Chapter 10

Health Service Executive

10.1 Control and Sanctioning of ICT Expenditure

General Arrangements

All the expenses of a Department paid from money provided by the Oireachtas are required to be sanctioned by the Minister for Finance. *Public Financial Procedures* provide that sanction may be either

- Specific – sanction related to a particular once off proposal or

- Delegated – general sanction to a Department or Office to deal with clearly defined cases without further recourse to the Department of Finance.

Public Financial Procedures also provide that where there is general delegated sanction in relation to a particular category of expenditure, it is the responsibility of the Department concerned to ensure that any expenditure falling within that category is properly covered by the sanction.

Upon its establishment on 1 January 2005, the HSE became subject to the requirement that it receive the sanction of the Department of Finance for all expenditure. The Minister for Finance sanctioned current expenditure by the HSE for 2006 up to a maximum amount of €11.8 billion – the amount of the Revised Estimate for 2006 – and expenditure on agreed capital projects up to a maximum of €555.5m.

ICT expenditure is subject to a particular sanctioning regime, which is set out in Circular 16/97 "New Delegation Arrangements for IT Related Expenditure (including Office Machinery)". Previous delegation arrangements in relation to IT-related expenditure were based in the main on preset spending limits set out in Administrative Budget Agreements. The intention of the Circular was to provide for a more coherent arrangement for delegation, within agreed spending limits, of IT-related expenditure, subject to appropriate controls being in place in Departments.

In order for the Department of Finance to operate the delegated sanction arrangement with a Department the following requirements must be met

- The Department must have a current ICT strategy covering the management of information, systems and applications and technical infrastructures. This should cover a period of 3-5 years. It must be updated regularly and the Department of Finance kept informed of updates.

- Formal project management and governance arrangements must be in place for all projects.

- A total figure for the Department's planned ICT expenditure in the following year must be provided by end-November (the Part I return).

- A detailed breakdown of planned current year ICT expenditure must be provided by end April each year (the Part II return). The planned figure must be within the amount agreed during the estimates/budgetary process.

- A detailed breakdown of actual previous year ICT expenditure must be provided by end April each year.

- A Succinct Impact Statement must be provided for any new ICT project and revised as appropriate during its lifetime.

- There must be adherence to guidelines on procurement and the expenditure of public moneys.

The expenditure information provided must be analysed between new projects, existing projects and non-projects. The costs associated with each must be further analysed over a number of headings such as hardware, software, telecommunications and consultancy.

In this context, "project" refers to business projects which aim to realise the objectives and business plans contained in the organisation's strategy statement. A typical example of a business project would be the improvement of Human Resource management, requiring the purchase and installation of a new personnel package.

Non-project expenditure is all ICT expenditure not associated with a specific business project and covers a wide range, including replacement of hardware and software, office machinery, telecommunications services, IT-related training, maintenance, consultancy and outsourcing. Typically, it would include the ongoing enhancement and maintenance of ICT infrastructure.

If the Department of Finance is satisfied, it will issue an Annual Delegation Certificate. Expenditure should only take place by the spending Department on the basis of an Annual Delegation Certificate or where specific sanction has been received for that expenditure.

Control and Sanctioning of ICT Expenditure in the HSE

The arrangements for securing sanction require the HSE to submit expenditure proposals to the Department of Health and Children. That Department is required to evaluate them and submit its analysis and recommendations to the Department of Finance.

In the early part of 2005 the HSE set about making the detailed ("Part II") return of its planned ICT expenditure for 2005 to the Department of Health and Children with a view to obtaining delegated sanction. In the event, discussions with the Department of Finance continued throughout the year so that sanction for project expenditure of €27.8m only issued on 16 November 2005. Sanction for non-project expenditure of €41m only issued in April 2006.

Arising out of its discussions with the Department of Health and Children and the HSE during 2005, the Department of Finance wrote to the Acting National Director of ICT of the HSE on 16 September 2005 setting out key governance and technical principles, which the HSE would be required to commit to as specific agreed goals as part of the delegation process.

The governance principles were

- One ICT Steering committee for making priority and activation decisions in relation to all major project proposals.

- One central source of decision making in relation to implementing ICT strategies, ICT plans and ICT projects who would also be the normal interface for Circular 16/97 purposes with the Department of Health and Children and with the Department of Finance (IS Director).

- Project boards for every significant project, reporting to the ICT Steering Committee and using a project management methodology chosen by the HSE and using the capital appraisal guidelines issued by the Department of Finance.

- Compliance with 16/97 delegation sanction requirements for all ICT spend, regardless of the source of funding.

- A peer review gateway process in place for all major projects.

- One central management point under the control of the IS Director for all purchases of hardware, software, telecommunications, ICT Development or advisory services in all of the HSE including hospitals, medical centres etc. under its funding control.

- No further delegation of ICT spending authority within the HSE.

- All hiring decisions in relation to ICT contractors and ICT consultants under the control of IS Director, regardless of funding sources.

- All tenders for ICT products or services to be approved and advertised by the IS Director and in compliance with a specific 16/97 sanction.

- All HSE developments to comply with central guidelines – actual or emergent.

The technical principles were designed mainly to ensure that the HSE's systems were, as far as possible, properly integrated and designed on a national basis and that shared platforms/services within the HSE, across the public service and with the private sector were maximised, as appropriate.

The Department's letter made it clear that the principles applied not alone to the HSE's own direct ICT expenditure, but also to expenditure in hospitals and other facilities under the HSE's funding control and extended both to administrative ICT systems and medical ICT systems.

Sanction of 2006 ICT Expenditure

In early 2006 the HSE commenced the process of seeking delegated sanction for 2006 ICT expenditure. It indicated in January 2006 that there were certain areas of expenditure that were traditionally outside the remit of ICT – such as telephony and communications generally, including the emergency services – but which came within the terms of the delegated sanction arrangement. It undertook to begin a process to validate and consolidate, where necessary, the 2006 planned ICT expenditure. However, on 9 June 2006, the Department of Finance withdrew delegated sanction arrangements with the HSE on the grounds that there were difficulties in verifying the actual ICT expenditure by the HSE in 2005 and in establishing the planned expenditure for 2006. The Department stated that the HSE would be required to obtain sanction for ICT expenditure in 2006 on a case-by-case basis.

The HSE made seven submissions in relation to planned expenditure for 2006. Table 48 shows a breakdown of each submission between new projects, existing projects and non-project expenditure.

Table 48 Submissions re ICT Expenditure 2006

	30.11.05	31.03.06	28.04.06	16.08.06	13.10.06	01.11.06	10.11.06
	€m	€m	€m	€m	€m	€m	€m
New Projects	31.8	18.7	18.7	63.1	112.9	32.6	25.8
Existing Projects	49.0	35.2	36.6	54.2	40.2	50.0	50.2
Non-Projects	45.1	51.9	52.0	62.7	58.4	58.4	58.4
Total	**€125.9m**	**€105.8m**	**€107.3m**	**€180.0m**	**€211.5m**	**€141.0m**	**€134.4m**

As the table illustrates, the level of planned expenditure under each heading fluctuated considerably over the period. In the event, the level of expenditure actually reported for the year differed from that planned in all three categories – €689,274 for new projects, €21.5m for existing projects and €63m for non-project expenditure.

On 11 December 2006, the Health Service Executive received sanction for ICT expenditure as follows: New Projects €5,525,848, Existing Projects €30,627,240 and Non Project Expenditure €58,426,044 for 2006 subject to the following general conditions

- All procurements should comply with General Procurement conditions set out in the Appendix to Circular 16/97.

- Formal and appropriate arrangements should be used for the control of business projects and the monitoring of compliance procedures.

- All projects should conform to the technical and information architectures being adopted by the HSE and the HSE should comply with the Governance and Technical Principles for ICT Developments detailed in the Department's letter of 16 September 2005.

- The HSE, when reporting actual expenditures in line with the requirements of Circular 16/97 should detail the source of all ICT expenditures in 2006.

On 21 December 2006, the Department of Finance sanctioned additional expenditure up to a maximum of €1,520,640 on ICT consultancy for PPARS. This related to production support, the delivery of a stable environment, and the automation of existing processes and it brought the total sanctioned for existing projects to €32,147,880.

Circular 16/97 Returns – 2006

As required by the provisions of Circular 16/97, the HSE made a return to the Department of Health and Children on 1 May 2007 giving a detailed breakdown of actual ICT expenditure for the year 2006. This return showed a figure for non-project expenditure in 2006 of €63,017,248 – an amount which exceeded the sanctioned amount of €58,426,044.

In the letter accompanying the return, the Head of ICT explained that there were difficulties in extracting the information required for the 16/97 returns from the consolidated reporting system, which produces the consolidated accounts, as it does not provide the level of detail required. The returns are completed by the local ICT functions and are amalgamated by the ICT Directorate for submission as a single return to the Department of Health and Children and the Department of Finance. Further difficulties arise within the various Health Areas, due to different coding and processing systems in use.

This return was examined in the course of the audit and was found to be deficient in a number of respects

- In a number of instances, significant amounts were either misclassified or were classified under one heading when seeking sanction but under a different heading when reporting the outcome.

- Some costs that did not come within the terms of the Circular were included in error and some costs were included twice.

- Some categories of expenditure were not analysed in the level of detail required by the return, as the general ledgers of some HSE Areas do not facilitate the breakdown of expenditure into the relevant categories.

In summary, it appeared that the inconsistencies of treatment of expenditure and the level of error were so significant as to greatly limit the value of the return for control purposes. This, in turn, called into question the basis of the original figures compiled for the purposes of seeking sanction.

Non-Compliance with Case-by-Case Sanctioning Requirement

Notwithstanding the requirement that ICT expenditure be sanctioned in advance on a case-by-case basis, the HSE issued requests for tenders for a number of projects without obtaining sanction. These were for

- Strategic ICT Consultancy (July 2006)

- Staff Scheduling & Time Management (October 2006)

- Asset Management System (October 2006)

The latter two requests for tender were issued without the approval of the Acting Director of ICT and were subsequently cancelled.

Requests for tenders continued to be issued in 2007 by agencies under the HSE's funding control, where sanction had not been obtained. For example, St. James's Hospital published a tender for an Emergency Department clinical information system in March 2007 and a tender for telephony services on 1 June 2007.

Unsanctioned Expenditure

The 2005 sanctions for ICT expenditure specifically excluded any developmental expenditure on the PPARS system, although as noted in my report to Dáil Éireann, *Development of Human Resource Management System for the Health Service (PPARS)* December 2005, significant expenditure had been incurred on the system in 2005. This expenditure remains unsanctioned.

The Accounting Officer confirmed to me in July 2007 that the figure of €63,017,248 for 2006 non-project ICT expenditure cannot be regarded as a final figure and that discussions are ongoing with the Department of Finance regarding the 2006 sanction.

Furthermore, I note that certain project expenditure charged to the 2006 Vote expenditure has not been sanctioned in accordance with the requirements of Circular 16/97 *viz*:

- €522,000 on miscellaneous projects authorised prior to 2005 in accordance with the procedures then in force in the former health boards but where payments were not made until 2006

- €1,103,000 in relation to the FISP accounting system, of which €422,000 related to expenditure incurred in 2005 but paid for in 2006 and charged to the 2006 Vote

- €4,634,000 on costs related to PPARS which were incurred in 2005 and accrued in the 2005 financial statements but paid for and charged to the 2006 Vote.

Audit Concerns

In view of the foregoing, I was concerned that

- The HSE did not have systems, procedures and practices in place that would allow it to control its ICT spend effectively and enable it to comply properly with the requirements of the Department of Finance in relation to the sanctioning of ICT expenditure

- The variations in the sanctions sought during 2006 appeared to indicate the absence of a coherent ICT strategy and a lack of linkage to the estimates/budgetary process

- ICT governance in the HSE may not comply with the principles set out by the Department of Finance in its letter of 16 September 2005.

I asked the Accounting Officer for information on

- The action taken by the HSE to enable it to comply with the Department of Finance's sanctioning arrangements in relation to ICT

- The circumstances in which the unauthorised requests for tenders referred to earlier had issued, and the action taken to prevent a recurrence

- The action taken to develop an ICT strategy and to put in place a supporting budgetary and management reporting framework

- Progress in implementing the governance and technical principles set out in the Department's letter of 16 September 2005.

Accounting Officer's Response

Action Taken to Comply with the Department of Finance's Sanctioning Arrangements in relation to ICT

During 2005 the HSE began to put in place arrangements for complying with the Department of Finance sanctioning requirements. The Acting National Director of ICT assumed overall responsibility in this regard and requested the ICT Departments of the former Health Boards to make the required submissions to him. Resources were assigned in his office to collate the information and prepare it for submission to the Department of Finance. These arrangements have continued and have been strengthened since then.

With the appointment of a new Head of ICT in November 2006 one of the existing Directors of Information Systems was assigned lead responsibility on an interim basis for the ICT Directorate's Programme Office, which included responsibility for submission of sanction requests to the Department of Finance. Therefore, from the outset, responsibility was assigned within the ICT Directorate to ensure that all expenditure sanctioning requirements were met.

During 2006, the arrangements that had been put in place within the ICT Directorate the previous year continued. On any occasion that the Acting National Director of ICT became aware of potential situations where unauthorised expenditure might occur he took steps to prevent it.

In 2007, the Head of ICT issued a number of communications to the management team within the HSE clearly advising of the requirements for prior sanction for all ICT-related expenditure. This was circulated to line managers within the HSE. It was also circulated, through the National Hospitals Office, to all the major voluntary hospitals that have significant expenditure on ICT.

An ICT Expenditure Review Group with senior ICT and Finance management representation was established by the Head of ICT and the Director of Finance in 2007. It includes representatives from Corporate Finance, Shared Services and the ICT Directorate. The group is undertaking a review of 2007 ICT expenditure transactions, both revenue and capital in the former health board areas. The Group will make recommendations on the following

- Coding of ICT expenditure in the accounting system having regard to the reporting requirements of the Department of Finance in relation to non-project expenditure

- ICT budgetary process

- Procedures for processing revenue and capital ICT expenditure

- Financial reporting of both revenue and capital expenditure.

It is anticipated that the Group will produce a final report by the end of September 2007 with a view to implementing recommendations where feasible before the end of the financial year. Some recommendations have already been put in place.

The HSE has developed a report to record capital expenditure and payments by project, by HSE Area, by pillar. This report is prepared manually. All HSE Areas prepared this report for December 2006. The reports were consolidated and the ICT capital payments figure was reported in the 2006 Appropriation Account.

However, the absence of a national financial system prohibits ICT revenue payment reporting. Different areas of the HSE are operating legacy financial systems which are not configured to provide the level of detail required in order to report ICT revenue payments under the specific categories identified as non-project type transactions. On completion of the recoding exercise for 2007, information will be available on an income and expenditure (accruals) basis for all non-project expenditure under the headings set out in Circular 16/97. Considerable further manual intervention will be necessary to restate these income and expenditure figures if they are required on a Vote basis. A business case is being developed to support the development and implementation of a national financial system which will meet the HSE's Vote reporting requirements as well as fulfilling the Department of Finance requirements under Circular 16/97.

Unauthorised Requests for Tenders

Of the five requests for tenders mentioned, three were issued by the HSE and two were issued by St. James's Hospital. The three HSE tenders date from 2006 and occurred because of a genuine lack of understanding of the requirements of Circular 16/97 by the personnel concerned.

As a result of changes to the HSE senior management team in mid 2006 and the requirement for the strategic development of the ICT and Procurement Directorates, tenders were issued for corporate strategic advice on ICT and Procurement in July 2006. It was recognised by both the Chief Executive and the HSE Board that the ICT Directorate needed to be strengthened and this was one of the actions identified to achieve this.

The two other unauthorised requests for tenders - for an Asset Management System and a Staff Scheduling & Time Management System - issued in the context of equipping/commissioning the new Cork University Maternity Hospital. The proposed Staff Scheduling & Time Management System was identified as an important requirement by the Commissioning Group for the new hospital, given the complexities around staff scheduling, where staff from a number of existing hospitals were transferring to work in the new hospital and would need to be scheduled for duty in an equitable fashion providing the correct skill mix across the units on a shift by shift basis. The Commissioning Group were concerned to have the new system in place in time for the opening of the new hospital and mistakenly thought that it would be in order to proceed with the procurement process in parallel with seeking approval for the expenditure.

The HSE ICT Directorate was not aware of the Commissioning Group's decision in this regard until after the procurement was advertised. At that point, the ICT Directorate raised the matter with hospital management and the procurement process was terminated without delay. The strict requirement to have sanction from the Department of Finance in place in advance of the commencement of the procurement process was not fully understood at hospital level at that time. This is now fully understood by all concerned arising from the action taken by the ICT Directorate at the time.

A letter was issued by the Head of ICT in 2007, through the HSE Management team, reminding all managers of their obligations with regard to ICT procurement and the serious manner in which noncompliance will be treated. In addition, the Procurement Directorate has appointed a nominated manager, who will have responsibility for all ICT procurements within the HSE. A senior member of the

ICT management team has also been nominated to authorise all ICT procurements prior to publication on eTenders.

Both of the St. James's Hospital procurements were initiated without the prior knowledge or approval of the HSE. In both cases, the HSE has taken up the matter with the Hospital and requested that the procurements be put on hold until the appropriate sanctions are put in place. The HSE continues to engage with the Hospital to bring it into line with the requirements for prior sanction in advance of initiating procurements. Both the Head of ICT and the National Director, National Hospitals Office are in discussions with the Hospital on this matter.

While there have been some difficulties with the voluntary and non-statutory sector in complying fully with requirements for prior sanction, it is important to recognise that in the acute hospitals sector alone there are 17 independent voluntary and non-statutory hospitals in total. The vast majority are complying fully with the sanction requirement, despite the significant change in practice for them and the perceived removal of flexibility for the operation of their services. There are several hundred voluntary agencies funded by the HSE.

Further work is required with the voluntary sector and a new service level agreement, which is being introduced in 2008 for voluntary and non-statutory bodies, will specify the requirement for compliance with the ICT sanction process.

Developing an ICT Strategy

The question of the HSE's ICT strategy must be seen in the context of previous work done in advance of establishment of the organisation. Upon its establishment on 1 January 2005 the HSE took over the responsibilities of 17 separate organisations. During 2004 significant ICT strategy development work had been completed by the Health Boards Executive (HeBE). This was expected to provide the strategic direction for all ICT development across the former health boards and other related agencies for the period 2005- 2011. This was set in the context of the National Health Information Strategy (NHIS), which had been published by the Department of Health & Children in 2004. In addition, an ICT strategy for Primary, Community and Continuing Care (PCCC) services had been further developed with the assistance of management consultants.

All this previous ICT strategy work had been done on a whole health system basis – *i.e.* a national approach was taken, as opposed to any individual organisation or region. The establishment of the HSE did not change the strategic context, rather it put in place a single organisational structure, which in fact would be expected to better facilitate the delivery of the strategic agenda. The focus, therefore, since the establishment of the HSE has been more on unifying the ICT organisational structure and establishing appropriate new governance arrangements rather than on fundamental review of other ICT strategy elements.

In this context the following actions have been taken

- In November 2006, a consultancy company was appointed to provide strategic ICT consultancy to the HSE. The purpose of this consultancy is to ensure that best in class strategies and approaches are implemented throughout the HSE. The consulting company worked initially with ICT management to review and assess the current state of ICT within the HSE and also within the voluntary and non-statutory healthcare sector and they have continued to be involved in the definition of the new ICT management structure and the identification of the major development priorities.

- Since November 2006, the HSE has put in place an ICT Steering Group. The key purpose/role of this group is as follows:

    "To oversee planning of, promote and prioritise HSE investment in ICT and control its implementation and deployment throughout the organisation via the ICT Directorate in a manner

which assures related projects/processes are delivered as designed within agreed budgetary and timeframe parameters and that benefits (including transformation and business improvements) identified for such projects/processes are fully realised."

The ICT Steering Group which is chaired by the National Director, National Hospitals Office is effectively a sub-committee of the senior management team with some additional external expertise. ICT management has been reporting to this group on progress and on proposals for development.

- Following on the review of the current ICT status, a proposal for the organisation and structure of ICT within the HSE has been developed. The proposed structure has been discussed with the current ICT management team and it has been agreed with the CEO and the senior management team. This new structure represents a significant part of the overall ICT strategy.

- With regard to more immediate planning requirements, members of the current ICT management team have been assigned specific responsibilities until the new structure has been established, with a view to improving the coherence of short-term plans.

- As part of the new management structure it is proposed to have a Programme Office to provide an overview of all the ICT development activity across the organisation. Steps are under way to get this Programme Office in place even while the new organisation structure is being established. The position of head of the Programme Office has been advertised and, in parallel, tenders have been sought from appropriate consulting firms to establish the Office and get it operational. In parallel with this activity, a group within the ICT directorate has been developing a project lifecycle approach to be applied to all ICT projects.

- Since autumn 2006, the HSE has adopted the Transformation Programme, a significant package of business change projects and this whole programme represents the vehicle to deliver on the HSE business strategy. In parallel, the ICT Directorate has been developing a prioritised list of major projects to support the business. In keeping with the principle that the business strategy should drive the ICT strategy, the Transformation Programme has been decisive in developing this prioritised list. The selection of priority projects has been influenced also by previous ICT strategy work, as mentioned earlier (NHIS, HeBE's ICT Strategy, PCCC ICT Strategy). The ICT strategy work carried out by the Dublin Academic Teaching Hospitals has also been influential. The process of developing the priority list of major projects is ongoing.

It is recognised that the HSE needs to develop a comprehensive longer term ICT strategy covering a 5-10 year period. Given some of the recent difficulties within ICT in the health sector, priority is being given in 2007 to improving the manner in which ICT is organised and managed while progressing some major priority projects that have stalled in recent years.

It is planned to commence development of an ICT strategy in 2007 with a view to completing it in 2008. Based on evidence from other countries, such as Denmark and England, it is vital that the strategy development process is inclusive of all stakeholders and sets a direction for a significant period of time.

Governance Principles and Technical Principles – Current Status

The Accounting Officer said that the Head of ICT had reported to the Department of Finance in June 2007 on the progress made within the HSE on the implementation of the governance and technical principles. Significant progress had been made in 2007. At this point he could confirm that, as required by the governance principles, the following were in place

- *One ICT Steering committee*

- *One central source of decision making in relation to implementing ICT strategies, plans and projects i.e. the Head of ICT*

- *Project boards for every significant project using a common Project Management Methodology. A methodology implementation group, representative of voluntary hospitals in addition to the HSE, is currently being set up to develop guidelines for its usage within the health sector.*

- *A peer review gateway process for all major projects.*

  A peer review process is being put in place as each project that requires it emerges. In addition, peer review principles are being applied to projects that do not require external peer review.

- *No further delegation of ICT spending authority within the HSE.*

  In addition, the HSE is currently in discussions with the voluntary and non-statutory bodies as to the feasibility of including their ICT non-project expenditure within the HSE 16/97 return.

- *All ICT development staff and ICT operational staff under the control of the IS Director*

- *All hiring decisions in relation to ICT contractors and ICT consultants under the control of the IS Director, regardless of funding sources*

- *All HSE developments to comply with central guidelines.*

  The ICT Directorate is supporting any appropriate central guidelines as they emerge, *e.g.* Framework agreements, REACH and Data Centre project.

In relation to the remaining principles, the Accounting Officer reported as follows

- *Compliance with 16/97 delegation sanction requirements.*

  This is in place. Known and emerging difficulties with adherence by the wider health system are being addressed. The Expenditure Review Group has been set up to identify and resolve control and reporting difficulties

- *One central management point under the control of the IS Director for all purchases of hardware, software, telecommunications, ICT Development or advisory services in all of the HSE including hospitals etc. under its funding control.*

  Central management processes are in place for all ICT procurement contracts directly controlled by the HSE. There are issues which need to be dealt with in relation to the authority of independent and voluntary agencies, funded by the HSE, to enter into procurements without the approval of the HSE.

- *All tenders for ICT products or services to be approved and advertised by the IS Director and in compliance with a specific 16/97 sanction*

  All tenders for ICT within the HSE now come through a nominated senior manager in the ICT Directorate. It has also been agreed with the HSE management team that this arrangement will be extended to include all voluntary organisations funded by the HSE.

As regards the technical principles put forward by the Department of Finance, the Accounting Officer said that resulting from a strategic review of its ICT infrastructure, the HSE has identified that it needs to initiate a series of major projects to unify the healthcare ICT Infrastructure. One of the earliest programmes of work that will be needed is the completion of a single technology plan that will, *inter alia*, plan for a single technical (including networking), information and applications architecture for the HSE. It is intended that the technical principles espoused in the letter of 16 September 2005 will be fully reflected in the technology plan and the range of implementation projects that will give effect to it.

Action Taken – Accounting Officer's Summary

The Accounting Officer confirmed that the HSE is committed to full compliance with the requirements for control and sanction of ICT expenditure as set out in the Department of Finance Circular 16/97 and that it will continue to improve its internal systems, processes and procedures to address any weaknesses that exist in this regard.

The review of ICT undertaken in the first four months of 2007 has resulted in a number of recommendations which will improve the sanction process including

- New ICT governance arrangements have been put in place since the start of this year and these are in compliance with the principles set out by the Department of Finance letter in September 2005

- Implementation of a new organisation structure for ICT that has a strong corporate ICT division

- Introduction of a corporate ICT Programme Office that will assume responsibility for ICT performance management – including budgeting and reporting

- Working group to implement improvements in how ICT expenditure is planned, recorded and reported within the HSE to enable greater visibility of ICT expenditure.

The Accounting Officer said that it was important to set the issues and concerns raised during the audit in the overall context of the establishment and development of the HSE. Upon its establishment the HSE became immediately subject to the terms and conditions associated with Vote Accounting. The HSE had subsumed the roles of the former Health Boards, Eastern Regional Health Authority, Health Boards Executive, General Medical Services Payments Board, Health Services Employers Agency, National Disease Surveillance Centre as well as a number of other formerly independent statutory agencies. This resulted in a range of strategies, systems, processes, procedures and approaches having to be amalgamated into a single financial control and reporting system for the HSE. Reporting, in the manner required by Circular 16/97, has proved enormously challenging over the last two years in the absence of a single financial management system.

It is clear that the process within the HSE for compiling consolidated statements of planned and actual expenditure on ICT can be improved. However, it is important to state that while the HSE has experienced problems with compiling the consolidated statements he was satisfied that ICT expenditure has been appropriate and that value-for-money has been obtained.

While the audit raised some concerns about requests for tenders being issued without prior sanction of expenditure by the Department of Finance the small number of these must be seen in the overall context of the scale of the HSE's operation. Also, the majority of voluntary and non-statutory agencies, of which there are over one hundred, are complying with the revised ICT procurement rules.

A number of actions have been taken in 2007 to improve compliance on ICT tendering including

- Nominated ICT Senior manager to approve all ICT tenders in the HSE

- Nominated procurement manager responsible for coordinating all ICT tenders

- Letter to all line managers in the HSE highlighting consequences of non-compliance

- Compliance with circular 16/97 will form part of the formal service level agreement to be introduced between the HSE and voluntary / non-statutory agencies for all services in 2008.

A short-term plan/strategy for 2007/2008 has been put in place while a longer term strategy covering the next 5/10 years is developed. For 2007/2008 the priorities have been identified as

- Re-organisation of the former health board ICT structures

- Improving how ICT programmes and projects are managed through a series of actions

- Progressing critical programmes and projects, for example diagnostic imaging and laboratory management systems.

While there have been some difficulties, since the requirement for compliance with circular 16/97 was introduced two years ago, the Accounting Officer said that he was confident that the actions currently being progressed will not only improve compliance but are necessary so that the HSE has full oversight of its investment in ICT to support patient care.

Views of the Department of Finance

I also sought the views of the Accounting Officer of the Department of Finance. He indicated that sanction for ICT expenditure is still provided on a case-by-case basis and that this position will be maintained pending the establishment of new governance and accountability arrangements for ICT by the HSE. He said that, in addition to the new governance arrangements which are being put in place, it is also essential that the HSE develops an ICT Strategy which will inform its Administrative and Patient Care Systems development over the next number of years. This strategy should determine its work programme and priorities going forward, as well as allowing for improved planning and ensuring better value-for-money.

The Accounting Officer said that he was aware of the difficulties caused by lack of a proper Financial Management System and that he shared my concerns in this regard. He understood that the HSE is currently reviewing the position with a view to determining its immediate and longer-term requirements. He said that his officials would engage, as a matter of urgency, with the Department of Health and Children and the HSE on any proposals which they bring forward.