Opening Statement

Committee of Public Accounts Meeting

26\textsuperscript{th} October 2017

Mr Tony O’Brien
Director General
Health Service Executive
Chairperson and Members, thank you for the invitation to attend today’s meeting to discuss the:


I am being accompanied today by:
- Mr. Stephen Mulvany, Chief Financial Officer and Deputy Director General
- Ms. Rosarii Mannion, National Director, Human Resources Division; and
- Mr John Cregan, Head of Compliance

2016 C&AG Report, Chapter 19: Management and Oversight of Grants to Health Agencies

The HSE previously acknowledged that it had concerns in relation to aspects of the monitoring and oversight arrangements for grants paid to outside agencies. The C&AG report is, therefore, timely and it will further assist the HSE in ensuring that both the HSE managers responsible for oversight and monitoring of grants and the agencies in receipt of grants will continue to work towards a comprehensive and effective oversight process.

The HSE has provided a briefing paper to the Committee which describes the overall governance system in place for the management of the relationship with funded agencies and outlines the various elements introduced to ensure greater accountability and compliance with public sector norms.

The HSE’s relationship with the voluntary sector should not be framed in purely negative terms. I should place on record the valuable role the sector plays in the delivery and, indeed, development of health and personal social services. The HSE funds 2,279 Section 38 and 39 agencies and the reality is that the State depends on the voluntary sector for the delivery of many services and voluntary organisations are often the first to identify gaps in services.
At this stage, the agencies accept that expenditure of public funds (and, just as importantly for their own reputations, other charitable funds) will attract greater scrutiny by the funder and the public at large. The C&AG audit shows that there is adequate specification of outputs (i.e. the HSE is clear on what it expects in terms of the quantum and quality of services for the grant to be paid) but, some further work is required in relation to other aspects of the oversight system.

The C&AG’s Audit Report speaks for itself in relation to the C&AG’s assessment of the HSE’s approach and performance. I don’t, therefore, propose to recite the detail of the Report.

The C&AG has made three recommendations relating to the need for the HSE to include an assessment of the effectiveness of governance structures in its monitoring procedures; a need to highlight responsibilities in relation to the monitoring of key performance indicators; and a need for compliance with monitoring arrangements specified in service arrangements. These recommendations are agreed and progress on their implementation is already being made.

The C&AG acknowledges that the Annual Compliance Statement process, the external governance reviews commissioned by the HSE, the HSE Internal Audits and the work of the C&AG in this examination and previous audits all point towards a number of governance issues arising across the sector in particular non compliance with procurement rules and regulations, non compliance with public sector pay policies and the absence of internal audit functions.

To address these governance issues, the HSE has taken steps:

- To enable agencies to have greater access to the HSE procurement systems and has provided training and guidance to external agency staff;
- To maintain the focus on compliance with public sector pay policy by all agencies and the HSE will continue to subject agencies to greater scrutiny, in particular, through the HSE’s National HR processes ; and
- To emphasise a requirement for the establishment of an appropriate internal audit function (or the accessing of internal audit resources) as set down in the service arrangement.

There has been significant progress in effectively overseeing and monitoring the payment of grants, and compliance levels by agencies have improved. The HSE will continue to develop its systems and it will, for example, establish Contract Management Support Units in the Community Healthcare Organisations (CHO’s) to ensure that matters such as the recommended frequency of monitoring meetings is met in all cases and that the oversight of multi-agreement agencies is co-ordinated.

The HSE will, also, further develop its IT system to streamline the oversight and monitoring administrative processes. However, irrespective of how sophisticated and extensive the HSE systems are, the HSE cannot guarantee that every agency it funds will meet all its obligations.

In the past, the challenges faced by the sector, vis-à-vis the HSE, are rooted in governance issues. Good governance is fundamental to the effective delivery of services and sustainability of agencies. The HSE is not, and does not wish to be, the regulator for the sector and neither does the HSE wish to micro-manage external agencies. The HSE like all public funders relies, and must be able to rely, on agencies audited accounts. The importance of a robust statutory external audit process cannot be underestimated. Like all public funders the HSE cannot audit all agencies as this would require an army of auditors. While agencies should be accountable for the grants made available to them, they should continue to be independent and they should not be so constrained that the innovation and drive they bring to services is lost.

Once again, I welcome the C&AG’s Report and I can confirm that the HSE is working to implement the recommendations made and address the concerns identified.

Thank you.