



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 10<sup>th</sup> July 2020 at 08:15 via videoconference.

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

Apologies: Ann Markey, Patrick Lynch

HSE Executive Attendance: Geraldine Smith (ND Internal Audit), Stephen Mulvany (CFO), Mairead Dolan (Assistant Chief Financial Officer – Finance Specialists), Cornelia Stuart (Assistant National Director - Office of Quality, Risk and Safety, on behalf of Patrick Lynch), Sean Bresnan (ND Procurement) (item 3.4), Ultan Hynes (Head of Service for the Nursing Homes Support Scheme) (item 3.5), Dean Sullivan (CSO), Jim Curran (Head of Estates) (Item 4), Dara Purcell (Secretary), Hannah Barnes.

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 Colm Campbell agreed to formally act as committee chair for the duration of this meeting but turned the chairing of the meeting over to the Committee Vice-Chair.

No conflicts of interest were declared.

The Committee approved the minutes of the 11<sup>th</sup> and 12<sup>th</sup> June.

The Committee reviewed and approved the Action Log.

The Vice Chair informed the Committee that due to a late scheduling conflict item for the CIO, item 7. *ICT* on the agenda will be deferred to the Committee's September meeting.

### 3. Financial Matters

#### 3.1 YTD Expenditure Update end of May & 3.2 COVID Expenditure tracker

*Items 3.1 and 3.2 were taken together*

The Committee reviewed the YTD May Financial report which was circulated prior to the meeting along with the weekly COVID-19 flash report which was also provided to Committee members. The CFO provided an analysis of key financial data in the reports noting that the total adverse variance to the end of May is €809.7m, €857.9m or 106% has been categorised by service areas as directly attributable to Covid-19 expenditure. The CFO informed the Committee that the additional budget sanctions to the 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. Following publication of the REV 2020 it is expected that a revised Letter of Determination for Health will be issued in due course which will allow budgets to be issued to services.

The CFO confirmed meetings of the Health Budget Oversight Group (HBOG) continue to be convened weekly, ensuring that our external stakeholders (DoH / DPER) are briefed and updated on key issues related to the Covid-19 responses. In addition, several sub HBOG groups continue to take place to address more detailed financial and operational issues and assist in the overall sanctioning of Covid-19 expenditure. A monthly process is now in place with services that aligns Covid-19 expenditure to the HSE's planned cost headings as set out in the Covid-19 Action Plan.

The Committee emphasised that maintaining fundamental approval controls, particularly in terms of timely sanctions in advance, and robust cost tracking, including core monthly financial reporting, albeit cognisant of the current exceptional circumstances, will continue to be essential as we continue to move through this crisis in 2020 and into 2021.

The committee discussed the implications for funding for Disability services arising from the Government decision to establish the Department of Children, Disability, Equality & Integration. The CFO said that the implications of this decision are still being considered and will be discussed at the following Board meeting.

Additionally, the Committee were briefed on the Revised Estimates process as the Revised Estimate Volume had been voted through the Oireachtas on June 30<sup>th</sup>, 2020. The CFO summarised the key points on the additional REV funding as follows;

1. A total of €1.997b has been set aside as COVID specific funding in the REV.
  - a. This includes a revenue allocation of €1.667bn for COVID Actions.
  - b. A €110m COVID revenue allocation for PCRS for the GP Agreement.
  - c. A total of €220m capital allocation for COVID Actions including ICT.

In summary the net REV adjustment for HSE in the REV is €2.047b or €1.997b for COVID specific allocations.

### 3.3 Key Timelines of Estimates Service Plan

A briefing note covering the Key Timelines of Estimates and NSP 2021 was circulated in advance of the meeting and the Committee noted the proposed timeframe. It was agreed that there is a need to fully understand the impact of COVID-19 on the HSE's financial ability to meet NSP expectations, particularly as regards the output or output measure for H2 2020 relating to what will be the expenditure of in the region of €10 billion of Exchequer Funding

### 3.4 Discussion on Procurement Controls

*Sean Bresnan joined the meeting at 09:20*

The CFO briefed Committee members on the content of the correspondence issued by the CEO to the Secretary General of the DoH which sought sanction for expenditure in the amount of €574.4m in respect of the pandemic response. The approvals being sought include:

Ongoing PPE and development of National Pandemic Stock	522.1
Development of Indigenous PPE Manufacturing Capacity	34.9
PPE Storage & Distribution	12.0
PPE Freight Costs	5.4
Total Sanction Sought	574.4

The CFO brought ongoing issues to the Committee's attention. He presented the control related issues around the sanctioning of PPE. The spend and commitment level that has been made is not currently sanctioned. The CFO confirmed that his department is taking the necessary steps to resolve it and have the sanction regularised. Sanction requests have been submitted to the Department.

The ND Procurement further outlined the market conditions that the procurement team were operating in. He highlighted that the main issue was that the usual methods for procuring stock and services could not be deployed. He also informed the Committee that the procurement team utilised Article 32 of the EU directive which allows direct negotiations with suppliers by choice where urgent and unforeseen circumstances have arisen. In particular this was used to engage with consultancy firms throughout the pandemic response.

Discussion of indigenous PPE supplies arose, and the Committee were informed that procurement is making steps to strengthen this supply in certain areas. The ND Procurement outlined that they will be carrying out some form of market consultations to see what willingness there currently is in the market. It will be important to identify challenges and possible pinch points that might disrupt this process. During the height of the pandemic response capacity was developed across four indigenous suppliers for facemask so it is thought this process can be carried out and completed before the end of the year.

In relation to return to normal procedure, the Committee were told that important lessons have been learned during the COVID-19 response which will influence the development of the procurement strategy for normality. It is envisioned that a dynamic purchasing system will be established which suppliers can more easily come and go from.

In response to queries regarding the standard of PPE purchased the ND Procurement said that the standard which informed the procurement of PPE was the disease commodity package released by the WHO and that suppliers were asked to provide the appropriate certs with the products. P. Kirwan signalled that product liability issues may arise in relation to PPE standards, particularly in relation to PPE purchased by the HSE and supplied to 3<sup>rd</sup> parties. The ND Procurement noted that the most widely reported PPE issue was with masks which were deemed unsuitable due to their smaller fit. He also noted some issues with donated stock but stated that any donations were not part of the national supply line.

In relation to the distribution of PPE clarification was sought regarding the supply of PPE to 3<sup>rd</sup> parties. Overall, nearly 60% of PPE allocation was sent to LTRC settings. The CFO highlighted that currently a policy decision has been made to supply masks to community pharmacists and community dentists however further decisions on continuing this supply post emergency pandemic response will be

sought. Under the continued discussion of sanctions, the CFO stated that a range of Ventilators were originally procured and these all underwent testing and have either been used, returned, or converted. The HSE are seeking refunds and continuing to carry out testing on stock received. The ND Procurement outlined that initially there were two sources of ventilators available to the HSE. The 1<sup>st</sup> source being an indigenous manufacturer, however supplies are limited. The procurement team have sourced additional suppliers from the East. ND procurement agreed to circulate a collated document of ventilator costings and ordered stock following the call.

Actions:

- CFO to circulate Briefing Document (40 pages) produced by Health Team – CFO (ASAP)
- Committee to be updated on international comparator benchmarks on COVID spending – CFO (ASAP)
- Committee to be updated on Procurement’s new purchasing process and the new dynamic purchasing system as and if implemented– ND Procurement (October meeting)
- Sean Bresnan to share document regarding cost of any disputed Ventilator with Committee members– ND Procurement (ASAP)
- EMT to respond on suggestion of notifying ARC when specific budgetary sanction sought from Departmental stakeholders, until approved pandemic delegation is revoked – CFO (End of August)

#### 4. Capital

*Jim Curran (Head of Estates) joined the meeting 09:40*

The CSO and the Head of Estates spoke to a briefing note on the Capital Plan which had been circulated in advance of the Committee meeting. The CSO noted the proposed capital expenditure for the following five years, taking account of Government healthcare priorities and strategies. A draft Capital Plan 2020 was prepared, discussed with the Department of Health and presented to the Executive Management Team and the Audit & Risk Committee in late 2019 and early 2020. The draft Capital Plan 2020 was never presented to the HSE Board and it remained in development. Events were overtaken by COVID-19. Expenditure to-date in 2020 has been much different to what was projected at the start of the year.

In recent weeks, the HSE’s Capital Plan has been reviewed and redrafted by HSE Estates to reflect the impact of COVID-19 on capital expenditure, the capital programme, the amended capital allocation for 2020 and changing priorities. Subject to further discussion with the Department and discussion with ARC on 10 July, the aim is to bring a final draft Capital Plan 2020 to the Board in September 2020.

The Head of Estates outlined the impact of COVID-19 on the HSE's Capital Programme. He also provided detail to the Committee on the COVID-19 Emergency Capital Programme to support the national COVID-19 Action Plan. It is anticipated that the total capital expenditure will be in the order of €125m. The Programme is now nearly completely delivered with many projects delivered to very tight timelines to meet the pressures from the pandemic particularly in April & May 2020.

The Head of Estates confirmed in order to facilitate the immediate construction and use of the COVID-19 Emergency works, the normal statutory planning and building control processes that apply to such work were modified for essential/emergency healthcare works. Similarly, derogations to the normal procurement procedures were received to allow construction works to be negotiated rather than tendered.

The Committee considered the concerns & risks of the Capital Plan 2020. The projects allocated the available Capital funding in 2020 will have on the projected expenditure in 2021, 2022 and following years. It noted in particular, the Expenditure on the National Children's Hospital will be very significantly under profile this year and the reprofiling of the project is not available at this time. Future fluctuations on expenditure will impact the remainder of the HSE's capital programme. The Increasing costs due to new building standards and building regulations will cause uncertainty over level of capital funding in 2023 and 2024.

Actions:

- To comply with legislation and expectations of good financial management, the draft Capital Plan 2020 for submission to DoH, plus update and the Year End position on Capital funding will be brought to the ARC in the first instance (which can be convened at relatively short notice for this purpose) and then Board at its July meeting – CSO/CFO (July Board Meeting)

*CSO and ND Estates left the meeting at 11:05*

### **3. Financial Matters**

#### **3.5 C&AG Special report on Nursing Home Support Scheme Draft**

The Head of Service for the Nursing Homes Support Scheme spoke to the briefing paper outlining the C&AG General's Report on the Nursing Homes Support Scheme which had been circulated in advance of the meeting. He highlighted that the C&AG had concluded their report on the review of the Nursing Homes Support Scheme in early 2020. The review had commenced in 2017 and covers many aspects of the Scheme, including sections under the control and responsibility of other state agencies and departments, essentially undertaken to review the economy of the scheme. The key areas highlighted

to the HSE include the requirement for strengthened controls over application processing and the opportunity to drive elements of the Scheme and associated client supports. In response to the report the HSE has compiled a Management Action Plan which the Committee were assured is currently being worked on to implement the remaining outstanding actions.

The Head of Service for the Nursing Home Support Scheme confirmed that over the next 3 to 4 weeks the Management Action plan would have a final timeline for completion. It will also depend on whether the final report issued by the C&AG has any changes to the last iteration of the report seen by the HSE. Distinction was made between the scope of the Nursing Home Support Scheme and home supports.

Actions:

- Committee to be updated on progress made on the implementation of the Management Action Plan – Head of Service for the Nursing Home Support Scheme. Schedule rep from Older Persons Services to return at the January meeting to update on implementation of the C&AG HSE action plan re fair deal – Secretariat (January meeting)
- CFO to provide management's suggestions on how the Audit and Risk Committee can have visibility, oversight and input into C&AG draft special reports involving HSE early on in the process– CFO (October meeting)
- Audit and Risk Committee TOR to be updated with new oversight arrangements for C&AG Special reports – ARC Chair (post October meeting)

## **6. Risk Management**

### **6.2 CRR COVID-19 Financial Risk**

The CFO briefed Committee members on Risk 6 of the CRR which is Health Service Funding. This is one of the new risks which has been added to the CRR in light of the COVID-19 emergency response. The Committee reviewed the control measures already in place and of the mitigation actions for the risk. The CFO advised that a stock take report had been taken at the end of May to assess the overall situation within the organisation and to ensure focus can be placed on a small number of priorities which can be achieved over the next 18 months. The CFO highlighted the importance of the Corporate plan which has fed into the prioritisation process. Work is still ongoing to envision the year end which notably includes the Winter Plan.

The issue of communication was raised for discussion. Concern was raised regarding the cost of COVID-19 and the effects this will have on future operations within the organisation.

Following the Committee's review of the mitigation actions for Risk 6 the following Actions were agreed:

- "Stock take" report on the impact of COVID-19 current costs and funding will be reported to the Board's July Meeting and copied to the ARC committee. – CFO (July Board)
- The Corporate plan and year end position on funding is to be present at the following Board Meeting – CFO
- Consider additional controls /mitigation plans for Risk 6 on the CRR – CFO (Sept CRR or earlier if time sensitive)
- Report on the future impact of COVID – 19 to be brought to the Board which will include Risk 6 – CFO
- Consider as part of the next review of the CRR re wording of description of Risk 6 to be a risk to impact on services rather than a financial/funding risk – CFO (Sept CRR)
- Wording change for communication element of Risk 6 Action Plan to be considered – CFO

*CFO left meeting at 11:58*

## **5. Internal Audit**

### **5.1 Revised Internal Audit 2020 Workplan**

ND Internal Audit spoke to the briefing papers circulated in advance of the Committee meeting revised IA 2020 workplan. The plan required revision due to the reduction in Internal Audit's capacity due to staff redeployments during the HSE's COVID 19 response and the addition of new audit topics arising from the HSE's COVID 19 response.

The Committee were told that the revised plan had a net decrease of 39% in the total amount of audits to be carried out which corresponds with the reduction in Internal Audit's operational capacity which, was reduced by approx. 41% (5-month period) during the suspension of audit activities. In total the revised plan also includes a total of 16 newly identified audits which are COVID-19 related. The ND Internal Audit assured the Committee that despite the adoption of remote working the Internal Audit team have been clear that the quality of audit evidence will not drop. She also confirmed that guidance has been issued by many professional bodies and this has been considered and taken on board particularly in regards to effective remote working and the necessity in maintain audit standards.

The Audit and Risk Committee approved the revised Internal Audit 2020 Workplan.



ND IA informed the Committee of the release under FOI at the end of July of audit reports issued between July to December 2019. She advised the Committee that the Genomics Ireland Audit had commenced.

## 5.2 Audit Assurance Levels and Definitions

The ND Internal Audit outlined that the Internal Audit unit has undertaken a review of its Audit Assurance Level Framework. Audit assurance levels were initially introduced for HSE internal audit reports in 2014 and updated in February 2018. The current Assurance Level Framework contains three audit assurance levels (Unsatisfactory, Limited, Adequate). The proposed new Assurance Level Framework contains four assurance levels (Unsatisfactory, Limited, Moderate and Satisfactory). This new framework has been developed with the objective of having two intermediate levels (Moderate and Limited) between Satisfactory and Unsatisfactory, rather than the single intermediate level of Limited as has been the case until now, in order to provide greater clarity on the status of the control systems as found by our audits.

The ND Internal Audit advised the Committee that the review was carried out after consideration of the best practice guidance from the Chartered Institute of Internal Auditors and examples of assurance level frameworks and definitions in use by internal audit functions in both public and private sector organisations within Ireland and internationally. She also confirmed that a piece of work is currently underway which is looking at applying the new framework to last year's audit opinions for year-end comparability purposes.

The Committee approved the use of the newly devised framework.

## 6. Risk Management

### 6.1 Update from Joint Working Risk Oversight Group

F. Ross informed the Committee of the agenda and format of the two days of meetings which have been scheduled for the Risk Oversight Joint working group. A group workshop is set to take place which will focus on the HSE's approach to risk and an overall look at the CRR. This will be followed by a series of meetings with the Risk Owners of Risks 2-6. These meetings will facilitate the Joint Working Group to review the risks and their associated mitigation plans.

## 7. ICT

It was agreed that this item would be deferred to the September Audit and Risk Committee Meeting.

## 8. A.O.B

The V/Chair advised committee members that the protected Disclosure Annual Report 2019 would be on the agenda of the committee's September meeting and that the report had been circulated to Committee members for their information.

The meeting concluded at 12:10.

Action:

- 2019 Protected Disclosures report to be put as an agenda item for September meeting – Secretariat (September meeting)

Signed: Ann Mackay

A/Chairperson

11/09/2020

Date