control processes within the HSE. The Committee were told that 110 reports were issued to the HSE of which 27 were follow-up reports and 9 were funded agencies and that of these reports 16% of the audit opinions in 2020 reporting assessed

the HSE control environment as “satisfactory” (12 reports), 33% as “moderate” (24 reports), 35% as “limited” (26 reports) and 16% as “unsatisfactory” (12 reports). The committee were told that completed Internal Audit reports were distributed to the senior managers and relevant staff of the areas being audited, copied to the Finance Division, and each National Director or their nominated liaison person also received a copy of every audit report relating to their Division. The Vice Chair of the Committee noted the ongoing work and commitment of executive management to improve the internal controls environment within the HSE.

#### **4.3 ND Internal Audit Report including Q4 Report**

The ND IA reviewed with the Committee the Q4 – 2020 Activity Report which had been circulated in advance of the Committee meeting. As at the 31st December 2020 (Q4 2020) 39 reports were issued, 5 of which related to TUSLA. Included in the 34 HSE related reports issued in Q4 were 6 follow-up audit reports and 4 reports issued in respect of funded agencies. Overall 4% (1 report) of the audit opinions in the Q4 reporting assessed the control environment as “Unsatisfactory”, 46% (13 reports) as “Limited”, 39% (11 reports) as “Moderate”, and 11% (3 reports) as “Satisfactory”. The Q4 reports identified 19 types of control issues. The top control issues identified in this quarter were in relation to: Financial Control; Purchasing; Policy and Procedures; Payroll; ICT; Procurement; Governance; Travel and Subsistence; HR; and Service Arrangements.

#### **4.4 Q3 Internal Audit ICT Reports – Unsatisfactory Opinions**

The ND IA presented the Q3 ICT reports with an unsatisfactory audit opinion for consideration to the Committee. The Committee requested that the proposed ICT Assurance process, which is to be presented to the Committee at its April meeting, should also address the sustainability of assurance from the system (i.e the extent to which the assurance needs to become embedded).

Actions:

- CIO and NDIA to present the ICT Assurance process to the Committee at its April meeting.

#### **4.5 Review of IA’s KPIs**

The Committee reviewed with the ND IA the Internal Audit Division’s KPI 2020 outturn and their proposed KPIs for 2021. The ND IA confirmed that the 2021 KPIs are based on the filling of current vacancies within the unit . The Audit and Risk Committee approved the KPIs for 2021.

#### **4.6 Listing and Status Update of all open and Internal audits pre 2020**

The Committee noted the status of the current open audits as of the 2nd February 2021, the list of which had been circulated in advance the meeting.

### **5. Risk Management**

*ND QAV joined the meeting at 11:25.*

#### **5.1 Corporate Risk Register Update**

The ND QAV updated the Committee on the Q4, 2020 review of the Corporate Risk Register (CRR) which was completed and reviewed at the EMT meeting of the 9<sup>th</sup> February 2021. The ND QAV outlined that this iteration of the CRR addresses Committee recommendations received in Q4 2020. A total of 26 risks are on the CRR and the current risk ratings of the risks are 17 Red and 9 Amber. The ND QAV highlighted that further work on the individual risk ratings will be carried out to ensure that the ratings of each risk appropriately reflect controls in place. The Committee was advised that the CEO has asked the EMT to critically review the risk ratings that they are the risk owners of for the Q1 2021 CRR Review.

The Committee provided a number of advices to the ND QAV based on the risk report which will be communicated to the Corporate Risk Support Team as part of the Q1 2021 review process.

In response to query's the ND QAV clarified that the EMT is of the view that patient safety would be reflected throughout all relevant risks rather than in a specific risk. A number of ARC members spoke in support of this approach. The V/Chairman will discuss the decision with the Chair of the Safety and Quality Committee to seek to reconcile the views of both Committees.

The Committee noted the position of the EMT taken at their meeting on the 26<sup>th</sup> January 2021, that a specific Data Protection risk should not be included on the CRR as data protection is integral to everyone's role. The Committee were of the view that the systems issues relating to data protection identified in Internal audit reports, together with other risks around data retention in paper form, in relation to physical samples and genetic information would suggest this needs to be included as a corporate risk and would warrant a significant programme of work to mitigate this risk. The ARC agreed to further reflect on the matter and may wish to go back to the EMT with a request to review their decision in light of concerns from the ARC.

The Committee suggested that the Vaccination of Healthcare staff may be added as a control to Risk 19 - Safety, health and wellbeing of staff on the CRR. The ARC provided additional feedback to the ND QAV into the risk process on a number of other risks. The ARC also considered the other risks on the



CRR and provided specific advices on Risk 3: Long Term Residential Care Settings, Risk 19: Safety, Health and Wellbeing of staff, Risk 24: CHI: Risk 25: Funded agencies and Risk 26: Post Brexit.

The ND QAV informed the Committee of the work being undertaken to implement a risk management system. The ND QAV indicated that work is being carried out with the State Claims Agency to achieve this. P. Kirwan highlighted that the National Incident Management System is on a platform provided by Risk Connect and one module is a risk register module which would allow, in a large organisation, for risk processes to be standardised and reporting to become a more efficient process. The Committee will be kept abreast of any developments in this regard.

The ARC requested a briefing on the HSE's Sustainability and Climate Change Programme at a future meeting.

Actions:

- The Committee requested a briefing on the HSE's Sustainability and Climate Change Programme at a future meeting.

## 6. Protected Disclosure

The Committee discussed with the ND QAV the Protected Disclosure Process within the HSE. It was agreed that executive team members could stay in the meeting as the focus would remain on the Protected Disclosure processes rather than individual disclosures. It was highlighted that the focus needs to be placed on the approach to how Protected Disclosures are managed and recorded in the corporate setting. The ND confirmed discussions with the CEO would take place to establish a process to improve the approach of how Protected Disclosures recorded centrally, which allows for further information to be captured in order to provide assurances to this Committee.

The ND QAV noted the complexity between the Health Act 2004 (as amended) and the Protected Disclosures Act 2014 outlining that the differences relate to a number of issues including the definition of a protected disclosure, who can make a disclosure, to whom it can be made, and the nature of the disclosure.

The ND QAV confirmed that in line with last years agreement the protected disclosure reporting timeline has been aligned with the annual reporting timeline. He noted that there is currently a

requirement in the system for returns to be received by the end of next week for the Protected Disclosures annual report. Once finalised this will then be included in the HSE Annual Report.

Actions;

- ND QAV to discuss Protected disclosure processes within the organisation to be revised in order to provide greater assurances to the Committee and Board.

## **7. Internal Controls**

*Director National Immunisation Office joined the meeting at 12:50.*

### **7.1 IT Vaccine System Procurement paper**

The Committee noted the paper which was received and circulated to Committee members previously. The paper outlined the procedure in which the HSE undertook a rapid procurement process utilising the provisions of EU Directive (2014) Article 32.3.2 (c) to acquire and sustain a vaccine rollout process. The CFO confirmed that the system is currently running and is being updated frequently.

### **7.2 Vaccine Stock Control and Risk Management**

The Director of Public Health from the National Immunisation Office (NIO) briefed the Committee on the number of critical components to vaccine stock management including cold chain monitoring, ordering controls and distribution. She outlined that NIO chief pharmacist manages the contracts for all vaccines used in all national immunisation programmes, requiring forecasts for vaccine delivery at least a year in advance. The Committee were informed that the National Cold Chain Services has been designated for the storage and distribution of all COVID-19 vaccines. All the standards as applied to routine vaccines also apply to COVID -19 vaccines.

Vaccine ordering has been coordinated centrally by the HSE teams responsible for managing the vaccination process in Long term Care Facilities and frontline healthcare workers in line with the planned clinics to ensure that the vaccines can be used within the appropriate timeframe. These orders are then passed on to NCCS for delivery. The Committee were informed that a process is being put in place for GP vaccine ordering for the provision of vaccine to those aged 70+ years based on numbers of registered patients. The GP practice will be responsible for ensuring that all vaccines ordered can be used within the appropriate timeframe and that contingency lists are a priority.

In response to questions regarding security concerns around the vaccine the Director of the NIO confirmed that vaccines are only being kept overnight in areas with 24hr security. Additionally, the Committee were told that the practice to deface boxes after they have been finished with has become

standard practice to avoid any misuse. A stock management system is planned to be developed into the COVAX ICT system which will track stock to further reduce risks.

The Committee were told that current when someone is vaccinated, they receive a record card, however the system will soon be producing a certificate and the DoH is working on a more permanent virtual solution.

### **7.3 COVID-19 Vaccine Rollout Programme Risk Management Summary**

The Committee reviewed the paper outlining the COVID-19 Vaccine Rollout Programme Risk Management Summary which had been circulated in advance of the meeting. The Committee questioned why the vaccination programme risks hadn't yet been incorporated into the Corporate Risk process and report. The Committee requested that this work be completed between now and the next ARC meeting. The Committee suggested that there may be more risks than those expressed and some examples given were risks associated with gathering such a high level of personal data, risks associated with adverse drug reactions, any plans associated with 'passporting' and vaccination certificates, importing of other vaccines for private sale [e.g. recent issues in Austria with Sputnik vaccine] etc. A discussion took place on the risks reflected to date and the Committee requested comprehensive risk assessments be conducted.

Actions:

- The ARC requested that as agreed by the EMT, the Vaccination Programme Risk should be incorporated into the formal Corporate Risk monitoring and reporting process and a further paper on Vaccine risks be brought to the March Committee meeting.

## **8. Any other Business**

The meeting concluded at 13:20.

Signed: 

A/Chairperson

12.03.2021

Date

