

# Health Service Executive

## Statement on Internal Control

This Statement on Internal Control represents the position for the year ended 31 December 2023 and sets out the Health Service Executive's approach to, and responsibility for, Risk Management, Internal Controls and Governance.

During 2023 the responsibility for policy, functions and funding related to disability services transferred on the 1<sup>st</sup> March 2023 from the Department of Health (DOH) to the Department of Children, Equality, Disability, Integration and Youth (DCEDIY)

### 1. Responsibility for the System of Internal Control

Internal control is the integration of activities, plans, attitudes, polices and efforts of staff working together to provide reasonable assurance that the HSE achieves its mission.

On behalf of the Health Service Executive (HSE), I acknowledge the Board's responsibility for ensuring that an effective system of internal control is maintained and operated and which fosters a control environment, which is economic, efficient, and effective and supports the overall values of the HSE. This statement has been prepared in accordance with the requirement set out in the Department of Public Expenditure National Development Plan Delivery and Reform (DPENDPDR) *Code of Practice for the Governance of State Bodies (2016)*.

The *Health Act 2004* as amended by the *Health Service Executive (Governance) Act 2019* made provision for the establishment of a board (the "**Board**"), which is the HSE's governing body, with authority, in the name of the HSE, to perform its functions. The Board is accountable to the Minister for Health for the performance of its functions. The amended 2004 Act also provides for a Chief Executive Officer (CEO) who is accountable to the Board. The Board must satisfy itself that appropriate systems of internal control are in place.

The Board is required to review the controls and procedures adopted by the HSE to provide itself with reasonable assurance that they are adequate to secure compliance by the HSE with its statutory and governance obligations. The Board is also responsible for strengthening governance, oversight and performance. The Board members have sufficient experience and expertise relating to matters connected with the functions of the HSE to enable them to make a substantial contribution to the effective and efficient performance of those functions. The amended 2004 Act also provides for the establishment of an Audit and Risk Committee and such other committees or sub-committees that the Board deem necessary to assist it in the performance of its functions.

The Board has established five committees to provide a more detailed oversight of specific areas as defined in the respective committee's terms of reference. These committees are:

- the Audit and Risk Committee
- the Performance and Delivery Committee
- the Safety and Quality Committee
- the People and Culture Committee
- the Technology and Transformation Committee

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Terms of reference for the Board Committees are published on the HSE's website and are subject to periodic review.

The HSE Board met on 18 occasions in 2023, holding 11 monthly Board meetings and 7 additional meetings.

2023 continued to place large demands on HSE staff with respect to pressure on our services arising from continuing increases in patient volumes and service demands however, the focus on strengthening our controls environment has continued to be prioritized. A significant number of developments and process improvements continued to be progressed during 2023 in the areas of IT, Procurement, Risk Management, Governance, Pay and Finance amongst others.

The adequacy of our controls continue to be reviewed and assessed in various ways in order to appropriately inform the overall annual review of the effectiveness of the system of internal control.

## 2. Purpose of the System of Internal Control

The system of internal control is designed to manage and reduce risk rather than to eliminate risk and as such, the review of the system of internal control is designed to provide reasonable but not absolute assurance of effectiveness. The system of internal control seeks to ensure that assets are safeguarded, transactions are authorised and properly recorded and that material errors and irregularities are either prevented or detected in a timely manner.

The system of internal control is also designed to ensure appropriate protocols and policies are in place and operating effectively in the context of clinical and patient safety.

The system of internal control, which accords with guidance issued by DPENDPDR, has been in place in the HSE for the year ended 31 December 2023, and up to the date of approval of the financial statements, except for the control issues outlined below in section 13.

## 3. Capacity to Handle Risk

The Board, as the governing body of the HSE, has overall responsibility for the system of internal control and risk management framework. The Board may establish committees to provide assistance and advice in relation to the performance of its duties and functions.

The **Audit and Risk Committee** was established in accordance with the provisions of the 2019 Act and subsequent legislation. The membership of the Audit and Risk Committee consists of four external members and three members of the HSE Board. All members are considered by the Board to have the relevant skills and experience to perform the functions of the Committee including highly experienced and qualified finance professionals.

On 26<sup>th</sup> April 2023, the Board approved the appointment of Mr Brendan Whelan as Chairperson of the Committee in accordance with Section 15 (2) of the Health Act 2004.

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Among its responsibilities the Audit and Risk Committee is required to:

- Advise the Board and the Chief Executive on financial matters and carrying out related reporting activities, including compliance reporting to the Board and the Minister for Health as required;
- Review the appropriateness of HSE's accounting policies, annual financial statements, annual report and required corporate governance assurances and any matters and advice relating to making a satisfactory recommendation of same to the Board;
- Provide oversight to the operation of HSE internal controls and, in particular, advising on the appropriateness, effectiveness and efficiency of the HSE's procedures relating to public procurement and the acquisition, holding and disposal of assets;
- Provide oversight and advice in relation to the HSE Internal Audit function;
- Provide oversight and advice with regard to the operation of the HSE Risk Management framework and related activities within the function of risk management (subject to agreed scope modifications below relating to patient safety and quality risks);
- Provide oversight and advice relating to anti-fraud policies, oversight of the operation of protected disclosure policies and processes, and arrangements for special investigations; scrutiny of contracts, property dealing and the estates function; oversight of compliance functions;
- Review the arrangements for, and results of, internal and external audits and management's response to the recommendations and points arising from same;
- Any other roles and responsibilities devolved to the Committee by the HSE Board.

The functions of the Audit and Risk Committee include a range of financial, statutory, compliance and governance matters as set out in legislation.

The Audit and Risk Committee operates under an agreed Charter, which sets out in detail the role, duties, and authority of the Committee. The Audit and Risk Committee is required to meet at least four times annually. In 2023 the Audit and Risk Committee met on 9 occasions.

Anticipating and reducing threats to the delivery of health and social care services is a key priority for the HSE and it recognises the importance of adopting a proactive approach to the management of risk to support both the achievement of its objectives and compliance with governance requirements. The HSE has in place the HSE Enterprise Risk Management Policy and risks are recorded within the HSE's Corporate Risk Register. The identification and monitoring of corporate risks allows the Board and the EMT to assess and manage the HSE's key risks and responses to those risks. The HSE is committed to ensuring that anticipating and managing risk is seen as the concern of everyone, and is embedded as part of normal day-to-day business and that risk informs the strategic and operational planning, prioritisation and performance cycle.

The Audit and Risk Committee and other Board Committees, which report the findings of their reviews of risk to the Board, support the Board. The Audit and Risk Committee receives regular reports on risk management from the Chief Risk Officer and assesses progress against agreed action plans to manage identified risks. The Audit and Risk Committee provide significant oversight in this regard.

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The HSE has an independent **Internal Audit Division** with appropriately trained personnel operating in accordance with a written charter approved by the Audit and Risk Committee and under the International Professional Practices Framework for internal audit professionals.

The National Director of Internal Audit reports functionally to the Chair of the Audit and Risk Committee and administratively to the CEO and is a member of the HSE Executive Management Team (EMT), with executive responsibility only for Internal Audit.

The Internal Audit Division's function is to provide independent assurance that governance, risk management, control systems and procedures are operating effectively and in accordance with the relevant policies and regulations. Recommendations for improvement are made where deficiencies are found, and implementation of such recommendations is tracked and monitored by Internal Audit. The scope of the Internal Audit work includes all systems and activities throughout the HSE and external agencies totally or partially funded by the HSE. The Audit and Risk Committee agrees and monitors the annual risk-based work programme of Internal Audit.

During 2023, the Internal Audit Division issued 164 audit reports in relation to HSE and its funded agencies. The Audit and Risk Committee, the Safety and Quality Committee and the EMT considered the findings of these reports.

For each audit, an overall opinion is expressed, based on the audit findings, on the level of assurance that may be provided to the Audit and Risk Committee and senior management about the adequacy and effectiveness of the system of governance, risk management and internal controls in place for the subject areas within the scope of the audit. The assurance levels are defined as follows:

1. Satisfactory	Overall, there is an adequate and effective system of governance, risk management and controls. Some improvements may be required to enhance the adequacy and / or effectiveness of the system.
2. Moderate	There are weaknesses in the system of governance, risk management and controls, which create a moderate risk that the system will fail to meet its objectives. Action is required to improve the adequacy and / or effectiveness of the system.
3. Limited	There are weaknesses in the system of governance, risk management and controls, which create a significant risk that the system will fail to meet its objectives. Action is required to improve the adequacy and / or effectiveness of the system.
4. Unsatisfactory	There are weaknesses in the system of governance, risk management and controls, which create a serious and substantial risk that the system will fail or has failed to meet its objectives. Urgent action is required to improve the adequacy and / or effectiveness of the system.

Based on the results of the Internal Audit engagements reported in 2023, the National Director of Internal Audit provided an overall opinion to the Audit and Risk Committee of limited assurance with respect to the governance, risk management and controls operating in the subject areas audited.

The **Performance and Delivery Committee** has been set up to provide the Board with advice on all matters relating to performance within the health service to ensure that such performance is optimised across the relevant domains of the agreed Board Strategic Scorecard to ensure better experience for patients and service users.

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The **Safety and Quality Committee** provide advice to the Board in relation to Patient Safety and Quality issues.

The **People and Culture Committee** provides advice to the Board on all matters relating to staff and workforce planning

The **Technology and Transformation Committee** provides the Board with oversight of the HSE's eHealth, IT and Cyber Transformation Programme and ensure that IT and cybersecurity risks remain within a defined risk appetite. The Committee will provide oversight of Transformation to provide clarity to the Board that allows greater control and decision-making.

All HSE Committees meet regularly in line with their specific charters and fulfil an additional monitoring role on behalf of the HSE Board.

#### 4. Risk and Control Framework

As a health service, our objectives relate both to our day-to-day mission to provide, the highest quality health and social care services for the population of Ireland and to our longer term ambition that these services and the experience of those waiting for, or who are receiving care, become demonstrably better. Uncertainty about the future poses the single greatest barrier to us meeting both our day-to-day and longer-term objectives.

The HSE recognises the importance of adopting a proactive approach to the management of risk to support both the achievement of its objectives and compliance with governance requirements. The HSE is committed to ensuring that risk management is seen as everybody's responsibility and is embedded both as part of the normal day-to-day business and informs the strategic and operational planning and performance cycle.

In April of 2023, the HSE launched its Enterprise Risk Management Policy and Procedures 2023, following Board approval. This document sets out the policy and procedures by which the HSE manages risk. The approach is aligned with the ISO 31000:2018 Risk Management – Guidelines.

##### **Risk Management Responsibility**

As set out in the HSE's Code of Governance, the Board fulfils key functions in respect of the HSE, including the approval of its risk management policy. The HSE's Audit and Risk Committee (ARC) has responsibility for providing oversight and advice concerning the operation of the HSE's risk management policies and procedures and related activities within the function of risk management. Other Board Committees provide oversight of specific principal risks of the HSE as delegated by the ARC Chair.

The Executive Management Team (EMT), led by the Chief Executive Officer (CEO), is responsible for executive decision-making in the HSE. This includes implementing and ensuring compliance with the HSE's risk management policies and procedures.

The responsibility for the management of claims from clinical and operational incidents under the Clinical Indemnity Scheme (CIS) and General Indemnity Scheme (GIS) has been delegated to the State Claims Agency (SCA) under the National Treasury Management (Amendment) Act 2000. The SCA also

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provides specialist advice, including risk management advice, to the HSE, which is supported by the national incident management reporting system (NIMS).

The Chief Risk Officer is responsible for facilitating the monitoring and reporting of risk to the HSE's EMT, ARC and other Board Committees to the Board. This involves, amongst other responsibilities, promoting awareness in the area of enterprise risk management, engagement with the corporate planning cycle, supporting the assessment of potential or emerging risks, internal risk reporting, including the 'HSE's Corporate Risk Register [CRR]', and external risk reporting with relevant external stakeholders. The HSE's CRR sets out the principal risks facing the achievement of the organisational objectives, our risk mitigation plans and the key control measures in place.

### Corporate Risk Register

The HSE considers the risks recorded on the Corporate Risk Register and risk reports in the process of developing its Corporate Plan, National Service Plan (NSP) and annual Budget. The risk management process is intended to ensure that the HSE's principal risks are identified, managed, monitored and reported consistently at national level. Corporate Risks are reviewed by the EMT and contribute to the wider discussions of the ARC and the Board. All Corporate Risks and associated action plans are reviewed by the EMT as part of either a monthly or quarterly review process depending on the nature of the risk.

Further quarterly reviews were undertaken in June, September and December. In addition to the quarterly review process, the CRO may report on a monthly basis by exception on any significant changes between the quarterly reviews on corporate risks that are more dynamic in nature.

Risk registers are required to be in place throughout the organisation, which record the key risks facing the HSE. The risk registers should be the core repository of information in relation to that risk (i.e. risk mitigation measures/controls, additional controls required and the plan to develop these, assigns both persons and timescales for completion of these, measuring the level of risk through the risk rating which in turn allows for monitoring how successful the risk reduction measures are in reducing the risk).

### Controls Framework

The HSE has in place an internal control framework, which is monitored to ensure that there is an effective culture of internal control. The HSE's **Code of Governance**, which is available on [www.hse.ie](http://www.hse.ie) and includes the following:

- The Code of Governance reflects the current behavioural standards, policies and procedures to be applied within and by the HSE and the agencies it funds, to provide services on its behalf
- The Code of Governance provides clarity on the governance roles and responsibilities in relation to the roles of the Minister for Health and his Department officials, The HSE Board and the CEO and Senior Leadership of the HSE
- The Performance and Accountability Framework describes in detail how managers in the health service, including those in CHOs and Hospital Groups will be held to account for

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- performance in relation to service provision, quality and patient safety, finance and workforce
- There is a framework of administrative procedures in place including segregation of duties, a system of delegation and accountability, a system for the authorisation of expenditure and regular management reporting
  - The HSE's National Financial Regulations form an integral part of the system of internal control and have been designed to be consistent with statutory requirements and to ensure compliance with public sector guidelines issued by the DPENDPDR. They were refreshed and re-published in Jan 2023. As part of continuing improvements a change control committee review them on a regular basis to ensure they continue to reflect best practise and meet all legislative & statutory requirements.
  - The HSE has in place a devolved annual budgetary system and each year the Minister for Health formally approves the annual National Service Plan (NSP). Defined accountability limits are set which are closely monitored on behalf of the CEO by the appropriate oversight mechanisms.
  - The HSE has in place a wide range of written policies, procedures, protocols and guidelines in relation to operational and financial controls
  - The HSE carries out an annual comprehensive review of the system of internal control, details of which are covered in a later section of this report
  - There are systems and controls aimed at ensuring the security of the information and communication technology systems within the HSE. This is an area of high priority for the HSE given the challenges of managing multiple systems across the entire HSE. There are ongoing developments to improve security and to ensure that the HSE has the appropriate level of resource and skills to protect the integrity of its systems to ensure that data and information is protected

Additionally, an annual Controls Assurance Statement (CAS) should be completed by all senior management at Grade VIII and above. This statement requires management to confirm that they are aware of and comply with the key controls and the code of governance in place within the HSE. Detailed results of this review are published within the Report on the Effectiveness of the System of Internal Control Review in the Health Service Executive, which is completed annually.

### **5. Procurement**

The HSE has procedures and policies in place to ensure compliance with current procurement rules and guidelines. In procuring goods and services, all areas within the HSE must comply with the relevant procurement procedures, which are set out in detail in the HSE's National Financial Regulations.

Matters arising regarding controls over procurement are highlighted under heading 11 Internal Control Issues.

### 6. Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to the Board and senior management. I confirm that the following ongoing monitoring systems are in place:

- Key risks and related controls have been identified and there is a process in place to monitor the operation of these controls
- Reporting arrangements have been established at all levels where responsibility for financial management has been assigned
- In accordance with the Oversight Agreement, the Minister for Health, the Chair of the Board and CEO meet regularly to discuss and review performance, governance, reform matters and National Service Plan progress
- There are regular reviews by senior management of periodic and annual performance and financial reports indicating HSE performance against budgets/forecasts.
- There are regular reviews by the DoH of the HSE's performance in terms of budget and service plans as well as including other key non-financial reporting such as workforce planning and progress on controls improvement initiatives
- There are regular reviews by the DCEDIY of the HSE's performance in terms of budget and services plans specifically in relation to Disability services which are now funded by the Minister for CEDiy.
- The CEO and EMT meet as part of normal business at least twice monthly
- There are monthly Board meetings which are attended by the CEO and members of the EMT
- All Committees of the Board meet regularly to review areas that fall under their specific remit and to provide advice and feedback to the Board
- The Board, its committees and the SLT continue to consider the impact of further potential pandemics, exceptional situations and possibility of future cyberattacks on all areas of the HSE including funding, its control and risk environment and governance arrangements. The National Emergency Management Office are currently leading out on the development of a plan looking at all areas of pandemic operational management.

The National Performance Oversight Group (NPOG) has responsibility as part of the overall accountability process to oversee performance against the national Service Plan.

NPOG members meet monthly to review performance against the National Service Plan. A monthly report on performance is prepared for the CEO, which includes details of any serious performance issues requiring formal escalation.

The CEO provides a performance update to the Board monthly, which includes the relevant outputs from NPOG.

Additionally, as referenced in section 3 the Board has appointed appropriate committees to provide advice to the Board in the implementation of its functions.

The work of Internal Audit forms an important part of the monitoring of the internal control system within the HSE. The annual work plan of Internal Audit is informed by analysis of the key risks to which the HSE is exposed and the annual work plan is approved by the Audit and Risk Committee. The National Director of Internal Audit attends all Audit and Risk Committee

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meetings and has regular one to one meetings with the Chair of the Audit and Risk Committee who is a member of the HSE Board. Additionally the National Director of Internal Audit has regular one to one meetings with the CEO. Monitoring and review of the effectiveness of the HSE's internal controls is also informed by the work of the Comptroller and Auditor General (C&AG). Comments and recommendations made by the C&AG in their management letters, audit certificates or annual reports, are reviewed by the Board, EMT and the Audit and Risk Committee, and actions are taken to implement recommendations.

### 7. Personal Protective Equipment (PPE) and Stock Management

As in previous years most of the HSE's sourcing and purchases of new items of PPE during 2023 were from contracts with Irish suppliers in line with previous Government commitments.

The overall cost of PPE charged to the Revenue Income and Expenditure account is estimated as €41m as referenced in note 1(b) to the AFS.

As at 31 December 2023 the HSE has reported that it holds €28.4 million of stock related to items of PPE, which were not used before the end of the year. (FY2022 €37.3 million).

### 8. Vaccines and Antigens

As part of ongoing public protection, the HSE is required to ensure that there is an adequate supply of Covid-19 Vaccines to ensure that it could offer all eligible citizens the opportunity to be vaccinated.

As in the previous year, the take up of vaccinations has reduced and as a result, the HSE's financial statements reflect a write-off in 2023 of a further €64.5 m (2022: €33.7m). This write off is in relation to expired vaccine stocks which had passed the manufacturers expiry date or which were deemed no longer the most appropriate vaccines based on guidance from the CMO.

Additionally the HSE's financial statements reflect a provision for obsolescence of €22m (2022: €60.7m) in relation to stocks that will be out of date by quarter 2 of 2024.

At the end of 2023 the HSE also reported a provision for obsolete antigen tests of €12.5m after an assessment of their likely usage before their expiry date.

### 9. Review of the Effectiveness of the System of Internal Control

I confirm that the HSE has procedures to monitor the effectiveness of its risk management and control procedures.

The HSE's monitoring and review of the effectiveness of the system of internal control is informed by the work of the Internal and External Auditors, the Audit and Risk Committee and senior management within HSE responsible for the development and maintenance of the internal control framework.

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I confirm that the HSE conducted an annual review of the effectiveness of the Internal Controls for 2023, which took into account:

- Audit and Risk Committee minutes and reports
- Annual Report of the National Director of Internal Audit including the findings and recommendations from internal audit reports
- Findings arising from the Internal Control Questionnaire (ICQ) and Controls Assurance Statements (CAS)
- Status of the recommendations of previous years' reports on the Review of the Effectiveness of the System of Internal Control
- Recommendations from management letters of the C&AG
- The 2023 audit programme of the C&AG and, in particular, the audit risks identified therein.
- Reports of the Committee of Public Accounts
- HSE Board and EMT minutes
- Minutes of steering group/working group/implementation groups etc.
- External reviews undertaken by the HSE to assist in identifying financial control issues and implementing revised policies and business processes
  - HSE Corporate Risk Register is reviewed on a regular basis and this process is overseen by the Chief Risk Officer. Risk registers are required to be in place at key levels in the organisation, which record the key risks facing the HSE.
- Findings arising from the compliance monitoring arrangements with S38 and S39 agencies
- Changes to working environment and remote working and new ways of working
- Impact of staff redeployments particularly in key privileged areas such as Payroll, Accounts Payable and Banking and Treasury functions
- Review of Key NFR requirements and awareness
- Review of key plans such as the HSE Winter Plan, National Service Plan and impact of additional funding
- Status of the progress of each of the six work-streams identified as part of the Internal controls improvement programme, which was approved in 2022 by the EMT.

Annually the HSE requires all relevant senior staff at Grade VIII (or equivalent) and above to complete an internal control questionnaire (ICQ) which is designed to provide essential feedback in respect of key control and risk areas. This allows the HSE to monitor the effectiveness of key controls and to direct remediation activity where required.

Participation grew by an additional 18% in 2023. This reflects the growing awareness across HSE staff at all levels of the importance of good controls and compliance with it.

The HSE has engaged an independent audit firm through a competitive process who have conducted a review of 6% of ICQ participants, which has provided a high level of assurance as to the integrity of the responses.

The report on the review of the system of internal control is reviewed annually by the Audit and Risk Committee, the CEO and EMT and by the Board of the HSE.

The results of the review indicate there is evidence that:

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- The HSE has adopted a suite of internal policies and procedures, which form the basis of the internal control framework
- Where high level risks have been identified, mitigating/compensating controls are generally in place
- There are several instances of non-compliance with these HSE adopted policies and procedures which have been identified exposing the organisation to material risk however ongoing
- Process and control improvements are visible in many areas
- Awareness of the requirement for internal controls and accountability has increased during 2023 with a continued increase in the number of staff who completed the ICQ survey increasing by a further 18 % to 4,220, which is very significant in the context of continuing demands on staff. In addition, there was an increased participation in clinical staff of 31%, 2,046, now reflecting almost half the review participants.
- Analysis indicates that most managers have a very high understanding and awareness of their responsibility in respect to internal controls. However, there is still further work to be conducted to ensure a consistent approach, understanding and implementation of all requirements by all managers which will further strengthen the internal control environment
- The review considered that assurance can be placed on the sufficiency of internal controls to mitigate and/or manage key inherent risks to which activities are exposed. However, when combined with the weaknesses identified and the findings of the National Director of Internal Audit, this assurance can only be considered as limited. A significant number of weaknesses still exist in the HSE's internal controls as evidenced by some continuing breaches however, it should be noted that controls and compliance remains a priority with some improvements recognised and various improvement initiatives continuing to be progressed.
- There is evidence that there is a continuing awareness and understanding of the need for accountability and responsibility by HSE managers to ensure a strong system of internal control. However, although improving year on year, there is still some evidence of a lack of full understanding of some of the relevant core guidelines, policies and staff obligations across the organisation. Additional focus such as management and staff training sessions have been a key part of control improvement plans for 2023 with almost 4,500 staff attending controls training during 2023. Development of new Training programmes and support tools will continue to be an ongoing priority and as part of this, an NFR awareness certification module on HSEland was developed in 2023 in conjunction with Aurion and published earlier this month.

Overall, limited and not absolute assurance can be placed on the current system of internal control to mitigate and/or manage key inherent risks to which financial activities are exposed. Instances of non-compliance observed reduce the level of assurance that can be provided. Improvements in these areas will continue to receive significant focus from the HSE in the short to medium term and in particular through the various improvement programmes running across the organisation including the Internal controls improvement programme amongst others.

The control weaknesses observed in the review are set out in section 11 Internal Control Issues along with management action that is being taken to address these issues.

### 10. Internal Control Framework Improvement Plan

Work continued in 2023 with the progression of the Internal Controls Improvement Programme, under the leadership of the office of the Chief Financial Officer (CFO). Four out of six work streams are now completed and embedded in daily process and the completion of remaining developments are on target for rollout in 2024

This plan focuses on the following six major work streams, which will help underpin strong controls across all key areas within the HSE.

All work streams are expected to have successfully moved to business as usual activities during 2024 and will assist in the ongoing improvements in the HSE's system of internal controls as each is progressed.

**Work-stream 1** which is the revision and rewrite of the HSE's National Financial Regulations is now complete with a new and improved NFR framework launched on Jan 31<sup>st</sup> 2023 with a full training programme ran throughout the year across all areas.

In addition, an NFR awareness certificate online training programme was developed during 2023 and launched on the HSEland training platform in Feb 2024.

**Work-stream 2**, communication and training is well developed and now business as usual. A full schedule of broadcasts and training webinars are completed annually on various control subjects including those highlighted as control concerns within recent audit and CARP findings.

Over 4,500 HSE staff have availed of these training supports which are available online and through digital channels such as you-tube and our HSEland training platform.

**Work-stream 3** is also now part of business as usual activity and is the provision of a controls database enabling improved reporting and monitoring of control findings so that management can easily determine what control issues require their attention in their own areas of responsibility.

These control reports are issued quarterly (including the issue of the annual CARP report to each area) providing an overview to senior management of key control concerns in their areas highlighted in CARP, Internal Audit and C&AG findings. In addition, action plans are agreed annually based on CARP results and progress monitored.

The controls database has been enhanced by the further development of an online data repository and reporting tool which will reduce manual activity and allow multiple users live but secure access to improve timeliness of reporting and response.

**Work-stream 4** relates to the development of an internal controls self-assessment controls tool, which will enable Health regions and Divisions to benchmark their internal controls and to conduct a detailed review in their areas across all financial control headings.

A pilot has been completed and re-planning exercise is now in progress to review feedback and learnings to enable process improvement.

**Work-stream 5** relates to performance management

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As noted in work-stream 3, Controls reporting is now in place combining an overview with senior management of key control concerns in their areas highlighted in CARP, Internal Audit and C&AG findings.

**Work- stream 6** refers to the enhancing of the HSE's second line of defence by ensuring that there are sufficient resources in place to support management in its objective to carry out regular checks as to the sufficiency of their internal controls.

Significant additional resources are in place in the key areas of National Governance and Compliance, Procurement, HR oversight of payroll overpayments, and the setting up of Contract Management Support Units (CMSUs) to assist with the governance of grants to external agencies.

### 11. Internal Control Issues

The weaknesses identified are detailed below.

#### I. Lack of Integrated Financial Management and Procurement System (IFMS)

The HSE does not have a single financial and procurement system. The absence of such a system in the HSE presents additional challenges to the effective operation of the system of internal financial control. Numerous external reviews have reiterated the consensus amongst the finance community in the HSE that the current financial systems are not fit for purpose.

The absence of a single national system requires that significant work be undertaken manually to ensure that the local finance systems and the National Finance Reporting Solution are synchronised and reconciled. This approach is increasingly challenging in the light of changes to organisational structure and the ageing of the systems.

A key element of the Finance Reform Programme is the implementation of a single national integrated financial management and procurement system, or IFMS, based on a set of agreed national standard finance and procurement processes, a single National Chart of Accounts and National Enterprise Structure, and a new National Shared Services Model.

A significant enabler of the IFMS project is the development of a Financial Management Framework, which defines the process, governance and controls required to demonstrate effective financial management practice across the health system. The Framework is a living document, which is reviewed on a regular basis and has most recently been approved by the Finance Reform Programme (FRP) Steering Committee in January 2020. Development of the framework and associated strategies will continue as the programme progresses.

#### Benefits of IFMS

Current limitations and constraints in reporting functionality of existing financial systems within the HSE will be addressed over the medium term with the deployment of IFMS, which includes the roll out, on a phased basis to the larger voluntary organisations who are contracted and funded by the HSE to provide services on its behalf under Section 38 and Section 39 of the Health Act, 2004 (as amended). These services provided by voluntary organisations include acute hospital, disability, older persons, palliative care and mental health services.

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This enhanced reporting functionality, including income and expenditure, cash-based and balance sheet/working capital reporting will be available at care group level and below, as specified in the detailed IFMS enterprise structure. The rollout of IFMS is aligned to the implementation of other strategic projects within the HSE in the Finance and related domains including the deployment of the National Integrated Staff Records & Pay Programme (NiSRP) which is already underway and the further rollout of the Activity Based Funding (ABF) within the Acute hospital system and the phased extension of ABF over time to Community Services.

### Impacts on Project Schedule

IFMS went live on schedule on Monday 3 July and is operational across all service areas in Implementation Group 1 - HSE East (incl. National and Corporate services, National Distribution Centre, Primary Care Reimbursement Service) and Tusla. However, there have been several challenges, which impacted on project delivery activities and led to a difficult go-live with significant issues experienced across various centralised operations and local service areas

As with any major transformation programme of the scale and complexity of IFMS, it is taking the HSE time to adapt to the changes. It has been acknowledged that some of the go-live issues experienced required additional support and longer term focus by the IFMS project team than had been anticipated. A sustained focus by IFMS project team both during and post Hypercare (HSE and System Integrator) has been put in place to support business and end users. In addition, System Integrator (SI) resources were focussed on technical optimisation post go-live to maximise efficiencies based on business and user feedback.

The project plan for completion of the IFMS programme was impacted, with IG2 activities planned in parallel with IG1 significantly delayed. Approval in principle to proceed with a detailed re-plan was granted by Programme governance in September 2023.

Prior to the finalisation of the re-plan in October 2023, two material developments occurred:

- i. Members of the Forsa trade union commenced industrial action from 6 October 2023 until 7 February 2024.
- ii. The Department of Health provided additional funding of €40m in the HSE's 2024 Letter of Determination, for the purpose of accelerating the rollout of IFMS.

These two developments necessitated a new re-plan to proceed on the basis of an accelerated implementation schedule, with agreement of an associated change to the SI contract. This detailed re-plan, which aims to implement IFMS to the statutory health system by mid-2025, was presented to Programme governance in February 2024 and approved.

### Alignment with Key Strategic Programmes

The IFMS project continues to work cross functionally with project teams from HR and Payroll on a number of strategically aligned initiatives, including the National integrated Staff Records and Pay (NiSRP) Programme, Children's Health Ireland (CHI) and the Health Regions.

## II. Compliance with Procurement Rules

The HSE estimates expenditure of approximately €4.2 billion in 2023 in relation to goods and services which are subject to procurement regulations that are set out in detail in the HSE's National

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Financial Regulations and underpinned by EU Directive 2014/24 and Public Procurement Guidelines for Goods and Services. In line with the revised code of practice for the governance of state bodies, and the public procurement policy framework, the HSE is required to ensure that all contracts are secured competitively in line with public procurement requirements and to report the levels of non-compliance identified.

The findings of the review of the effectiveness of the HSE's internal control system indicates that the levels of awareness and compliance with procurement regulations for the most part provides a reasonable degree of controls assurance across the HSE with efforts required to continue improvement in education and awareness. The review also identified that there is growing awareness of various procurement supports such as the HSE's procurement contract information site [www.hsepass.ie](http://www.hsepass.ie), which all budget holders should utilise when procuring goods and services on the behalf of the HSE. Targeted procurement training and awareness programmes are planned as part of the controls improvement programme for 2024.

Challenges remain to increase awareness to report compliance and non-compliance as per Department of Public Expenditure and NDP Delivery and Reform (DPENDR) code and circulars and to ensure requirements to procure and source are satisfied in the first place from valid contracts already in place.

The HSE undertook a self-assessment review of its all procurable spend greater than €25k quarterly during 2023 to determine the level of compliance observed. 28,966 invoices were issued for review and 25,081 invoices were assessed representing a return rate of 87%, of this, 88% were deemed compliant and within the remaining 12%, 76% of the issues causing non-compliance are being addressed under the corporate procurement plan. The estimated total expenditure on invoices over €25k issued for PACT self-assessment is in the order of €1.584B (involving 28,996 invoices) which is 38% of HSE procurable spend in 2023. All major budget holders are required to complete a self-assessment return to determine the level of non-competitive and non-compliant procurement.

External independent validation of the self-assessment review process in the past 3 years has determined the process to be robust.

The HSE is aware that there are limitations regarding the review as it currently does not capture expenditure below €25k and considers it likely that the actual non-compliance is higher particularly if spend is less than €25k.

The HSE is aware that continuing work is required to improve the level of non-competitive procurement and remains committed to progress a transformational programme of reform to support the Services in compliance with public procurement regulations and to increase the usage of contracts awarded by HSE and OGP. Additionally the HSE will continue to work collaboratively with the Office of Government Procurement (OGP) to deliver a more extensive programme of compliant contracts for the health services. In the context of the HSE's current procurement systems and resourcing challenges, it is acknowledged that it will take a number of more years to fully address procurement compliance issues. However, in the interim, the HSE is in the process of developing and resourcing a structure to sustain and enhance the capability to drive multi annual procurement planning, compliance improvement and capacity development.

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The HSE has completed a Corporate Procurement Plan (2022-2024) which is a requirement of the Code of Practice for the Governance of State Bodies (2016) and has been approved by the HSE Board. The Corporate Procurement Plan focuses on a number of key priorities summarised below under key headings:

### **Sourcing and Contracts:**

- The HSE has coordinated and collaborated with all HSE organisations to agree a Multi Annual Procurement Plan (MAPP), which is aligned to the implementation of the HSE Corporate Procurement Plan, for all participating Section 38 and Section 39 health sector. The MAPP was expected to increase and maintain HSE Spend under Management (SUM) of 68% by the end of 2023 however; it exceeded this target and achieved a target of 75%. The target expected by the end of 2024 is 85%.
- The HSE have increased SME participation through HSE MAPP pipeline of upcoming tenders that have been published each Quarter on the HSE website to inform SME and Micro Enterprises of upcoming opportunities in advance of tender publication
- A training programme “Procurement Guide for Budget Holders” will be deployed in Quarter 3 2024 on HSE land which will be accessible to HSE and funded agencies.
- Work has commenced to develop and integrate a Central Assisted Sourcing Service to support publication of all tender opportunities >€50k on the new eTenders platform website [www.eTenders.gov.ie](http://www.eTenders.gov.ie).
- Procurement have developed a bespoke CPP / Procurement Compliance Improvement Programme in collaboration with each participating health service organisation to assist each health service organisation to become compliant with legal and regulatory policy and corporate governance obligations.
- Continue to support HSE Digital Transformation and Innovation, and Health Innovation Hub Ireland, to develop expertise and Standard Operating Procedures to enable optimum exploitation of the opportunities arising from pre-commercial and health innovation procurement initiatives
- The HSE have included a standard 5% in 2023 we intend to increase the base percentage rate to 10% by Q4 2024 in award criteria for sustainability Green Procurement across all categories of spend. There will continue to be an ongoing programme of work to reflect the appropriate level of award criteria percentage as appropriate to the category of spend. HSE Procurement have had a number of market engagements including face to face meetings and trade shows to development a more sustainable approach to support innovation, social inclusion and economic and environmental sustainability priorities.

### **Systems Development:**

- SAP Ariba was successfully deployed to multiple cost centres in advance of IFMS go-live 3 July 2023 and will be subject to continuous rollout as required
- The new systems that have procurement related capabilities such as the National Estates Information System are fully aligned and consistent with the new Finance Operating Model and IFMS

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Target Operating Model. Governance and procedures are in place to ensure compliance e.g. Strategic Sourcing Digital Health and Innovation Portfolio SOPs including requirement for interfacing/interoperability with the IFMS and requirement for DGOU approval. IFMS comes with an integration engine (SAP Process Orchestration) to enable interfaces to be built to third party systems. The systems that IFMS integrates to include HR & Payroll, Procurement solutions, Patient Administration Systems (PAS), Claimsure, Estates, Bank systems.

- An enhanced toolset has been developed to better support user interaction, compliance, visibility and corporate procurement planning and reporting functionality.
- Microsoft Dynamics 365 was successfully implemented (3 July 2023) to support IFMS Helpdesk Operations. Continuous development of digitally enabled procurement processes through improved practices and usage of technologies is a key part of working plans

### **Logistics and Inventory Development:**

- Two new National Distribution Centre (NDC) locations were rolled out during 2023 and 250 increased new cost centres added. Further Plans include the additional rollout of the National Distribution Centre (NDC) to statutory Hospitals, pending HSE resources and warehouse capacity availability.
- IFMS – Extended Warehouse Management (EWM) implemented in NDC and IFMS rolled out to Logistics areas in IG1 group.
- In 2024, plans continue to participate in further strategy/model development of the National Distribution Service to meet client requirements in line with Slaintecare.
- Support the Global Health Programme deliver on the HSE's commitment to support the development and improvement of health systems in lower and middle-income countries as part of government policy for example Ukraine, African countries & Far East.
- Sustainability & Decarbonisation – Our Ballycoolin site is carbon neutral. With regards to the NDC, overall electricity consumption is down 30% since 2018. All indoor & outdoor lighting has been changed including the installation of 45 battery-operated machines, which have timers on each charger unit to allow charging between the hours of 11pm and 8am availing of increased efficiency
- PPE –3.8 million pieces are currently distributed per week and this requirement will continue to be met during 2024 as required

### **Organisational Development:**

A 3 year Corporate Procurement Plan to support the implementation of new structures to facilitate the Programme for Government and the Sláintecare Policy Framework is in place. The objectives are to:

- Promote greater understanding of procurement regulations and individual obligations.
- Support the continued deployment of IFMS including self-service procurement for purchases below €50,000; and Procurement Shared Services for strategic sourcing above €50,000

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- Continue the engagement model between HSE Procurement and HSE Clients, Section 38 and Section 39 agencies and the OGP
- Implement a communication model for procurement that is aligned to the engagement model, including how the communication of contract status and promotional materials for procurement regulations awareness are made available
- Increase the ease of access and understanding of the end-to-end HSE procurement service from sourcing through to logistics and inventory management by improving the procurement website and ancillary documents
- Continue the delivery of the accredited Apprenticeship programme aligned to the European Competency Framework for Public Buyers and developed in partnership with the University in Supply Chain Management and Public Procurement (Public Procurement Supply Chain Excellence PPSCE) – Level 7 certificate and Level 7 Diploma.

### **Monitoring of the Corporate Procurement Plan**

The monitoring of the Corporate Procurement Plan is through updates to DoH and DPENDPDR

In addition, the Audit and Risk Committee of the HSE Board continues to have a review and monitoring role in this regard.

### **III. Payroll and HR Controls**

The findings of the HSE's review of the effectiveness of the system of internal control noted weaknesses including:

- Gaps in management oversight and timely adherence to administration process
- Inconsistent reviews in relation to the review of divisional personnel reporting
- Lack of evidence in relation to key payroll and HR controls and lack of awareness of and adherence to relevant processes
- Payroll integrity impacted by late submissions, inaccurate data & varying practices
- Growing levels of payroll overpayments

### **NISRP**

The HSE roll out of the National Integrated Staff Records and Pay Programme (NiSRP) has been in progress since 2019. Its purpose is to implement a single HR/Staff Records technical platform for national coverage of all people related data for the HSE using SAP HR. It also covers the implementation of one Payroll technical platform for all HSE employees using SAP Payroll. It will allow for the automation of appropriate staff processes through the introduction of Employee and Manager self-service.

The NiSRP Programme went live across HSE South in March 2023, bringing the total number of employees covered by the solution to circa 82,000 across the areas of HSE East, Southeast, Mid-

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West, North-West, Midlands and now the South. Despite the impact of industrial action during 2023, which significantly reduced local engagement, the Programme remains committed to a May 2024 go-live in HSE West, and is working toward this with Governance support. This will bring solution coverage to c. 96,000 employees. The final remaining statutory deployment, HSE North East was originally planned for September 2024 however due to delays caused by the impact of the Work to Rule, the Programme is in the process of re-planning a new rollout schedule with stakeholders (across a go-live window from October to May 2025). In addition, NiSRP is currently progressing a Business Case with DoH for implementation in Section 38s, following HSE review. Deployment is expected to commence in 2025.

The full rollout of NiSRP will support the mitigation of risk of payroll fraud and irregularity through workflow automation, inbuilt system controls and process standardisation. In addition, NiSRP, HR and Payroll SME's contributed to the revised National Finance Regulations, which include guidance on maintaining strong payroll controls (specifically B3). Each NFR has an accompanying checklist that provides guidance and assistance for local areas to establish their own local procedures and ensure appropriate governance is in place. A specific training video on the employee administration and payroll NFR document is available on line to all staff online. Specific payroll controls training webinars continue to feature in our annual training programme.

### **Payroll & Overpayments:**

Finance Shared Services Payroll working in conjunction with the NiSRP Programme have agreed a comprehensive suite of standard processes for Gross to Net Payroll related activities which have been approved at NiSRP Governance level.

FSS Payroll's objective is to ensure the implementation and adherence of these processes through:

- The implementation of the end-to-end HR Payroll SAP solution, which is being delivered by the NiSRP Programme.
- Delivery of the agreed HSE Payroll Strategy, which will consolidate existing payroll processing locations into a reduced number of processing locations. These payroll hubs will deliver enhanced controls, process standardisation and support the new HSE structures.
- Required Standard Operating Procedures (SOPs) have been identified, linked to the agreed processes and are in development.
- The development of internal FSS Payroll compliance capability is an integral element of the agreed HSE Payroll Strategy.
- The single national management, governance and oversight of all HSE gross to net payroll activities delivered by HSE Finance Shared Services Payroll and supported by the payroll strategy implementation will ensure these benefits are delivered.
- A new database of overpayments has been implemented in 2023. This single repository of HSE overpayments facilitates a more efficient overpayment process for HSE FSS Payroll. Phase 2 will continue to be implemented through 2024 and will deliver a suite of additional reports which will assist in operational management and processing of overpayment recoupsments.

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To stem the growth in pay related overpayments, the HR Pay Compliance Unit (HRPCU) are progressing a number of initiatives which include:

- Growth in payroll overpayments for each Hospital Group and CHO reported as a KPI at National Performance Oversight Group Meetings
- Appointment of a national business owner with responsibility for Time & Attendance operations within the HSE. No national business owner for Time & Attendance operations exists within the HSE
- Automation of removal of employee from payroll upon notification of resignation is currently being reviewed with SAP CoE
- In the absence of a control report available to Line Managers to validate employees pay, HRPCU will be reviewing with SAP CoE the creation of a Basic to Gross report
- Site Visits including a compliance health check and follow-up engagement and monitoring of actions & recommendations
- Systemic overpayments identification and follow-up with relevant areas to understand key issues and ensure appropriate controls are implemented including the creation/updating of NFRs/policies as applicable
- Process awareness initiatives including those relating to HR Forms impacting pay. This includes the issue of frequent reminders to areas noting forms to use, submission deadlines and submission email addresses
- Exception Reporting, targeting specific areas for identification of anomalies for follow-up and resolution e.g. contract end dates
- The creation, provision and automation of tailored overpayments reports to HSE areas to increase awareness and accountability and review of distribution audience to maximize impact
- Engagement with SAP CoE on proposed configuration changes to SAPHR to cease payment on expiration of contract
- The creation of a focused Pay compliance webpage to inform all HSE employees of their roles & responsibilities in the avoidance of pay related overpayments and to provide useful links/documentation to assist with same

### High Earners Review

Internal Audit findings in 2022 noted that in some instances additional payments to Consultants were inconsistent with policy.

In 2022 the Chief Operations Officer established a review process and the HSE's Executive Management Team approved an action plan to address the issues identified in relation to consultant pay. A working group was put in place and a high-level plan agreed which set out a series of actions to improve the control environment. Work completed includes:

- Registers of Local Arrangements are now in place across individual hospital sites and CHOs
- Compliance monitoring has been incorporated into performance review processes

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- Links have been established with key strategic programmes and initiatives including:
  - Recruitment Reform & Resourcing Programme
  - National Doctors in Training Programme
- Regular updates are provided on High Earners to National Operations Senior Team (NOST) and HSE Audit & Risk and Committee
- Development of high-level reports to facilitate in-year monitoring at national, HG and CHO level
- Redesign of monitoring reports to reflect changes to Hospital Group and CHO configurations in new Health Regions
- Meetings with Recruitment, Reform and Resourcing team to help inform recruitment strategies and reviews

This remains an ongoing area of focus for the HSE which provides additional transparency on these Consultant payment arrangements. Due to the nature of contractual and resourcing arrangements a small number of Consultants continue to receive additional payments which are continuing to receive attention.

Note 7 of the financial statements provides total employee benefits in bandings of €10k from €60k upwards in compliance with DPENDR Circular 13/2014.

#### **IV. Governance of Grants to Outside Agencies**

In 2023 €6.47 billion of the HSE's total expenditure related to grants to outside agencies. The legal basis under which the HSE provides grant funding to agencies is set out in the Health Act 2004. Annually the HSE funds circa 1,820 agencies, ranging from the large voluntary hospitals in receipt of over €500 million to small community-based agencies in receipt of €500.

The HSE's Governance Framework for funded agencies is consistent with the management and accountability arrangements for grants from Exchequer funding as set out in the instruction issued by DPENDPDR in September 2014, with one sanctioned exception in respect of prefunding arrangements.

Due to the specific nature of the funding arrangements with the S38 and S39 agencies, the HSE must continue to ensure timely funding particularly in respect of contractual pay and staffing costs, which account for up to 80% of expenditure.

Before entering any funding arrangement with an agency, the HSE determines the maximum amount of funding that it proposes to make available along with the level of service to be provided for that funding. For the larger agencies, cash is disbursed by the HSE's treasury unit based on agreed cash profiles.

The system of internal control operating in individual funded agencies is subject to review on a sample basis by Internal Audit.

The HSE has two types of contractual agreements with these agencies that are, in the main, tailored to reflect the level of annual funding involved.

- Service Arrangement (SA) for health agencies in receipt of funding in excess of €250,000

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- Grant Aid Agreement (GA) for health agencies in receipt of funding of less than €250,000

The requirement for agencies to submit financial reports and staffing returns and for the HSE to hold performance review meetings is dependent on the level of funding released to the agency.

During 2023 despite ongoing focus on this area, such as the establishment of the CMSUs; ongoing Governance Reviews; intense reporting on compliance levels, control weaknesses identified by the HSE's annual internal control review process continued to highlight issues relating to monitoring and oversight of some agencies.

Audits have found:

- Delays in the finalisation of signed SA/GAs remain a challenge
- Some gaps in governance arrangements and the levels of compliance with procurement requirements remains an issue.
- Resource constraints in CMSUs have been identified during Internal Audit reports during 2023 which have impacted key areas such as regular review meeting, timeliness of review of Audited Annual Financial Statements (AFS) and Annual Financial Monitoring Returns (AFMS)

The steps taken by the HSE to address the weaknesses identified are set out below. These initiatives have enabled the HSE, to a reasonable extent, to be satisfied that there are appropriate governance structures and procedures in place with these agencies.

As at 13.02.24, 83.4% of the 2023 funding is covered by a completed SA/GA. The HSE intends to continue its focus on ensuring that the level of compliance improves during 2024.

### **Contract Management Support Units**

In accordance with the HSE's Performance and Accountability Framework, the CEOs of the HGs and the Chief Officers of the CHOs are the accountable officers for their areas of responsibility. This responsibility extends to ensuring that SAs and GAs are in place in respect of all funding, which is released by the HG or CHO to Section 38 and Section 39 agencies.

In relation to the discharge of these responsibilities, the HSE has established Contract Management Support Units (CMSUs) in each of the nine CHOs to assist service managers in managing and documenting all aspects of the relationship with relevant S38 and S39 agencies.

These dedicated resources in the nine CHOs, where the majority of agencies are funded, provide an ongoing focus at local level in respect of the implementation of the Governance Framework for Funded Agencies (the Framework). It should also be noted that in each CMSU there is at least one staff member with a professional financial qualification who performs the role of Financial Analyst in respect of submitted Agencies' AFS and AFMRs. All CMSUs are now established in the CHOs and these units will be assimilated into newly formed Health Regions during 2024.

The key responsibilities of the CMSU are to ensure that:

- SAs and GAs are completed and finalised in a timely manner;

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- Audited Annual Financial Statements (AFS) and Annual Financial Monitoring Returns (AFMR) are both received and reviewed;
- A system is in place in each CHO to ensure performance review meetings are taking place in accordance with performance monitoring guidelines;
- Key documents such as the Chairperson's Statement, Management Accounts and Activity Data are received and reviewed as appropriate;
- The Service Provider Governance (SPG) database is updated accurately.

It should be noted that where required the Compliance Unit works with the CMSU Managers so that any matters that emerge in relation to the Framework within a CHO are resolved in a standard manner.

Notwithstanding the issues identified in a number of Internal Audits during 2023 the HSE is committed to the further development of these CMSUs and focus in this regards will continue in 2024.

### **Reporting**

In addition to the establishment of the CMSUs, the Compliance Unit issues monitoring reports on a twice-monthly basis to all accountable officers on two crucial elements of the Framework, namely, (1) the completion of SAs & GAs and (2) the receipt and review of relevant agencies' AFSs/AFMRs. Furthermore, meetings are held and direct contact is made on a regular basis with representatives of the accountable officers to ensure that these aspects of the Governance Framework for funded agencies are being implemented in their areas.

In relation to the process for the review of AFS and AFMRs, it should be noted that all of the documentation required to underpin the reviews of the individual AFSs and AFMRs was updated by the Compliance Unit during 2022 and these processes are continuously under review so as to ensure that these reviews are undertaken and documented in a standard manner by the Financial Analysts in the CMSUs.

### **Governance of Agencies**

In relation to the HSE ensuring that the standard of governance in the funded agencies is of an appropriate standard, it should be noted that the following four mechanisms are in place:

- (1) ACSs are submitted by all voluntary agencies in receipt of in excess of €3million;
- (2) AFMRs incorporate the provision of formal assurances in respect of financial controls and are submitted by all agencies in receipt of in excess of €250K;
- (3) Chairpersons' Statements are submitted by the Chairs of all agencies that have executed a GA with the HSE;
- (4) External Reviews of Governance are undertaken in relevant agencies.

Phase II of the External Reviews of Governance at Board and Executive level is being undertaken by Mazars. When individual reviews are completed, there is an agreed standard follow-up process requiring Boards of the relevant Agencies to submit updates on actions resulting from these Reviews.

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The following should be noted in relation to Phase II:

Section 38 Agencies: Mazars have completed five reviews and fieldwork is ongoing in two other Agencies.

Section 39 Agencies: HSE have received nine draft reports of reviews from Mazars with a further six reviews commenced. Two further reviews will commence shortly in S39 Agencies.

### **Review of SA documentation**

There are four different types of SA, namely: S38, S39, For Profit and Out-of-State. In terms of the extent of the use of the SA, in excess of 99% of all of the funding released to non-statutory Agencies is contractually underpinned through an SA. Accordingly, the SA documentation is the keystone of the Governance Framework for Funded Agencies. SA documentation was last reviewed in 2015 and in 2023, the Compliance Unit commenced a process to review the SA documentation. The main objectives of the review from the perspective of the HSE are to (1) ensure the documentation reflects the HSE's new structures in terms of the establishment of the Health Regions and changes to the HSE's centre, (2) ensure there is no unnecessary duplication between the Parts 1 and Parts 2, (3) ensure the documentation is, where possible, simplified, (4) ensure the documentation is updated to remedy any deficiencies identified since last reviewed and (5) ensure the documentation remains contractually robust. The focus during 2023 was in respect of objectives (1), (2) and (3) and in this respect updated SA documentation will be piloted with all S38 and S39 Agencies providing Mental Health and Palliative Care services in 2024. This updated SA model will be evaluated during 2024 and is expected to be rolled out to all care-groups in 2025. Finally, it should be noted that this review is being undertaken in conjunction with our Law Agent and it will be the key project for the Compliance Unit during 2024.

### **V. Information Communication Technology (ICT)**

The eHealth division delivers information and communications technology (ICT) services and support throughout the HSE, facilitating integration within and across community services, hospitals, and other specialised care providers. During 2023, several developments were progressed including:

- Building on the successful completion of Phase 1 of the O365 programme, Phase 2 saw over 80% of our digital workforce enabled with safe, modern collaboration and mobility tools, with 54,600 of staff on-boarded to Office 365 and Microsoft Exchange Online in 2023
- Expansion continued of the rollout and restabilising of the HealthIRL digital migration programme which forms a key building block for digital transformation and enhanced cyber security. In 2023, 59,100 HSE users were on-boarded to secure cloud identity (Healthirl)
- The *HSE Telehealth Roadmap 2024-2027: Building Blocks for the Embedding & Expansion of Telehealth* was launched which sets out the roadmap to transform the future of healthcare by improving outcomes, experience and safety for patients and staff

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- Work continued to address the findings of the post-incident review following the criminal Conti cyberattack. The rollout of improvements in the security and resilience of critical national infrastructure continued, along with improving awareness of cyber security threats across the organisation including through cyber incident response workshops. In addition to cyber defence, a key focus is on investing in modernisation of the technology estate to mitigate the business and cyber risks of hosting legacy technology
- Further roll-out of the of the National Cancer Information System (NCIS) in the following sites – South Infirmity Victoria University Hospital, Connolly Hospital, Cavan General Hospital, Mercy University Hospital, Our Lady of Lourdes Hospital, St. Luke’s General Hospital, Kilkenny and St. Vincent’s University Hospital
- Implementation continued of the SCS-CMS (EHR) with a successful implementation at the National Forensics Mental Health Hospital
- Procurement is complete at Children’s Health Ireland (CHI) for the majority of the key bundles including Core Infrastructure, Integration Engine, Patient Education System and Telephony, network installation to support construction activities (BMS install) was completed on time. Children’s Health Ireland Electronic Health Record (EHR) project plan was finalised and initial resources were hired and trained to initiate the implementation plan.
- The Integrated Community Case Management System procurement was progressed to further inform service planning, needs assessment, evaluation and resource balancing decisions across services
- Integrated Financial Management System implementation was completed in Group 1 (HSE East) with Group 2 sites underway.

It should be noted that the FORSA work to rule effective 9th Oct 2023 resulted in delays in advancement of many projects with almost 1 in 4 programmes experiencing partial delays. In addition, the action impacted data reporting and achievement of KPIs/ deliverable targets in areas such as financial reports and programme reporting.

In addition – some delays in Cyber Security developments and plans were experienced during 2023:

- The HSE did not return to compliance as an operator of essential service (OES) under Network and Information Security Directive 2016/1148, 3 of the 36 non-compliance actions remain uncompleted, however plans to completion are in place against those 3.

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- The HSE did not regularise Article 32 contracts through procurements. This did not happen in 2023 as CISO tenders 1 – 3 remain at various stages of completion while Article 32 contracts continue to receive Contract Extensions. This will now be completed in 2024.
- The ICT & Cyber Programme did not gain clarity on the approach to remediate the legacy application estate in the HSE. The Programme will continue to work with the Application Modernisation Programme to define a prioritised approach.

### Plans for 2024

In 2024, the allocation of funding to the eHealth division will be €155m capital funding, €259m operational budget and €55m for cyber security measures. The funding is expected to cover our ICT capital projects, the Cyber Transformation Plan, and the operational budget to fund pay costs for the largest technology landscape in the state, as well as some revenue funded initiatives such as the O365 programme.

Of the workforce pool at our disposal, more than 50% is dedicated towards the safe and secure upkeep, operation and maintenance of our vast estate of devices, networked sites, users and data. The balance of our resources are primarily dedicated towards the implementation of digital strategic plans as articulated within the eHealth and ICT Capital Plan 2024 under the following 6 actions:

1. Give patients greater access to their health information and care options, while providing greater patient involvement, autonomy and choice in their healthcare
2. Support the health service in providing a digitally skilled and supported workforce with appropriate digital tools and connectivity allowing for collaborative working which will lead to improved efficiency and accessibility to healthcare services for patients
3. Deliver connected and co-ordinated digital health and social care systems enabling collaborative, evidence-based and timely decision-making, leading to improved patient outcomes, and continue the roll-out of secure telehealth video consultation technology to enable clinical staff to provide consultations to clients including one-to-one and virtual clinics
4. Enhance access to information and analytics to enable the evaluation of service planning and resource management to enhance patient care, including using both historic and current healthcare data to produce actionable insights, improve decision-making and optimise outcomes for patients
5. Provide the guidance, tools, and resources necessary to empower patients and the workforce across the healthcare ecosystem to unlock innovative solutions that improve the experience of both the patient and workforce, including through participation in pilot and prototype technology projects in the areas of Health Informatics (health information systems and infrastructures) that support open innovation and ecosystem development
6. Ensure clear governance, a supportive culture, enablement of the transition to Health Regions, and a secure infrastructure resilient to external factors, aligned to standards and legislation by

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embedding architecture, service design, cybersecurity, agile delivery, and data engineering within our health service.

Encompassed within the above are several mature programmes which will deliver major change and new capability across the next 12+ months, and which are at the peak of their investment lifecycle:

- Children's Hospital will invest €34.5m in digital in 2024 under our plan
- Single Financial system for Health will invest €11.5m
- Digital Imaging Diagnostics will invest €10.8m
- Medical Laboratories will see an investment of €11.3m

Alongside the major planned investments are many programmes, which, while requiring a lower relative investment, are significant priorities for both HSE and DoH; examples are:

- Health Digital App will empower patients and citizens to access care, cancel or re-schedule appointments and securely identify themselves to care givers
- Virtual Wards will help increase access to care and supports the drive to reduce waiting lists
- Prescribing will greatly enhance the safety of prescribing
- Enterprise Wireless/WIFI access across many Community, Acute and corporate settings will empower patients and their families, whilst also enabling staff mobility across all 6 Health Regions.

### VI. Risk Management

In April 2023, the HSE launched its Enterprise Risk Management Policy and Procedures 2023, following Board approval. This document sets out the policy and procedures by which the HSE manages risk. The approach is aligned with the ISO 31000:2018 Risk Management – Guidelines.

The HSE's risk management policy involves proactively identifying risks that threaten the achievement of objectives and putting in place effective control measures to reduce these to an acceptable level. The policy sets out the risk management process in place and details the responsibility of all managers and staff at all levels within the HSE.

Also in 2023, the Chief Risk Officer [CRO] agreed with the EMT, the ARC and the Board that a fundamental review of our corporate risks and by extension, review of the CRR would be undertaken. The review was conducted in a number of stages with workshops, briefing sessions and meetings held with EMT members, their risk teams, subject matter experts including clinicians and with Board Committees. An outcome of the review was the updating of the HSE's Corporate Risks, in addition, the format of the Corporate Risk Register was also updated and now includes a new structure and approach to risk descriptions, the reporting on key risk controls and actions and inclusion of a statement of a risk reduction strategy.

In addition to good practices that have been established over previous years, a number of other initiatives have been progressed including:

- the operation of a risk information system to record the Corporate Risk Register

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- the approval of an update to the HSE's first Risk Appetite Statement [RAS] by the ARC on behalf of the Board
- significant levels of engagement with staff informing them of the launch of the updated policy and procedures
- development of an online eLearning risk management training module accessible by all staff.
- numerous risk awareness training and briefing sessions

Significant activity has taken place during 2023 to monitor existing risks and continuing to bringing about improvements to the overall area of risk management in the HSE. While there has been progress centrally within the HSE, work is continuing to be progressed to embed a strong culture of risk management across the wider organisation.

### Planned Activity

Following approval of the revised Policy, the priority will be the further development and delivery of training and enhanced communications in relation to risk. Another area of focus will be the further implementation of the risk information system in identified pilot sites across the organisation. The new CRR marks a fundamental change to the way we record and report on our corporate risks. The review identified the need for the HSE to establish quantifiable Key Risk Indicators [KRIs] to inform the rating of risk. Work to identify these will continue during the first half of 2024. The use of KRIs in the medium and longer term will allow a review of trends in the areas identified which can serve to inform the trajectory of the risk.

The organisational changes in 2024 will have an impact on how we manage the CRR. Currently EMT members are named risk owners for individual corporate risks. An alternative way of reflecting ownership will need to be considered and alignment with the new structure reflected.

## VII. Fixed Assets

The report of the review of effectiveness of the System of Internal Control in the HSE combined with the 2023 audit findings of the Comptroller and Auditor General has indicated that there are a number of control issues in the management of HSE Fixed Assets. These include:

- Lack of awareness of requirements of National Financial Regulations (NFRS)
- Inconsistent application of processes within areas of the HSE
- Inconsistencies and errors identified in Fixed Asset Registers
- Inconsistencies in application of depreciation policy

The HSE intends to address these issues by the introduction of a Fixed Asset working group which is intended to:

- Review current Fixed Assets Policy and NFRS and to clarify where needed
- Identify opportunities to standardise process
- Develop a training programme

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- Work alongside IFMS project team to ensure that the HSE leverages from the upgraded functionality of the SAP4Hana system.

### VIII. Patient Debtors

Note 17 to the financial statements for 2023 reports net patient debtors of circa €102m. This included an estimated €51m of claims requiring some form of HSE action and sign-off and therefore not yet submitted to the private insurers for recoupment. The HSE acknowledges that delays in submission of patient bills to private insurers can increase the risk that the invoices will not be paid and therefore may have to be written off as a bad debt. The risk of bad debt arising is most relevant to the claims with one PHI. The HSE estimates that the level of claims that were forfeit and therefore provided for in 2023 was in the order of €3.5m which accounts for circa 10% of the patient income debtor write offs in 2023 and represents 3.5% of net patient debtors.

The HSE provides monthly reporting on patient debtors and claims at risk of forfeit to all Hospitals to highlight such risks and engages with each Hospital on the root causes for such delays in order to support hospitals to mitigate such risks.

## 12. Conclusion

The report on the Review of Effectiveness of the System of Internal Control in the HSE has been considered by the HSE's Audit and Risk Committee who have provided advice on same on behalf of the Board.

The HSE is an organisation undergoing significant change whilst continuing to operate and meet increasing demands on services. The HSE's control systems remain partially reliant on legacy financial systems however progress towards a single national integrated financial and procurement system continues to be made as detailed earlier in section 11.

The HSE was subject to a work to rule which commenced in October 2023 and which was not resolved until Feb 2024. As a result of this work to rule normal month end reporting was substantially delayed into 2024 and forms part of the context in which the Statement of internal Control is written.

The review of the system of internal control which includes the limited audit opinion of the National Director of internal Audit, indicates that there are limitations and weaknesses observed in the HSE's system of internal controls. However, where these weaknesses have been observed there is clear evidence of mitigation and/or management action plans that have been undertaken to reduce the risk exposure, sufficient to support the adoption of the Annual Financial Statements. Some of the mitigation and/or action plans will take a number of years to fully progress but there is evidence of progress in key areas as identified in the body of this document. While the review indicates limitations over the assurance that can be provided the HSE is satisfied that an appropriate control

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environment can be evidenced and that importantly weaknesses are identified and mitigating actions agreed.

The HSE acknowledges that there is an on-going requirement to improve overall levels of compliance with the system of internal control, and this continues to receive senior management attention. However, it is encouraging to note that the 2023 review indicates a continued growing awareness of the importance of improved accountability and responsibility at all levels of HSE staff and stronger engagement with the controls assurance process for 2023.

The Board acknowledges that it has overall responsibility for the system of internal control within the HSE and will continue to monitor and support further development of controls. Progress will be reassessed in the 2024 Review of the Effectiveness of the System of Internal Control.

Ciarán Devane

Chairperson of the HSE Board