



Public Accounts Committee Meeting

December 15th 2011

Opening Statement

by

Mr Cathal Magee

**Chief Executive Officer,
Health Service Executive**

Good morning Chairman and members of the Committee. Thank you for the invitation to attend the Committee and discuss matters arising from two chapters of the C&AG's annual reports - Chapter 37 of the 2009 report and Chapter 41 of the 2010 report which have been the subject of discussion at the PAC meetings dated 7th October and 16th December 2010.

The following reports have been submitted to the PAC by the HSE:

- HSE internal audit report on the SKILL Programme – issued on the 8th June 2010
- HSE internal audit report on SKILL Procurement – issued on the 6th December 2010
- HSE internal audit report on SKILL relating to Backfill Contributions and Activity Data – issued on the 6th December 2010
- HSE internal audit report on the HSNPF – issued on the 9th December 2010
- Report by Turlough O’Sullivan into overseas travel by HSE staff – issued in November 2010.

As requested by the Committee, the following additional information has been prepared and provided to the Committee;

1. A copy of the Ernst & Young Report on its VFM review of the SKILL Programme - issued in February 2011
2. A joint analysis prepared by the Department and the HSE on the totality of funding for the SKILL and the Partnership Programmes
3. A recently completed HSE Internal Audit report into the Health Service National Partnership Forum (HSNPF) on changes which were made by

HSNPF in 2005 to procedures in respect of payments made to Trades Unions under the Action Plan for People Management (APPM).

Since the previous Committee meetings, SIPTU published, in March 2011, its Trustees' investigation into the SIPTU National Health and Local Authority Levy Fund.

Following on from the various Internal Audit reports, a total of €973,177 has been refunded to the Exchequer. This comprised the balance of monies in the SIPTU National Health and Local Authority Levy Fund bank account in March 2011 of €697,894 and amounts totalling €275,283 refunded to HSE by four other unions, in respect of APPM (Partnership) funding.

Joint Analysis

As requested by the Committee a joint analysis has been prepared of the totality of the funding for the SKILL and Partnership Programmes. This analysis is based on all information available to us from a number of different sources. It sets out, as far as it is possible for us to ascertain, the transactions relating to these funds. The analysis also highlights where we have been unable to fully validate items which were routed through the SIPTU National Health and Local Authority Levy Fund.

HSE requested further information from SIPTU in relation to the SIPTU National Health and Local Authority Levy Fund. However, it was not in a position to provide the HSE with the information requested. The information required by the HSE is detailed in the appendices accompanying our joint analysis.

Health Services National Partnership Forum (the HSNPF)

The HSE Internal Audit report dated 9th December 2011 identified a clear breakdown in HSNPF's financial controls arising from undocumented changes in its APPM funding procedures from late 2005 to 2008, which resulted in HSNPF paying APPM monies in lump sums to SIPTU without adequate vouching.

The HSE Internal Audit reports into this matter identified that un-vouched amounts totalling €750,000 were paid in four lump sums to the SIPTU National Health and Local Authority Levy Fund, some of which were then subsequently paid by the SIPTU National Health and Local Authority Levy Fund to other trades unions. SIPTU has stated that the bank account into which this funding was paid was not an authorised account of the union.

The internal audit concluded that the change in HSNPF's financial procedures resulted in a situation whereby the HSNPF was unable to account for its disbursement of lump sums totalling €750,000 in Exchequer funds to the SIPTU National Health and Local Authority Levy Fund. This is completely unacceptable in terms of control and governance.

Many of the governance issues and controls weaknesses that emerged in the audit reports arise from the nature of this Partnership operating model – existing as it did – as a satellite entity and a non-statutory body acting outside the mainstream management and organisational control system. Breaches of governance included:

- The executive role played by the Joint Chairs
- Payments authorisation processes, and
- A lack of adequate vouching for transactions.

The HSE has now subsumed both the SKILL and HSNPF programmes within the HR directorate of the HSE, ensuring that appropriate governance and accountability oversight is now in place.

The HSE has also taken appropriate steps required to ensure comprehensive compliance with its regulations in relation to payment, travel and procurement and to address in full the recommendations of Internal Audit and the C&AG to ensure that these failures do not recur.

I would like commend the detailed investigative work conducted by the HSE's Internal Audit, at the request of HSE National HR Director, which uncovered these control breaches in both the SKILL Programme and the HSNPF.

This concludes my statement and together with my colleagues we will take any questions that you might have.

Thank you, Mr Chairman.