



Feidhmeannacht na Seirbhíse Sláinte  
Health Service Executive

## HSE Audit & Risk Committee Meeting

### Minutes

A meeting of the HSE Audit & Risk Committee was held on Friday 15 May 2020 at 08:30 via teleconference.

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

HSE Executive Attendance: Paul Reid (CEO) (item 3), Stephen Mulvany (Chief Financial Officer), Geraldine Smith (National Director Internal Audit, Patrick Lynch (National Director Quality and Assurance) (item 4), Eithne O'Sullivan (item 4), Mairead Dolan, Fran Thompson (Chief Information Officer) (Item 7), Michelle Galvin (item 7.1), Charlene Frazer (Deloitte) (Item 7.1), David Kinsella (Deloitte) (Item 7.1), Paul de Freine (Item 6) Dara Purcell (Secretary), Hannah Barnes.

Apologies: D. Sullivan

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

## 2. Governance and Administration

### 2.1 Welcome and Introductions

The Vice Chair welcomed Committee members to the meeting and in the absence of executives, held a private session to consider the agenda and papers for the meeting and the approach to conducting the meeting. Ann Markey agreed to chair for the duration of this meeting.

### 2.2 Conflicts of Interest

No conflict of interest was declared.

### 2.3 Approval of Minutes

HSE Executives joined the meeting at this point. The minutes of previous meeting held on 8th April 2020 were agreed for signing by the Acting Chair.

## 3. Controls and Risk Environment

The CEO joined the meeting and discussed with the Committee the key financial and risk controls and audit compliance issues across the organisation which emerge from the CAG audit of Annual Financial Statements, from Internal Audit reports, the controls assurance process and the review of the

corporate risk register. The CEO outlined his perspective of the organisation since he took up the role as CEO which has coincided with introduction of a new governance structure within the organisation and more recently the challenge of the COVID-19 Crisis. The CEO's view is that progress has been made to improve stakeholder relationships and better engagement across Government departments., A key governance focus for the CEO had been the disconnect between the corporate centre and the delivery of operational services in Hospital groups and CHOs. However, the single focus for the last few months had been on the COVID crisis response.

Progress to improve governance and controls had been made last year. This was managed through a number of initiatives such as the introduction of tighter financial governance, the introduction of recruitment controls, and the commencement of performance management processes.

The CEO confirmed that throughout the roles he has previously held Risk and Controls were an integral part and he felt that these must become part of day to day management processes to be fully embedded within an organisation. The CEO updated the Committee on the work being done to develop an improved accountability framework through the organisation noting the governance in the organisation is not streamlined.

The CEO discussed the work carried out by the EMT and the Committee on the HSE's Corporate Risk Register (CRR) which has resulted in a more comprehensive and strengthened risk register. The committee were told that the COVID-19 pandemic has led to some changes however work has been carried out in reflection of this and COVID risks have now been embedded into the CRR. One of these risks is the position of getting services back up and running during the current crisis in particular cancer services and screening services. The CEO also highlighted the duty of care to staff within the organisation who are dealing with unprecedented circumstances. The Committee discussed with the CEO the importance of compliance with controls throughout all levels within the HSE, the importance of governance linking corporate management with operational services, and the need to measure the risk appetite of the organisation. It was agreed that, although good work has been done in the area of risk there is further work to be carried out including better communications with the public and key stakeholders of the risks that the organisation must manage on an on-going basis.

The V/Chair thanked the CEO for his time and noted the excellent work being done by the executive members around financial controls, risk management and internal audit all designed to improve the controls environment.

## **4. Risk Management**

### **4.1 Update on Protected Disclosures**

P. Lynch and E. O'Sullivan provided a briefing to the Committee on the operation of the Protected Disclosures policy and procedures in the HSE and funded agencies. All Executives (except G. Smith) and members of the secretariat left the meeting for this item.

### **4.2 Update on EMT Corporate Risk Meeting**

P. Lynch reported to the Committee on the first stage of the quarterly review of the Corporate Risk Register which was conducted by the EMT during the last week of April and first week of May 2020. The EMT review had considered the current risks on the Corporate Risk Register and the impact of COVID 19 on these risks was a particular consideration. The EMT sought to identify significant additional risks that have emerged for the health service since the emergence of COVID 19 in Ireland

The EMT met on the 7th May 2020 to review the output of the first phase of the quarterly CRR Review. In particular they considered a number of new strategic risks resulting from COVID 19, as well as the other current corporate risks and the significant impact COVID 19 has had on these risks.

Following a discussion of a number of actions particularly changes to the descriptions of current risks on the CRR to reflect the reality that COVID 19 has had a significant impact on the risk profile of most of the current corporate risks, the Committee noted that the corporate risk descriptions will be updated by the EMT following the decisions taken at its meeting on the 7<sup>th</sup> May 2020. Risk assessments for new risks and reassessments of existing risks will be completed.

P Kirwan noted the remit of the Clinical and General Indemnity scheme had been extended significantly to cover changed work practices and indemnities during the COVID 19 response and this is a significant risk for the HSE due to potential significant claims emerging in the future. The Committee requested this be considered in the context of the revised CRR and that the final draft CRR be submitted for consideration at its June meeting.

## **5. Financial Matters**

### **5.1.3 Private Nursing Home Liability**

The Audit and Risk Committee had requested a briefing on how the HSE are supporting private nursing homes in the current COVID-19 environment and on what basis the HSE is getting involved and what risks and potential liabilities have been considered. M. Dolan provided the committee with an overview of the ways in which the HSE is supporting private Nursing homes in the current COVID-19 environment. Staffing has been one of the main aspects affected by the crisis which has resulted in

the HSE facilitating support mechanisms including the provision of agency staff to these private nursing homes. Each CHO area has a crisis management team in place to provide support to long term residential care facilities who request assistance.

The CFO responded to questions regarding the contractual relationship between the HSE and Private Nursing Homes saying that as the HSE has no contractual basis for taking over a private facility the HSE only provides these interventions with the express consent of the operator. M Dolan confirmed after detailed discussions between HSE staff, the agencies and their insurers it was confirmed that their own insurances (which are in the main funded by the HSE grants) would operate as normal and would cover the staff and the agencies in the event of future litigation.

When a HSE staff member is redeployed to one of the facilities they are indemnified under SCA. It is a priority that staff are adequately trained and protected.

The Committee considered the risks of increased future liability in respect of litigation. The CFO informed the committee that a lot of support has been received from the State Claims Agency but noted currently state indemnity does not extend to S39 and for profits organisations

It was noted that if the HSE has to take over the running of some nursing homes this will be a significant operational challenge.

The need to strengthen the insurance role within the Finance division was discussed and the CFO and M Dolan have agreed to consider what is needed going forward.

### **5.1 YTD Expenditure March 2020 & 5.1.1 COVID-19 Expenditure Tracker**

The CFO presented the Summary Finance Report to end March. He informed the Committee the March month end is the first view of the initial financial effect of the COVID-19 planned responses on the overall financial outlook. A weekly COVID Flash report has been produced to assist in providing an early insight into key COVID expenditure areas. However, not all of the COVID-19 expenditure was directly captured in the first month of reporting and work is ongoing, particularly to identify expenditure within the voluntary sector. On a 'run-rate' basis, the deficit in Acute Hospitals would have risen to approximately €45m by the end of Q1; therefore, the exceptional element in the month of March is further growth of €29m to get to a total deficit of €73.6m. This is being explored with Hospital Groups. The reduction in income generation within hospitals is expected to be directly related to COVID-19 and is being analysed in addition to the total quantum of non-achievement of savings to

the end of March. The YTD deficit in support services includes €38.1m in relation to the procurement of medical supplies and equipment relating to COVID-19.

The Committee emphasised the need to ensure reporting of COVID and non COVID expenditure separately for the remainder of the year noting the COVID-19 tracker is currently circulated to DPER and the DoH on a weekly basis and requested that information on the Health Budget Oversight Group (terms of reference, minutes, membership) be provided to the next meeting of the Committee.

The Committee will report to the May Board meeting on its oversight of financial performance to date noting the HSE's financial position to the end of March 2020 shows an adverse variance and it is expected that supplementary funding will be required due to the impact of COVID response on expenditure.

### **5.1.2 Private Hospital Agreement**

The CFO presented the paper on the Private Hospital Agreement to the committee which outlined the changing estimates for the Private Hospitals programme since the initial plans in March 2020 and the key risk areas for the programme in relation to cost control. He set out the basis on which the initial estimates were calculated. He informed the Committee that as of 8th May 2020, no actual cost submissions have been submitted by PHs for the first month of the arrangement (i.e. April – due 7th May). The first actual cost submissions are the actual costs for April, are expected in mid-May. This will enable an analysis of the actual cost run rate of PH programme.

He advised that the DoH were involved in the assessment of the estimated and that the estimates included a wide range of items such as owner's debt, pensions, and VAT. Despite the affordability issues the CFO emphasises that the overall priority was to secure capacity for the occurrence of a surge due to the COVID-19 pandemic.

The Committee considered the occupancy and capacity targets for the private hospitals noting the initial financial estimates reflect an 85% occupancy rate used across PHs. The CFO informed the committee that the current occupancy in Private Hospitals in April was estimated at 36%. Data for early May indicates that the overall inpatient occupancy has increased to 43%. Day Case bed occupancy in Private Hospitals is at 82% for early May.

The Committee discussed the considerations that will inform whether to extend the duration of the agreement noting the Executive Management Team, and Board, are assessing the current

arrangements with a view to providing a recommendation to Government during the week of 25 May 2020, regarding the next phase of the agreement.

#### **5.1.4 Section 39 Organisations – Approach to financial impact from Covid-19**

The CFO briefed the Committee on the approach in considering the financial challenges of s.39 Agencies due to COVID-19. The programme was agreed upon in order to provide a structured governance process and modus operandi through which s.39 partners experiencing financial difficulty due to COVID-19 can engage through the HSE to provide continuity of essential services. Under this process there is provision for a structured approach of financial analysis, service analysis including activity and costs, the range of services provided and their locations across CHOs as well as an analysis of Service Risk.

The Committee noted the approach is based on individual organisations and suggested a sector wide approach would be better to allow for consolidation of organisations if appropriate within a sector. The CFO informed the Committee that this approach is aimed to prevent the immediate collapse of services within the sector. A wider sector look and the sustainability of the sector overall can be considered as a medium term response.

Additionally, the CFO briefed the committee relating to a contract for the supply of ventilators. After the order was placed additional checks were carried out by the procurement team. No payment was made, and concerns were raised with the Health Care Product Authority. The matter is now in the courts and was not a matter for consideration under the Fraud policy.

G. Smith advised that the HSE's fraud policy was last reviewed in 2015 and the EMT is now looking to update it to reflect new governance arrangements.

Actions:

- Circulate ToR for Health Budget Oversight Group to committee - CFO
- Discuss dates with CFO for s.39 piece of work on financial profiling of sector – CFO / V. Chair

## **7. Internal Audit**

### **7.1 ICT Audit – Deloitte**

C. Frazer and D. Kinsella of Deloitte presented to the committee on the key HSE ICT Audit findings and highlighted the key ICT risks for the HSE. In 2019, 13 ICT audits were undertaken across 5 divisions in the HSE. 5 Audits are ongoing and for those completed the audit opinions were generally limited or

unsatisfactory. One audit opinion was adequate. The Committee considered the key HSE ICT Audit findings that had emerged from the audits.

G. Smith said that there are concerns over the unsatisfactory audit opinions although significant progress has been made with the OCIO to manage and address recommendations. F. Thompson said that his office welcomes the work of the Internal Audit unit and tries to ensure to remediate issues promptly, beginning with the high levels. He also highlighted work being carried out on an ongoing basis to mediate these risks.

Actions:

- Going forward IA reports on ICT to show effects of recommendations on patient safety – G.Smith / Deloitte
- Session for Committee on procurement practices and processes during C.19 pandemic - Procurement
- Report on outstanding 2018 recommendations – G. Smith
- Table Q1 IA reports for September meeting along with Q2 reports - G. Smith
- Provide a paper on the ICT Landscape and Resources and migrations/actions to improve the IT environment - CIO

## **6. Capital**

### **6.1 Children's Hospital – Governance Relationship and Financial Update**

In the absence of the Chief Strategy Officer P. de Freine provided the committee with an update on the governance structures of the New Children's Hospital project and the impact of COVID-19 on the project. The HSE remains the principle funder of the project. As the committee previously hear, following the PWC review changes to the governance structure were recommended. Since then discussions with stakeholders have taken place and the new governance arrangements are essentially agreed. The formal implementation of this arrangement now requires submission of a memo to the Government for endorsement.

Due to COVID-19 the main contractor BAM has closed the site to construction as well as the additional satellite site in Tallaght. It remains unclear as to when work may recommence on these sites however there is a likelihood that additional costs will arise in the context of the large number of claims made by the contractor which are going through a dispute resolution process under the contract and therefore as yet unresolved and unquantified. High Court proceedings have been lodged by NPHDB against BAM in relation to their challenge to the Phase B Instruction. These proceedings have been

fast tracked and have been accepted by the Commercial Court. P. De Freine clarified that the Development Board did not instruct the contractor to suspend construction work on site – BAM decided to do so in line with Government Activity. The CFO stated that better integration within the governance structure will allow for improved management of finances for the project.

## **7. Internal Audit**

### **7.2 Internal Audit Report**

G. Smith provided an update on the work of the Internal Audit unit confirming that she expects a resumption of some activity over July and August with significant resumption then occurring in September. It has been necessary to realign the Audit Plan due to COVID-19 and the emerging risks.

### **7.3 IA Report Q1**

G. Smith reported to the Committee on the 37 HSE audit reports that were issued within Q1 2020 of which 12 were follow up audit reports and one was an audit of a funded agency. Within these batch of reports there were 198 recommendations made of which 20% were rated High, 63% rated Medium, and 17% were rated as adequate. The committee was informed that tracking has not been carried out for Q1 but will resume for Q2.


G. Smith confirmed that the current pandemic has showed that there are different ways of working and this will be incorporated into the plan for moving forward and resuming the audit plan for September.

It was agreed that Procurement will be requested to present to the Committee at a future meeting on its COVID-19 experience including, the controls and processes that have been put in place in light of the COVID-19 Activity.

It was also agreed that the report on the status of the 2018 outstanding recommendations would be covered at a future meeting of the committee.

## **8. Any Other Business**

Meeting concluded at 13:05 with a discussion among members in the absence of HSE Executives.

Signed:   
A/Chairperson

12/06/2020

Date