

**Joint Analysis by Secretary General of the Department of Health and CEO of
the Health Service Executive on totality of funding for SKILL Programme and
Partnership Programme**

Background

1. Chapter 37 of the 2009 Annual Report of the Comptroller and Auditor General published on 15 September 2010 dealt with the SKILL Programme, a training and development programme for support staff employed in the public health sector. This followed on from an internal HSE audit of SKILL Programme Administrative Expenditure, which was finalised in June 2010. The HSE subsequently conducted three separate internal audits of Backfill Contributions and Activity Data under the SKILL Programme, of Procurement under the SKILL Programme and of the Health Services National Partnership Forum (HSNPF). Reports of those audits were published in December 2010.
2. The Department of Health undertook a review of participation by departmental officials in foreign study visits associated with SKILL and management-union partnership activities. The report of this review was finalised in October 2010. The Department of Finance conducted an internal audit of travel expenditure incurred by that Department on SKILL related travel undertaken by one of its officials. The HSE also asked Mr Turlough O’Sullivan to conduct an independent investigation into SKILL related foreign travel undertaken by HSE employees and his report was submitted in November 2010.
3. The various reports at 1 & 2 above have been submitted to and considered by the Committee of Public Accounts as part of its ongoing examination of SKILL programme expenditure.
4. In addition, the HSE commissioned Ernst & Young to carry out a Value For Money review of the SKILL Programme and this report was produced in February 2011. In March 2011 SIPTU produced and published a report of its enquiry into the establishment and operation of the SIPTU National Health and Local Authority Levy Fund (hereinafter referred to as the SIPTU Levy Fund).
5. At the request of the HSE’s Audit Committee and CEO the HSE made a complaint to an Garda Síochana regarding the payment of €2.353m from the SKILL Programme to the unauthorised SIPTU bank account- the SIPTU Levy Fund.

SKILL Programme

6. Funding for the SKILL programme has its origins in a Labour Court Recommendation (No. LCR 17632) dated 17 October 2003 which contained the following provision:

Training and Development

A discreet training fund of €60m over 5 years will be established. The fund will be a set amount (not index linked) and will cover the years 2004-2008.

Thereafter a fund of €12m (index linked) will be provided on an annual basis.

An independent review of the operation of the T&D initiative will be undertaken after three years.

- 7 Chapter 37 of the C&AG's 2009 Report states that the SKILL programme and related activities is estimated to have cost €47m in the period 2004-2009. The vast bulk of this expenditure (€43.759m) related to external training costs (€15.733m) and to internal training costs (€28.026m). The latter included backfilling grants associated with the release of staff to participate in the programme.
- 8 Annual grant payments to SIPTU from 2006 to 2009 amounted to a total of €1m. The C&AG's Report also identified earlier payments to SIPTU in 2004 and 2005 amounting to €0.535m. Thus, the total amount paid to SIPTU between 2004 and 2009 was €1.535m. In addition, SIPTU received reimbursement of costs payments of €348,322 between 2004 and 2009.

Earlier Payments to SIPTU

- 9 Prior to the establishment of a dedicated fund for the SKILL programme, the Department of Health had issued various funding sanctions for the training of support staff and for partnership initiatives involving SIPTU Health Division. This was against the background of the highly adversarial industrial relations climate which existed in the health service and the considerable investment made in the training and career progression of nurses, allied health professionals and non-consultant hospital doctors. There was ongoing Ministerial support for these partnership and training programmes, and the various funding sanctions issued by the Department were informed by that support.
- 10 In addition, in both 2002 and 2003, once-off funding of €2m was allocated specifically for the training of health care assistants under a new pilot programme (Health Care Support Certificate FETAC (NCVA) Level 2). (None of this €4m funding was paid to SIPTU). This programme was developed in response to a recommendation contained in the Report of the Commission on Nursing (1998) relating to the more effective utilisation of the professional skills of nurses and midwives through upskilling support staff (health care assistants) to take on some of the duties historically undertaken by nurses. Since the establishment of the HSE in 2005 and the provision of a dedicated SKILL fund, health care assistant training has been sourced out of that fund.

Health Services National Partnership Forum

- 11 The Health Services National Partnership Forum (HSNPF) was established in 1999. It was funded by the Department of Health up to 2004. Since 2005 it has been funded by the HSE. Between the period 1999 and 2010 the total grant funding to the Forum was €39.5m. In addition, between the period 2003 and 2008, it received funding under the Action Plan for People Management (APPM) totalling €1.555m for national initiatives under that plan.
- 12 The grant funding of €39.5m was expended on grants to partnership committees, support for national and local partnership projects, payment of salaries of staff employed by the Forum and related administration costs. The HSE internal audit of the Health Services Partnership Forum found that payments to trade unions under the APPM fund amounted to €1.008m. Some €0.925m of this was paid to the SIPTU Levy Fund, including four payments totalling €0.750m following an undocumented change to the process governing this fund. Following the internal audit €0.275m of the €0.925m has been refunded to the HSE by the other unions concerned. This funding was for the training of trade union personnel under the APPM, and it was first provided in 2004 in response to a conjoint submission from the health service unions, by the DOH. The funding was administered by the Health Services National Partnership Forum on behalf of the unions and, up to the end of 2005, payments were made by the Forum on the basis of receiving and validating union claims for grants.

Foreign Travel

- 13 Participation by public officials in management/union overseas study visits associated with the SKILL Programme and/or partnership has been the subject of three separate reports.

- ***Department of Health Officials***

The report prepared for the Secretary General of the Department of Health showed that 5 serving and 1 retired officials participated in a total of 10 overseas study visits between 2003 and 2009, and that the total cost of subsistence paid by the Department was €6,290. Air flights and hotel accommodation (room only basis) was paid for out of the SIPTU Levy Fund. The officials who participated in those visits did so with the prior approval of their line managers. The visits were relevant to the problems being addressed within the Irish health service at the time, and the joint management/union composition of the delegations reflected the then policy of developing and supporting a partnership approach to organisational change.

- ***HSE Officials***

Mr Turlough O'Sullivan was commissioned by the HSE to investigate all foreign travel undertaken by HSE staff and paid for out of the SIPTU Levy Fund. HSE HR circularised HR staff to identify those staff who had participated in overseas trips and this process identified 12 staff members.

Mr. O'Sullivan conducted a series of face-to-face interviews with 11 of the 12 HSE officials and his conclusion, from the evidence provided to him from those individuals, was that "the study visits seem to have been comprehensive and worthwhile." Mr O'Sullivan was unable to interview one former retired HSE official.

- *Department of Finance Official*

The Department of Finance conducted an internal audit of that Department's involvement in the HSE SKILL Project. It established that one of its officials participated in a number of overseas visits connected with SKILL and with other purposes. Costs for the majority of this foreign travel were not paid for by the Department, and the official concerned confirmed to the auditors that flights and accommodation for foreign trips had been paid by SIPTU on his behalf.

Ernst & Young Value for Money Report (February 2011)

- 14 Ernst & Young (EY) was commissioned by the HSE to examine the value for money of the SKILL Programme. Central to the EY review is the issue of programme effectiveness i.e. how well the outputs achieve the required outcomes. In carrying out its examination they focussed on the efficiency and effectiveness of the programme.

- Main Conclusions EY report

EY found that the SKILL programme has achieved a significant amount in terms of assisting support staff to build confidence and gain new skills. Reviewing the cost base EY identified that the average cost of €5,559 per participant for training was broadly similar to, or better than, private providers and that the average cost per graduate was €7,128.

However, the overall EY analysis is that the SKILL programme as was then structured did not provide value for money. There was not always a linkage between the learning on the one hand and such issues as team functions, organisational performance and corporate strategy. Where this link existed the programme appeared to contribute to improved performance. EY considered that the programme will not provide value for money until this link is in place in all instances.

They also identified opportunities to improve value for money by focusing on increasing the average class size and supporting participants to transfer their learning to the workplace and to graduate within a year.

EY also made a number of recommendations with regard to Management of the Programme; Improving Efficiency; and Improving effectiveness.

The HSE is in the process of implementing the recommended changes.

Report of SIPTU Enquiry (March 2011)

15. The HSE Internal Audit report issued in June 2010 raised significant concerns that the SIPTU Levy Fund appeared to be an unofficial account within SIPTU and that some of the funding was used for some 31 overseas trips for senior officials from the HSE, Departments of Health and Children and Finance as well as Union personnel.
16. Following the release of the findings of the HSE internal audit report the trustees of SIPTU established a sub-committee to enquire into the assertions made by the HSE to the effect that €2.353million had been paid into SIPTU.
17. On 25 March 2011 SIPTU's National Trustees Sub-Committee published the report of its enquiry into the channelling of State funds into a bank account (the SIPTU Levy Fund) in relation to the SKILL Training Programme and Health Service and Local Authority Partnership funding. (Please see Appendix 1).

According to the SIPTU Report:

- The Bank Account

A Bank account in the name of "*SIPTU National Health and Local Authority 'Levy Fund'*" was opened at the Bank of Ireland, O'Connell Street on or about 3 December 1998. The bank's detailed records of transactions on the account were not available prior to 2001.

- Summary of Bank Account Details for period January 2001 to 18 March 2011

Opening Balance	€100,472
Lodgements	€4,493,796
Payments	€3,896,374
Balance at 18 March 2011	€697,894

- Sources of Funds

The SIPTU reports states that the following are believed to be the principal sources of lodgements to the bank account

Office of Health Management/HSE	€2,174,360
National Partnership Forum	€943,751
Local Government Management	
Services Board (LANPAG)	€788,703
Beaumont Hospital	€100,000
Miscellaneous Receipts/rebates	€347,086
Refunds from individuals	€139,896
Total Lodgements	€4,493,796

The SIPTU report states that travel and associated costs disbursed by way of the SIPTU Levy Fund accounted for approximately 13.9% of total expenditures (11% when reimbursements are taken into account).

It was not possible to apportion this expenditure between the three different sources of funding. Thus, it is not known how much (if any) of the annual grant sanctioned by the Department of Health was used to fund overseas visits.

On 29th June SIPTU refunded the balance in the SIPTU Levy Fund of €697,894 to the Exchequer.

• Payments from the Bank Account

According to SIPTU a substantial proportion of the payments from the account were for the delivery of training courses (in Ireland and in the UK) and the provision of training facilities. In general, the Report states that there is a strong bias in the totality of cheque payments towards the discharge of a range of training and up-skilling activities which SIPTU believes is consistent with the wishes of the grantees. Specifically, the SIPTU Levy Fund:

- engaged with universities and training centres abroad including supporting travel to such centres;
- supported a specific Masters in Nursing programme in TCD by way of scholarship;
- provided grants to a number of SIPTU members to pursue further education;
- made payments to other trade unions for training and development purposes;
- made payments to suppliers of merchandised materials which supported the SKILL programme;
- made charitable donations; and
- engaged in foreign trips/study visits.

18. Since September 2010 HSE has endeavoured to obtain supporting documentation from SIPTU in respect of the transactions in the SIPTU Levy Fund. While the SIPTU report of March 2011 outlined at a very high level the various types of income and expenditure contained in the SIPTU Levy Fund, it did not provide the total amount spent/received in respect of all of the categories of income/expenditure referred to in the report. For example reference was made in the SIPTU report to some categories of expenditure but the expenditure amounts were not stated (e.g. bank drafts, educational support grants, promotional products, consultants, and shop steward training costs). Similarly, details of the number, costs and destination of trips or details of refunds of travel costs were not provided in the report. This lack of detail made it difficult to understand, analyse and reconcile SIPTU's findings in order to come to any accurate conclusions regarding the funding that went into the fund. On receipt of the SIPTU report HSE sought clarification and further information from SIPTU about a number of details in the report and requested SIPTU to provide a full listing of the categories of expenditure (including the total amount disbursed under each category) and full details of income receipts. SIPTU was not in a position to provide the information requested by HSE. (Please see Appendices 2 to 6).

Comprehensive analysis of SIPTU Levy Fund transactions

19 HSE has collated information from various sources in order to ascertain, as far and as conclusively as possible given the limitations of the available information, the extent of the income and expenditure and the activities funded by the SIPTU Levy Fund. The sources of information were the (i) HSE Internal Audit on SKILL Expenditure, (ii) evidence provided to the PAC by DOH&C and D/Environment, (iii) information from DOHC, (iv) records from the Office for Health Management, (v) HSE Internal Audit on Health Services National Partnership Forum and (vi) the SIPTU Report. **Please see Appendix 7** where we have set out a detailed analysis of the income and the expenditure on the SIPTU Levy Fund. This analysis represents the full extent of the transactions that HSE has been able to identify as we do not have full visibility of the detailed transactions on the SIPTU Levy Fund. We have at this stage exhausted the process of our enquiries into these transactions with the authority that we have.

20. In summary this analysis has identified the following:

From November 1998 to March 2011

• Known receipts into the SIPTU Levy Fund	€5,057,896
• Known expenditure from the SIPTU Levy Fund	€2,742,209
• Balance refunded to the Exchequer	€ 697,984

Expenditure amounts for which no values are stated in the SIPTU report include:

- Educational Support Grants
- Foreign Currency Bank Drafts
- Shop Steward Training
- Consultant's payments
- Promotional Products

In addition to the known income sources the analysis identifies that, because the SIPTU report identified that detailed records of transactions prior to 2001 were not available to it, it is possible that there may be other sources of income during the period late 1998 to 2001 - for example, other cost reimbursements, other refunds, and other funding sources.

Regarding the number and destination of foreign trips funded from the SIPTU Levy Fund, a total of 40 known foreign trips have been identified.

Travel arranged and funded by Health Services National Partnership Forum (HSNPF)

21. In addition to the 40 known foreign trips funded from the SIPTU Levy Fund (as referred to above) 16 trips were also arranged and paid for by HSNPF. These were properly reflected in the records of the HSNPF.

Sanction and Authorisation of expenditure

22. Details of Departmental approvals of grant funding were given by the Secretary General to the Public Accounts Committee on 14 December 2010, a summary of which is set out in the attached schedule (**please see Appendix 8**) As previously confirmed to the Committee these grants were sanctioned appropriately.
23. SKILL payments were authorised by the SKILL General Manager (Mr Alan Smith). HSE's Internal Audit reports on the SKILL programme identified instances where the approval of payments did not comply with HSE's financial procedures.
24. HSNPF made 13 payments in respect of grants under the Action Plan for People Management. All, except 1, were authorised by the Director (CEO) of the HSNPF, Mr Larry Walsh. Four of these payments were not in accordance with the HSNPF's established procedures for disbursing these trades unions' APPM funds.

Refunds to the Exchequer/HSE

25. A total of €973,177 has been refunded to the Exchequer/HSE to date. This comprises €697,894 refunded by SIPTU being the balance on the SIPTU Levy Fund and €275,283 refunded to HSE by other unions following on from the HSE's internal audit of the HSNPF.

Summary

26. It appears that over the period 1998 to 2009 the total funding received by SIPTU from the health sector amounted to some €3,680,985. In total €86.502m was provided for the SKILL programme and the Health Services National Partnership Programme, being €47.053m to SKILL in the period 2004 to 2009 and €39.339m to HSNPF in the period 1999 to 2010).
27. The controversy surrounding payments to SIPTU should not detract from the merits of the SKILL Programme itself which, notwithstanding the concerns expressed in the Ernst & Young report, has provided support staff with a solid training framework for career development leading in turn to improved services to patients by enhancing the skills of the health service workforce. To date, more than 7,000 staff have been trained under the programme. The availability of the programme is particularly relevant today in the context of reducing staffing and other resources, and the need to optimise the skills and effectiveness of the entire health service workforce, in order to protect services to patients and clients.

28. The Department of Health accepts the Comptroller and Auditor General's finding that the terms on which the funding for SIPTU Health Division was made available by the Department was not clear and did not adequately inform the Office for Health Management or the HSE about the outputs expected.
29. The Department also accepts that the decision in December 2004 to use some of the SKILL funding to meet the cost of the ongoing annual grant to SIPTU served to confuse matters further.
30. The Department further acknowledges that it should have been more vigilant in relation to ensuring that the governance framework for the SKILL Programme, which was developed by the HSE and signed off by the SKILL Steering Committee in June 2005, was actually implemented. While the framework might have been imperfect, its implementation in 2005 would have put the HSE in a position to deal then with issues relating to SKILL administrative expenditure that only surfaced in 2009 as a result of its own internal audit.
31. The HSE accepts that, notwithstanding the lack of clarity around the terms of the annual grant, it had accounting responsibility for the disbursement of the funding from 2005 and that it should have sought clarity from the Department on the issue and satisfied itself about adequate controls, validation and value for money.
32. Both the HSE internal audit and the C&AG report on the SKILL Programme found general breaches of the HSE's own financial regulations and controls in areas such as improper procurement processes, inappropriate use of taxis, and non-adherence to recruitment and pensions procedures. In order to ensure proper governance and accountability, the HSE has taken the following measures:
 - all of the SKILL accounting functions have been centralised and amalgamated into the main financial systems within the HSE
 - the operation of the SKILL programme has been relocated to the corporate head office of the HSE and mainstreamed into the HR Directorate
 - a full value for money review of the SKILL programme was completed, and the outcome of that review has informed the future approach to the programme.
33. The HSE internal auditors also identified weaknesses in the governance and control of the Health Services National Partnership Forum. In order to address those weaknesses, the HSE has closed down the separate bank accounts of the HSNPF and has subsumed all accounts payable functions into the mainstream HSE financial control systems. In addition, responsibility for the operation of the HSNPF itself has been mainstreamed into the HR Directorate. The functions of the HSNPF have now been mainstreamed into the HSE and the organisational structure of the HSNPF has now ceased to operate.

34. In relation to HSE's internal audits of procurement and backfill funding and activity data under the SKILL programme, the HSE is committed to implementing in full the recommendations contained in both audit reports.
35. In relation to foreign travel, the Department of Health has issued a notice to all staff reminding them of the requirement that official travel should always be approved in advance at the appropriate level, and pointing out that this requirement also applies where the costs are being funded in whole or in part by an external organisation. The HSE has also taken strong measures to ensure that its employees comply with its own specific regulations governing foreign travel.
36. In its report dated July 2011 on Hearings of the Committee in the period July 2009 to January 2011, the Public Accounts Committee specifically recommended that:
- public authorities should examine ways of minimising the need for foreign travel on fact finding missions and, where such travel is deemed necessary, a report on the outcome of the travel should be available to the authority;
 - all Accounting Officers should review controls of subsidiary bodies that do not have executive authority and who have their own separate facility to spend public funds;
 - the HSE should investigate the manner in which changes were made to procedures in respect of payments made to trade unions under the Action Plan for People Management;
 - a value for money review should be undertaken by the HSE in respect of the €41m expended by the Health Services National Partnership Forum.
37. The HSE takes very seriously the issues identified by its internal audits and external reviews of the SKILL Programme and the Health Services National Partnership Forum and it has actioned the recommendations of these audit and reviews.
38. Regarding the PAC recommendations outlined above, the HSE:
- has strengthened its foreign travel procedures
 - has brought bodies and programmes under the direct remit of the HSE (e.g. the SKILL Programme and the HSNPF)
 - has further investigated the circumstances under which the manner in which changes were made to procedures in respect of payments made to trade unions under the Action Plan for People Management. This report will be provided separately to the Committee for its information
 - has commissioned a Value For Money review in respect of the €41m expended by the Health Services National Partnership Forum.
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Glossary

APPM	Action Plan for People Management
EY	Ernst & Young
FETAC	Further Education and Training Awards Council
HSNPF	Health Services National Partnership Forum
NCVA	National Council for Vocational Awards
SKILL	Securing Knowledge Intra Lifelong Learning
SNHLALF	SIPTU National Health and Local Authority Levy Fund

Appendices

- Appendix 1** SIPTU Trustees Report - 25 March 2011
- Appendix 2** Correspondence from HSE to SIPTU dated 18/4/2011
- Appendix 3** Correspondence from HSE to SIPTU dated 19/4/2011 seeking clarification on points in the SIPTU report
- Appendix 4** SIPTU response dated 21/4/2011
- Appendix 5** HSE correspondence to SIPTU dated 4/5/2011
- Appendix 6** SIPTU response dated 12/5/2011
- Appendix 7** SIPTU Levy Fund – Receipts and Payments compiled by HSE IA using various sources of information
- Appendix 8** DOHC table of grant approvals