



Committee of Public Accounts Meeting

Thursday 25th April 2013

Opening Statement

Mr. Tony O'Brien

Deputy Chief Executive &

Director General Designate

Health Service Executive

Chairperson and Members, thank you for the invitation to attend today's meeting to discuss Vote 40: Health Service Executive and the Annual Financial Statements 2011.

I would like to introduce the senior Management members with me today. Laverne McGuinness, Chief Operations Officer and Deputy Director General Designate, Liam Woods, National Director Shared Services, Barry O'Brien, National Director Human Resources and Paddy Mc Donald Acting National Director of Finance.

We submitted an information pack to the committee which among other matters provided an update on the recommendations in the Committee's recent published Report on the Health Service Executive and we will be happy to take any questions you may have on the information provided or other related matters.

I propose therefore to keep my opening statement brief.

Financial Performance 2011

The HSE delivered a balanced Vote in 2011 and delivered the National Service Plan commitments within its funding provision against very challenging resource constraints, both in financial and staffing terms.

It is a statutory requirement of the Accounting Officer that no overspending of the Vote takes place. In practice, it is almost impossible to achieve an exact breakeven position on a gross Vote outturn of €13.687 billion and it is inevitable that, in accordance with prudent management, a small surplus will be returned to the Exchequer. The surplus surrendered in respect of 2011 was €15.781m, which amounts to 0.1% of the net 2011 allocation of €12.46 billion.

A Supplementary Estimate of €148m was voted by the Dáil to the HSE at the end of 2011. This comprised:

- €58m due to a shortfall in funding in 2011 arising from a lower than anticipated uptake in the Early Retirement and Voluntary Redundancy Schemes implemented at the end of 2010 and;
- €90m to meet deficits in services, specifically in the community drugs schemes, the acute hospital sector and child welfare and protection services.
- The €148m supplementary estimate was offset by savings of €40m in the Vote for the Office of the Minister for Health.

The HSE reported a surplus in the revenue income and expenditure account of €98.426m for 2011 (2010: €123.924m). A substantial element of this surplus is technical in nature and is attributable to the differences between the differing bases of accounting under accruals and Vote accounting rules.

Funding for capital projects in 2011 amounted to €345.424m (2010: €369.217), of which €204.311m was expended on HSE capital projects and €132.755m on capital grants to service providers.

Financial Control System

Developing a strong robust and fit for purpose Financial system is a priority for both the HSE and the Department of Health. In that regard The Ogden review was commissioned by the Department of Health in May 2012 and the report was completed in July 2012.

The review looked at: Financial Processes; Budgeting; Reporting; Performance Management & Escalation and Governance & Leadership.

The key purpose of the review was to recommend where the focus of a strategy for Financial Performance Management should be. The recommendations ultimately led to the Department of Health commissioning further work to focus on implementing change in relation to key issues highlighted in the review.

This further work was commissioned in July 2012 and a report was issued in September 2012 and was undertaken in the context of predicted continued significant financial overruns and a need to provide assurance to government and to the Troika in relation to the financial position of the health sector.

The report highlighted the need to take immediate action to improve the Financial Management Systems in health.

A key priority for me on my appointment in August 2012 was to stabilise HSE finances and to implement the actions outlined in the PA Review commissioned by the Department.

The engagement of PA by the HSE is one of the first steps in the financial reform of the health service which is a central element of the overall reform programme. This work is well underway and is due to be completed in the coming weeks and will lay the foundations for further financial reform.

The appointment of a new Chief Financial Officer to the HSE is also central to driving forward the changes needed to develop the finance function in the context of the wider health reform programme including: Money Follows the Patient and Universal Health Insurance. The selection process to fill this post is currently underway and is due to be completed shortly.

Internal Audit

The HSE has an Internal Audit Directorate, led by a National Director and includes very experienced audit staff. The Directorate also avails of external specialist support, particularly in the form of ICT audit. The work of the Internal Audit Directorate is overseen by the HSE's Audit Committee.

The Directorate regularly briefs the Office of the Comptroller and Auditor General on the results of its work. A substantial body of internal audit reports are completed each year, covering a wide range of topics. HSE Internal Audit reports are periodically released.

I am committed to further strengthening the Internal Audit function of the Health Service as a key control measure during the period of structural transition that lies ahead.

Financial reform in all its forms is a key component in the ongoing health reform programme and one that will continue to be a major focus for us.

This concludes my opening statement.

Thank You