



Public Accounts Committee Meeting

20th June 2013

Opening Statement

by

Mr. Tony O'Brien
Director General Designate
Health Service Executive

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Health Service Executive, June 20th 2013**

Good afternoon Mr. Chairman and members of the Committee and thank you for the invitation to attend the committee.

I concur fully with the Secretary General's opening statement and in the interest of brevity I do not propose to repeat the points made by the Secretary General.

HSE welcomes the C&AG's report of his review of the financial records of the unauthorised account and in particular the additional transactions identified by the C&AG.

All of the audits conducted by HSE Internal Audit and the C&AG between 2009 and 2013 identified serious breaches of HSE controls and regulations which resulted from significant financial control, governance and over-sight deficiencies and the failure to **adhere** to existing controls and procedures, rather than a **lack** of such controls and procedures.

Following these audits, the HSE took immediate action to address these issues. For example HSE:

- subsumed both the SKILL programme and Health Services National Partnership Forum (HSNPF) within the HR directorate of the HSE
- strengthened its foreign travel procedures
- commissioned Mr Turlough O'Sullivan to examine the overseas travel undertaken by HSE staff
- engaged Ernst & Young to undertake a value for money review of the SKILL Programme, and
- took steps to ensure comprehensive compliance with its regulations in relation to payments, travel and procurement.

Funding

Between 1998 and 2009 funds totalling €3,383,536 were paid into the unauthorised account by the Office for Health Management (OHM), the SKILL Programme and the HSNPF as follows:

- OHM €1,038,050
- SKILL €1,398,321
- HSNPF €947,165.

Refunds

To date refunds totalling €1,026,619 have been received from five trades unions as a result of HSE's audits. This includes an additional €27,618 received recently from two unions following the publication of the C&AG report.

Travel

The 18 additional trips recently identified by the C&AG brings the total number of SKILL and Partnership foreign trips undertaken between 1997 and 2009 to 74 of which 54 were arranged and paid for from the unauthorised account, 4 were possibly paid by SKILL/OHM offices and 16 were arranged and paid for by HSNPF.

Governance and Control weaknesses

Many of the governance issues and controls weaknesses that emerged in the SKILL audit reports arose from the fact that the SKILL Programme had operated as a silo outside the HSE, there was a lack of clarity and much confusion amongst various parties as to the programme's governance arrangements, there was a lack of clarity in reporting relationships and lines of accountability, the fact that the Fund Administrator of the unauthorised account was a key member of the SKILL Steering Committee and he was allowed by SKILL Management to have a close involvement in the executive function of the programme and the fact that SKILL management and Office for Health Management did not query with the Department of Health the lack of terms and conditions for the award of significant grant funding to the unauthorised account.

The governance issues and controls weaknesses that emerged regarding the HSNPF payment of Partnership monies to the unauthorised account arose from the nature of the Partnership operating model and the executive

role played by the HSNPF joint chair who was also the Fund Administrator of the unauthorised bank account.

It is important to state that current and former HSE managers interviewed by HSE Internal Audit confirmed that they were unaware that the SIPTU National Health and Local Authority Levy Fund was an unauthorised account of the union and they believed they were dealing with the Fund Administrator in his official capacity as a senior officer of the union.

Conclusion

HSE acknowledges that the issues identified by our own internal audits and the C&AG's reports into these matters represent significant and unprecedented failures in control and governance. Such breaches were and are unacceptable to HSE and we moved very quickly to address the issues by implementing the extensive range of actions recommended by both Internal Audit and the C&AG. A clear message has issued to the system that such breaches of HSE's governance and controls framework are completely unacceptable and will not be countenanced in any circumstances

I would like to 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 the SKILL Programme, the Office for Health Management and the Health Services National Partnership Forum.

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

Thank you, Mr Chairman.