



HSE Audit & Risk Committee Meeting

Minutes

A meeting of the HSE Audit & Risk Committee was held on Friday 16th June at 09:00 via videoconference.

Members Present: Brendan Whelan (Chair), Fergus Finlay, Michelle O'Sullivan, Colm Campbell & Pat Kirwan

HSE Executive Attendance: Stephen Mulvany (CFO), Dean Sullivan (CSO), Joseph Duggan (ND IA), Patrick Lynch (ND G&R/CRO), Trevor O'Callaghan (CEO Dublin Midlands Hospital Group), Jean Neary (Office of the CEO), Dara Purcell (Corporate Secretary), Patricia Perry (Office of the Board)

Joined the Meeting: Elaine Kilroe, AND Risk (Item 3), Paul de Freine, (ND Capital & Estates)(Item 4), Monica Percy (Asst CFO)(Item 4), Colum Maddox (Asst CFO) (Item 4.3 – 4.5), James Gorman, Unit Manager, HSE PPP Central Unit (Item 6.4), Tim Cummins, Head of Treasury and Capital (Item 6.7), John Swords (ND Procurement) and Miriam Rourke (Acting AND, Corporate Procurement Planning & Compliance) (Item 6.5), Mike Corbett (Assistant National Director, Acute Operations)(Item 6.8)

Minutes reflect the order in which items were considered and are numbered in accordance with the original agenda. All performance/activity data used in this document refers to the latest information available at the time.

1. Committee Members Private Discussion

The Chairman welcomed the Committee members to the meeting and held a private session to consider the agenda and papers and the approach to conducting the meeting.

2. Governance and Administration

2.1 Conflicts of Interest

No conflicts of interest were declared.

2.2 Minutes

Feedback was provided regarding the minutes of the meeting of 12 May 2023, and once amendments were included, the Committee agreed to approve the minutes.

2.3 Action Log

It was agreed that the Action Log would be circulated to EMT members and an updated Action Log would be brought to the July meeting.



3. Risk Management

Elaine Kilroe, AND Enterprise Risk Management joined the meeting

3.1 Corporate Risk Review Update

The CRO presented to the Committee an update in relation to the Corporate Risk Review. He advised that the final report, which is to reduce the number of risks and focus more on those that can be effectively managed within the risk management process, is due to be concluded by the beginning of July.

The Committee noted the emerging findings and proposals outlined by the CRO and the next steps, in particular the proposals to hold a dedicated EMT Risk Workshop once the final Corporate Risk Review report is complete and the proposed 'zero based' approach to the revised Corporate Risk Register [CRR]. The Review will then be brought back to the Committee following the Workshop.

The Committee requested that the Review should address risk analysis, and needs to be stronger, and the scheduling of a deep dive into specific risks each month could be an option once the Review is concluded, which would align with Internal Audit specific risks.

3.2 Oversight role of the ARC in relation to the Corporate Risk Register – verbal update

The Committee discussed the oversight role of the ARC in relation to the CRR, noting that the Committee have 10 out of the 21 risks on the CRR. It was agreed that once the Corporate review is finalised, the Committee would discuss the oversight role in more detail.

AND Enterprise Risk Management left the meeting.

4. Capital & Estates

Paul de Freine, ND Capital & Estates joined the meeting.

4.1 Properties & Contracts

The Committee considered the detail for the proposed contract, and agreed to recommend the following to the HSE Board for approval.

- i. Contract Award for 110 Bed Community Nursing Unit with Rehab Unit, Letterkenny, Co. Donegal

The Committee discussed and requested that a paper be brought to a future meeting with regard to the internal versus external design capabilities.

ND Capital & Estates left the meeting.



5. Internal Audit

5.1 Internal Audit Q1 2023 Report

In accordance with the Committee's Terms of Reference, the ND IA provided a report to the Committee regarding Internal Audit activity, which assists the Committee in discharging its responsibilities to oversee and advise on matters relating to the operation and development of the HSE's Internal Audit division.

The Committee noted the update in relation to the Internal Audit Plan Status; Key Reports (9) issued in Q1 (2023) and the Implementation of audit recommendations.

The Committee held a discussion in relation to the key findings of the key report relating to Compliance with Children First Legislation University of Limerick Hospital Group (Unsatisfactory opinion). The Committee noted that previous Children First audit findings had been brought and discussed at the People & Culture Committee in May 2023.

The Committee noted that Children First is under the remit of the Governance & Risk office, and compliance with Children First training was brought to EMT last November. The COO advised that he has requested an update from his National Director's with a half yearly compliance report due which will show if there have been any improvements. The Committee noted that compliance with Children First is a priority for the CEO and the Committee.

The Committee stated that compliance with Children First is a mandatory requirement of staff and management's accountability is required. It was agreed to include as a standing item on the ARC agenda to monitor progress, with the option of management attending ARC to provide an update for their area.

The Committee discussed the key report relating to CHO 3 - Payroll Overpayments & Recoupment, which mentioned recurring themes in 5 previous audits. It was noted that these previous audits related to different CHOs. The Committee welcomed that a compliance unit in HR has been set up to improve recoupment.

The Committee noted the update in relation to staff deployment constraints to which the ND IA advised that he will be attending the Workplace Relations Commission in October 2023 to conclude the conciliation agreement.



The Committee discussed the analysis of the 44 internal audits conducted in Q3 2023 reported on by the NDIA. They particularly focused on the audit assurance ratings, the audit finding ratings and the outstanding actions from previous audits. Significant improvement in all three areas was deemed necessary to establish a satisfactory internal control environment,

In relation to recurring audit issues, the ND IA agreed to provide collated summary views going forward. The Committee requested that respective management will be required to report to Committee on audit issues, at the point in time that audit reports are presented to the Committee. The Chair and ND IA agreed to discuss this offline on which future audit reports will require management attendance.

5.2 External Quality Assessment

Susanna Britz, Director at Mazars, Governance, Risk & Internal Control joined the meeting

The ND IA advised the Committee that in accordance with the International Professional Practices Framework (IPPF), and specifically Standard 1312 (External Assessments), the Internal Audit Division must have an external assessment conducted at least once every five years by a qualified, independent assessor from outside the HSE, Mazars were engaged to undertake the review in Q4 2022.

Ms Susanna Britz, Director at Mazars presented to the Committee the External Quality Assessment Report which concluded that the Internal Audit Division “Generally Conforms” to the International Professional Practices Framework (IPPF). Some Internal Auditing Standards were identified where the Division partially conforms and those will be addressed through an agreed action plan. It was agreed that the Committee will be updated on the progress against this action plan periodically.

Susanna Britz, Director at Mazars left the meeting.

6. Accounting, Governance and Financial Reporting

Colum Maddox, Asst CFO joined the meeting

6.6 Change Control Notice Approval Request for IFMS Go-Live Support - Direct Debit mandate

The CFO presented to the Committee a briefing in relation to the approval of the Direct Debit Mandate which will enable the HSE to implement a process to obtain exact payment for variable monthly charges via Direct Debit from long-term stay patients via Danske Bank Direct Debit deductions, replacing the current standing order process with new Direct Debit functionality.



The Committee considered the paper presented and requested that the paper be amended with regard to the indemnity, and agreed to recommend to the Board for approval.

6.7 Banking Transition Programme

Tim Cummins, Head of Treasury and Capital joined the meeting.

i. Ulster Bank Account Closure

The Asst CFO provided a briefing to the Committee in relation to the closure of Ulster Bank accounts as listed in the briefing note presented to the Committee and the approval of delegates the authority to formally do so as Main Bank Signatories. The Committee considered the paper presented, and agreed to recommend to the Board for approval.

ii. Ulster Bank Care Centre Patients Private Property Bank Accounts Closure

The Asst CFO provided a briefing to the Committee in relation to the closure 57 Ulster Bank Patient Private Property (PPP) accounts as listed in the briefing note, the closure of a Central Unit account and the approval of delegates the authority to formally do so as Main Bank Signatories. The Committee considered the paper presented, and agreed to recommend to the Board for approval.

The CFO thanked both the Head of Treasury and Capital and Asst CFO for the managing the banking transition process.

Head of Treasury and Capital left the meeting

6.1 YTD Expenditure and Q1 Review

The CFO provided a briefing to the Committee on the YTD Financial Position as at April 2023 including first 2023 Projections. The Committee noted that the 2023 I&E forecast to year end had been prepared based on January to March results, which incorporates both a high scenario, which is mostly based on a CHO / HG / National service 'bottom up' outlook for 2023 and a low scenario, which is the result of the top down review and adjustment of the high scenario. The 2023 Q1 total forecast, excluding first charge of €185.0m, is showing that the revenue I&E outlook may be in the range of €1.7m High - €1.4m Low scenario.

The CFO advised the Committee that the draft revenue I&E financial position at the end of April 2023 shows a YTD deficit of €366.8m or 5.1%, of this €56.6m is driven by the impact of COVID-19 with the remaining €310.2m relating to core activity. The April YTD results are broadly aligned with the higher expenditure scenario and profile in the I&E Projection.



The Committee noted that a further cash acceleration of €150m was sought for May, mainly due to financial constraints arising from deficits in Acute Operations, and it is expected that up to an additional €836m cash will be required for 2023. The CFO advised the Committee of the sort of control measures that are ongoing through the Financial Control Framework and that the Department of Health and the HSE continue to work proactively to mitigate the financial risks in 2023. The Committee acknowledged the priority being given by management to those mitigation measures.

The Committee discussed agency conversion and the impact that this would have on the HSE budget whilst also allowing HSE employees employment security. The CFO advised the Committee that Finance and HR are actively pursuing agency conversion. The Committee also highlighted home supports core rates, and it was agreed that the CFO would review and advise the Committee if the forecast includes the new rate.

6.2 Health Budget Oversight Group (HBOG) – draft minutes of 17 May 2023

The draft minutes of the HBOG meeting of 17 May 2023, as circulated were noted.

6.3 C&AG Audit Cert

The Chair informed the Committee that the HSE Board re-approved the Final Draft Annual Financial Statements (AFS) 2022 and associated documentation at a special meeting on 23rd May 2023. The draft audit certificate at the time of Board re-approval indicated 4 emphasis of matter statements. Subsequently two issues arose which delayed the Comptroller & Auditor Generals (C&AG) signing and release of the audit cert, with the addition of a note on High Earners and an outstanding approval of capital.

The Committee noted that the final C&AG audit certificate was issued on 12 June 2023 and a combined Annual Report and AFS Submission was made to the Minister for Health on 13 June 2023.

The Committee questioned the inadequate monitoring and oversight of grants to outside agencies, which is mentioned in the C&AG Audit Cert and requested a list of organisations that have not signed these agreements, to which the CFO agreed to obtain from the Compliance Unit.

6.4 Special Legislative Accounts 2022

James Gorman, Unit Manager, HSE PPP Central Unit joined the meeting

The CFO advised the Committee that the HSE is required to prepare certain accounts under legislation, and presented the following Special Legislative Accounts 2022 to the Committee.



- Patients Private Property
- Hepatitis C
- Long Stay Repayments
- Long Stay Donations

The Committee noted the Special Legislative Accounts relating to Hepatitis C, Long Stay Repayments and Long Stay Donations and noted that the accounts had been submitted to the C&AG for audit on 1 June 2023, and once these accounts have been audited they will be brought back to the Committee for final review and recommendation to Board for approval.

The Committee reviewed and discussed the key figures in the 2022 National PPP Accounts and were advised that Crowleys DFK had completed their audit of the accounts and prepared the draft National Consolidated PPP Accounts and produced a Management Letter detailing their findings which was received by HSE on 30 May 2023.

The CFO advised that the C&AG Management Letter in respect of the 2021 PPP National Accounts was also received on 9 February 2023, and the issues raised are similar to Crowley's DFK audits and were already notified prior to the signing of the 2021 accounts. He advised that management responses had already been notified to the C&AG.

The Committee noted that the C&AG Audit will be carried out in August / September which will then permit the Committee to take a final view of the accounts before recommending them to the Board for approval.

6.5 Procurement Compliance Self-Assessment

John Swords ND Procurement and Miriam Acting AND, Corporate Procurement Planning & Compliance joined the meeting

The CFO presented to the Committee two papers

- i. Procurement Compliance Self-Assessment 2022 – Update following external verification of full year returns and analysis for 2022
- ii. Procurement Compliance Self-Assessment 2023 – Q1 Update

Procurement Compliance Self-Assessment 2022 – Update following external verification of full year returns and analysis for 2022

Further to the Committee meeting of March 2023 where a status update was provided for the full year 2022 "Procurement Compliance Self-Assessment" returns based on the closing extract of data from the Procurement Assessment Compliance Tool (PACT) taken on 20 February 2023. The Committee



noted that circa 29,000 invoices were assessed which exceeded the €25k threshold; 91% invoices were returned and 93% declared compliant.

The CFO advised the Committee that this data had now been independently verified by Grant Thornton, and now presented to the Committee the final report on the 2022 procurement compliance self assessment returns externally verified.

The Committee noted the findings suggested that the self-assessment of procurement spend was conducted in a robust manner with a low level of error detected where evidence was provided.

The ND Procurement advised that Grant Thornton agreed with the assessment of 98% of the value of returns for 2022 and made recommendations under three headings, people, process and technology.

The Committee discussed training which was included in Grant Thornton's recommendations and were advised that Compliance Training will be available on HSELand, but queried if this training should be mandatory for all budget holders, and also included as a question in the annual Internal Control Questionnaire.

Procurement Compliance Self-Assessment 2023 – Q1 Update

The CFO / ND Procurement presented a paper outlining the status update with regard to the Q1 2023 returns based on data received as of the 19 May 2023.

It was outlined that 7,541 invoices were assessed which exceeded the €25k threshold; 82% invoices were returned and 91% declared compliant. The Committee noted that the compliance rate of 91% for invoices greater than €25k for Q1 2023 remains broadly consistent with the overall compliance rate of 93% reported for 2022.

It was agreed that Procurement compliance returns will continue to be made and a further update will be provided of progress against Q1 and Q2 for the September ARC meeting, and included in the ARC Workplan for 2024.

ND Procurement and AND, Corporate Procurement Planning & Compliance left the meeting

6.8 High Earners Review - Consultants IA Report

The Committee reviewed and discussed two papers presented to the Committee in relation to the High Earners Review: an update on Action Plan in response to Internal Audit Report; High Earners Review - Consultants presented by the COO and Mike Corbett, Assistant National Director, Acute



Operations and the Internal Audit Report - Review of FY22 Position Action Plan of High Earners (2022 audit) presented by the ND IA.

High Earners Review: an update on Action Plan

The COO provided an update to the Committee advising that in response to the Internal Audit report High Earners Review - Consultants of 30 June 2022, which provided an “Unsatisfactory” level of assurance, the Executive Management Team (EMT) approved an Action Plan to address issues that were identified in relation to consultant pay compliance.

The Committee noted the high-level plan which set out a series of actions to improve the control environment and provide an indicative timeline for delivery. The timeline was subsequently revisited which resulted in some delivery dates extending into 2023, which was reported to the Committee in November 2022.

The Assistant National Director, Acute Operations provided an update to the Committee on the implementation status of the Action Plan and the progress to date. The Committee noted that there are:

- Registers of Local Arrangements in place across individual hospital sites and CHOs;
- Integration of Compliance monitoring into HG and CHO performance review process;
- Links have been established with key strategic programmes and initiatives in the HSE, including Recruitment Reform & Resourcing Programme, National Doctors in Training Programme and Integrated Care / CCO / NCAGL forums; These are essential to enable implementation of additional consultant capacity to reduce the dependency on small numbers of individuals.
- Comprehensive response to the follow-up internal audit report of 14th June 2023, including a detailed engagement with services on each of the 96 cases identified; Implementation of key recommendations included in the audit report; and Preparation of Management Response for inclusion in the final report.
- Hospitals have also been asked to focus in detail on all outliers to establish what further action needs to be taken.
- In response to questions from Committee members, management confirmed that one of the primary drivers behind high earnings in the HSE remains the shortage of consultant staff - particularly in relation to certain specialties (e.g. Radiology, Psychiatry, Emergency Medicine) and in certain geographic areas. There are a range of payments and allowances which have



the potential to increase remuneration significantly above basic pay as part of standard contractual terms and conditions. These include payments in respect of clinical directorships and on-call allowances, compensatory rest days, structured overtime and funded waiting list initiatives, etc. The primary reason behind these earnings remains the overriding requirement to maintain essential, critical services where significant vacancies or shortages exist. For example of the seven cases of highest earnings noted in 2022, six of these relate to additional commitments required to cover essential services (the remaining case relates to payment made on retirement). The HSE continues to apply every effort to actively recruit additional personnel to those services most affected by vacancies and shortfalls.

The Committee noted and welcomed the development of an enhanced quarterly monitoring process designed to support a more proactive approach to identifying emerging issues in-year, and will form part of the HG and CHO performance reviews for Quarter 2, 2023. The Committee recognised that there has been slippage against revised timelines in some areas of the Action Plan - notably in the development of consolidated, national review and reporting processes, but noted that there has been significant progress achieved to date in 2023 with the delivery of priority controls identified as critical to improving the overall governance environment.

The ND IA presented to the Committee Internal Audit's Review of FY22 Position and Action Plan from High Earners Review – Consultants dated 14 June 2023, a follow up report to the 2022 Internal Audit. The objective of which was to determine progress made by management in the implementation of the agreed Action Plan to address the findings in the prior year audit and to determine the position regarding remuneration packages of HSE employed Consultant Doctors earning €300K and above in the financial year 2022.

The Committee noted that audit findings of the review indicate that the level of assurance is LIMITED due to the limited progress made to date against the action plan.

The Committee reviewed and discussed the two reports presented, and highlighted their concerns that based on the follow up audit, the position had deteriorated since 2021, rather than improved. The Committee noted that the number of consultants earning over €300k in 2022 was 96, an increase of 28 or 41% from 2021. The remuneration of the highest paid consultant in the HSE rose from €758k in 2021 to €974k in 2022, an increase of €216k or 28%. The remuneration of seven of the 15 highest paid consultants increased by between 28% and 69% in 2022, and that there were 45 consultants who earned over €300k in both 2021 and 2022. The Committee deemed this situation to be wholly unsatisfactory and in need of urgent attention, as there may be patient safety issues as



well as financial ones. The Committee also stated their concern regarding possible Working Time Directive issues.

The Committee discussed that the key audit findings noted that 66% of those earning over €300k work in Acute Hospitals, 21% work in Community Operations and 3% work within Corporate National Services, and that in Acute Hospitals, University Hospital Waterford had the most consultants earning above €300k, accounting for 21% of those in the scope, and were advised of recruitment issues in the Hospital which are being addressed. The Committee asked if there would be merit in assessing the current definition of a high earner. Management agreed to consider this with IA as the current threshold brings some people on relatively standard arrangements into scope, particularly in the context of the new public only contract.

In relation to the Action Plan, the Committee noted that the Committee's expectations had not been met on its implementation and that the management report should include more detail and narrative on the challenges faced and actions being taken. Further the RAG rating of predominantly green in the COO's update did not corroborate with the Limited level of assurance outlined in the Internal Audit report.

Management explained that the actions related to the control environment and that the actual reduction in the number and nature of high earners is in part contingent on long lead times for additional consultants. The Committee requested that the report be brought back to the ARC meeting in September, setting out more detail on the specific exceptions, service implications and any additional actions to mitigate the number and remuneration of high earners.

7. A.O.B

There was no further business. The Chair thanked Committee and EMT members. The meeting ended at 12.43pm.

Committee members held a private discussion.

Signed:

Brendan Whelan
Chairperson

Date: 14th July 2023