



Comptroller and Auditor General
Special Report

Department of Health and Children

**Financial Control and Management
in the
Irish Blood Transfusion Service**

December 2002

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This report was prepared on the basis of information, documentation and explanations obtained from the public bodies referred to in the report. The draft report was sent to the Department of Health and Children and the Irish Blood Transfusion Service and comments were requested. Where appropriate, the comments received were incorporated in the final version of the report.

Special Report of the Comptroller and Auditor General

Financial Control and Management in the Irish Blood Transfusion Service

I have, in accordance with the provisions of Section 11 of the Comptroller and Auditor General (Amendment) Act, 1993, prepared a special report which sets out the results of an examination which I carried out on financial control and management in the Irish Blood Transfusion Service.

I hereby submit my report on the above examination for presentation to Dáil Éireann pursuant to Section 11 of the said Act.

A handwritten signature in dark ink, appearing to read 'John Purcell', with a large, stylized initial 'J' and a long, sweeping horizontal stroke at the end.

John Purcell
Comptroller and Auditor General

6 December 2002

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Financial Control and Management

The audit of the financial statements of the Irish Blood Transfusion Service (IBTS) for the year ended 31 December 2000 was finalised in July 2002. While the audit report on these financial statements was unqualified and my opinion was that the accounts gave a true and fair view of the transactions for the year and the financial state of affairs of the Service at the year-end, I drew attention to

“the fact that there were shortcomings in certain aspects of financial management during the year of account which are currently being examined by me and which may form the basis of a special report.”

The shortcomings that I had in mind at the time of my audit report were

- Deficiencies in budgeting and costing
- Lack of adequate cash management
- Project management deficiencies.

Certain problems were also raised by the service’s internal audit that appeared to require a response from the Board.

In addition, a report by a Review Panel on Testing of Blood for Transfusion in Ireland which was completed in September 2002 noted that its effectiveness was partially limited by the paucity of historical data in several important areas, among them, financial analyses to support major decisions by management.¹

Deficiencies in Budgeting and Costing

The budgeting and costing arrangements that I would expect to find in an organisation such as the IBTS would have the following features

- The adoption of an annual budget by the board and its periodic review
- The management of this budget through a system which assigned budgets to budget holders or cost centres
- Periodic reporting of the outturn to the Board with budget holders made accountable and responsible for expenditure by their section or department
- The use of budgeting and costing analyses to support the decision making process and provide meaningful information for senior management, particularly on product pricing, costing of activities and performance.

During the 2000 Audit, it was noted that despite the fact that deficiencies in this area had been highlighted in 1997 in a report by consultants (Deloitte and Touche) there was still no comprehensive budgeting or costing system in place. While a budget for the entire organisation had been put in place and adopted by the Board and outturns were being reported to the Finance Committee of the Board the budgetary and costing system was deficient in the following respects

¹ The panel consisted of three international transfusion medicine specialists.

- Budgets had not been assigned to budget holders or cost centres.
- A comprehensive costing system was not in place that would extend to product pricing and costing of activities as well as facilitating the measurement of performance.

The Acting CEO informed me that a budget for the financial year 2000 had been prepared during 1999. This budget forecast the additional costs reasonably expected to be incurred during the period, on an organisational basis. The information gathered was then used as a base for calculation of necessary price increases for the following year. This data was presented to the Board at its November 1999 meeting, and both the budget and the proposed price increases were adopted at that meeting. Throughout the year, monthly accounts were presented to the finance committee. These accounts tracked expenditure against budget. The same system pertained throughout 2001.

This process was enhanced for the financial year 2002 and full-devolved departmental budgeting has been introduced within the organisation including the assignment of cost centre responsibility to budget managers and holders. The new system facilitates more accurate pricing across main product lines.

Management of Cash Resources

During 2000 the IBTS encountered severe cash-flow problems. Apart from the fact that the Service had to meet its legal costs of €1.47 million arising out of the Lindsay Tribunal proceedings (pending recoupment from the Department of Health and Children) the strain on the Service's finances was exacerbated by

- Overruns on a major project not recouped from the Department of Health and Children by the end of 2000. This un-recouped cost at 31 December 2000 was of the order of €3.7 million.
- The fact that sales invoices for the first quarter of 2000 were not issued until April 2000, thus delaying the receipt of income.

The audit noted the following consequences of the constrained cash situation

- Cheques were being produced to pay creditors but these were not being released promptly, as there were no cash resources to meet the cheques. The practice of holding cheques was also referred to in board minutes.
- Despite the fact that the bank overdraft limit was increased with the approval of the Department of Health and Children in October 2000, the limit was exceeded during November 2000.
- During 2000 a total of 2,367 invoices were paid outside the time periods specified in the Prompt Payment of Accounts Act 1997. After taking account of the holding of cheques the estimated value of the invoices paid late was €21.5 million or 51% by value of all payments to suppliers. The average late payment was 28 days outside the period set in the Act. A prompt payment interest liability of the order of €148,000 was incurred.
- This continued into 2001 when a total of 2,990 invoices were paid outside the time periods specified in the Prompt Payment of Accounts Act 1997. The estimated value of the invoices paid late in that year was €30.2 million or 65% by value of all payments to suppliers. The average late payment was 17 days outside the period set in the Act. A further prompt payment interest liability of the order of €173,000 was incurred.

The Acting CEO informed me that the cash flow difficulties during the financial year ended 31 December 2000, were mainly attributable to expenditure incurred on the Lindsay Tribunal and the timing of reimbursement of capital expenditure from the Department of Health and Children. This delayed reimbursement related mainly to the Board's new Headquarters and the cost of a new system to control blood banking activities. During this period, suppliers were not always paid on time nor in accordance with the Prompt Payments of Accounts Act 1997.

In regard to the delays in issuing invoices during the first quarter of 2000 the Acting CEO informed me that the backlog had been due to delays in the integration of the existing blood banking control system with a new financial accounting system. This integration was completed in April 2000.

He assured me that bank balances are monitored on a daily basis since June 2001. However, costs in respect of the Lindsay Tribunal have not yet been received although they have been sent for taxation. The overdraft limit had reduced from €4.76 million to €2.5 million by March 2002. He expects that this limit will be reduced to €1 million from January 2003 onwards.

Annual cash flow projections are prepared and are updated on a monthly basis. These projections are presented to the Finance Committee.

The Acting CEO assured me that

- The IBTS began operating in full accordance with the provisions of the Prompt Payments of Accounts Act, 1997 with effect from May 2001 in that interest on delayed payments was discharged on a current basis from that time and
- Arrears of interest due to suppliers, under the legislation, was calculated and paid during the 2001 financial year.

In regard to the timing of recoupment of the Board's legal costs arising out of the Lindsay Tribunal the Accounting Officer of the Department of Health and Children explained that under the Tribunal of Inquiry Acts, it is a matter for the Tribunal to determine whether any particular person appearing before it should have their costs recouped by the State. Where the Tribunal determines that a party has failed to co-operate with the investigation, it is open to the Tribunal to withhold costs either in whole or in part.

In the circumstances the Department took the view that it would be inappropriate for it to recoup the costs of the IBTS (or any of the other statutory bodies involved with the Tribunal) in advance of the Tribunal's decision on costs.

At the conclusion of hearings, the Tribunal decided that costs incurred by all the parties represented before it, including the IBTS, should be recouped on a Solicitor and client basis. The Tribunal further ordered that costs be taxed by the Taxing Master. The Accounting Officer understood that this process was ongoing and when it is completed, the IBTS will be recouped as appropriate.

Project Management

In 1998 the IBTS started a project to put a new system in place to control blood banking activities (The Progresá Project). It has been delayed and its cost has overrun and remains uncompleted.

It was envisaged that the new system would replicate best industry practice in the management of blood banking activities and related data processing activities.

The project was budgeted at a total of €4.26 million and was due to be fully implemented by late 1999.

The current estimated final cost of the project is €9.04 million.

The principal matters which gave rise to the overruns were outlined by the then CEO in a report to the Board in June 2001

- The level of understanding and expertise of good manufacturing practice available within the Board and the supervisory bodies at the project outset was low. In addition, it was difficult to predict at the commencement stage what good manufacturing practice requirements would materialise over the project term. Consequently, it was necessary to engage additional contractors to ensure compliance with best practice.
- While there was an expectation that assistance could be obtained from other countries with similar systems, this did not materialise due to differences in production methods.
- Considerable staff changes took place throughout the project implementation phase, particularly in the IT area, including the IT manager post, which necessitated in certain cases, the employment of consultancy staff to fill vacancies.
- Validation of the existing system due to regulatory requirements became necessary at a cost of €283,024.
- Due to delay in the project it was necessary to make the existing system Year 2000 compliant in 1999 at a cost of €400,729. Ensuring Year 2000 compliance of all systems within the organisation involved considerable staff time.
- The involvement of the supplier in providing support to other sites resulted in delays in obtaining assistance in 1999 – 2000.
- Network costs were underestimated at the start of the project and the addition of new collection centres and a donor clinic and the relocation to the new headquarters at St James Hospital, also contributed to these costs as network validation had already been carried out at Pelican House.
- In March 2000, a locking system problem emerged during testing. It was noted that a situation could arise where one person could issue a product and another person could quarantine the same product simultaneously. It was considered crucially important to address the locking problem, which was also emphasised by the Irish Medicines Board as a necessary task to be undertaken. Checking of all aspects of the system where locking might create a problem involved staff in testing, retesting, validation and documenting each issue over a period of six months. The supplier, in July 2000, acknowledged the existence of a problem with the design of the locking system to be corrected in any new version release. The task of identifying a resolution to the problem resulted in significant delays in 2000 but a solution was achieved in January 2001.

Subsequently, industrial relations problems arising in 2001 prevented the implementation of the system as the Labour Court became involved in dealing with re-grading claims.

In response to my enquiries the Acting CEO informed me that the project is designed to

- Increase security in relation to donor information from procurement to transfusion
- Ensure that donor information is integrated at laboratories and provide additional security at issue stage
- Improve donor recruitment and provide a national database.

The implementation of the Progesa system will enable a donor's record to be accessed at any mobile clinic throughout the country. This will enhance donor screening and provide a further safety enhancement to the blood supply by using laptops at the clinic location.

In regard to the delivery of the project he informed me that a project plan has been devised setting out details of all the relevant milestones to be achieved along the critical path towards implementation of Progesa in Cork in February / March 2003 and Dublin in April / May 2003. The project is managed by a Project Manager using a number of key skilled operators who have been instrumental in testing and adapting the system to suit the operational processes of the IBTS. They work in close proximity to the IT Manager who is responsible for ensuring the IT network is of the required standard and that all of the technological requirements are in place for the system. The project is overseen by a co-ordinating committee which has membership in the Acting CEO, National Medical Director, Project Manager, Regional Director, Chief Scientific Officer, National Donor Services Manager, National Quality Assurance Manager and other heads of function in the Cork and Dublin Centres.

A project group operates in both centres. Each group oversees the implementation of the project in that centre and addresses difficulties as they arise with regard to the implementation. This structure has been put in place to ensure that any obstacles along the critical path are identified at the earliest opportunity and measures taken to resolve them.

In regard to the industrial relations problems which arose with Donor Attendants and Driver Clerks, he informed me that agreement was reached with staff to proceed to mediation to resolve disputes about implementation. This process commenced in July and was successfully balloted on by staff in early September 2002.

Internal Audit

An internal auditor was appointed for the first time in 1999. There currently is no formal charter defining the role and responsibilities of the internal auditor. While a draft charter was produced in 2001 it remains unapproved. All audits to be performed by the internal auditor are approved by the Acting CEO. The Finance Committee (a subcommittee of the Board) reviews the reports of the internal auditor.

In April 2001 the internal auditor prepared a brief for the new Director of Finance on control weaknesses in the Finance Department. The report noted that

- Budgeting and costing systems were not developed to meet the requirements of the Service

- No official guidelines had been issued in regard to appropriate authority limits or expenditure levels of staff
- While employees were aware of their specific obligations and responsibilities, generally they were not provided with up to date procedure notes relating to their duties
- For the past several years charges for products and services had increased annually by applying a percentage increase to existing charges rather than by costing the individual services.

In subsequent reports the internal auditor noted that the payroll and personnel functions were located in the same room. Good internal financial control norms would suggest that these functions should be entirely separated so as to segregate the initiation of payroll payments from their processing.

In response to my enquiries on internal audit the Acting CEO informed me that the Finance Committee meets approximately ten times per year and generally at two of these meetings each year it performs the duties of an Audit Committee (in accordance with its terms of reference). This committee reviews the reports of the internal auditor since its previous meeting and reviews the proposed future internal audit work programme. As the need arises the Finance Committee meets with the external auditors viz. staff from the Office of the Comptroller and Auditor General to review the financial statements and to address issues contained within management letters. The internal auditor works to the standards promulgated by the Institute of Internal Auditors for professional practice.

Internal audit reports are given to the Acting CEO and relevant managers. On occasion the reports are circulated to the management team for review and action. The internal auditor, on subsequent reviews, always reports on progress since the last report was issued.

In relation to specific points raised by the Internal Auditor the Acting CEO assured me that

- A full-devolved departmental budgeting system has now been implemented.
- Responsibility has been assigned to budget managers and holders and communicated to finance and stores staff.
- Continuous on-the-job training is in place within the finance department and important emphasis is placed on the communication of changes in procedures.
- Work completed as part of the budget process has facilitated more accurate pricing across main product lines.
- The payroll and personnel departments are now physically segregated and separate senior managers are responsible and accountable for these vital functions.

Appendix

Seirbhís Fuilastriúcháin na hÉireann

Irish Blood Transfusion Service

Financial statements for the year ended 31st December 2000

Seirbhís Fuilastriúcháin na hÉireann
Irish Blood Transfusion Service

Financial Statements for the year ended 31st December 2000

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Seirbhís Fuilastriúcháin na hÉireann
Irish Blood Transfusion Service

Members of the Board and Other Information

Members of the Board:	Mr. M. McLoone, Chairman Dr. G. Crotty Dr. H. Enright Mr. P. Farrell Dr. M. Horgan Dr. L. Keane Ms. V Mannix Ms. M. McGrath Mr. T. McNamara Dr. K. Murphy Dr. A. O'Connor
Auditor:	Comptroller and Auditor General Treasury Building Lower Castle Yard Dublin Castle Dublin 2
Solicitors:	McCann Fitzgerald Solicitors 2 Harbourmaster Place Custom House Dock Dublin 1
Bankers:	Allied Irish Banks plc 7/12 Dame Street, Dublin 2.

Seirbhís Fuilastriúcháin na hÉireann Irish Blood Transfusion Service

Statement of Board Members' Responsibilities

The Board is required by the Blood Transfusion Service Board (Establishment) Order 1965, to prepare financial statements for each financial year which, in accordance with applicable Irish law and accounting standards, give a true and fair view of the state of affairs of the Irish Blood Transfusion Service and of its income and expenditure for that year. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- disclose and explain any material departure from applicable accounting standards;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Irish Blood Transfusion Service will continue in business.

The Board is responsible for keeping proper books of account, which disclose with reasonable accuracy at any time, the financial position of the Irish Blood Transfusion Service and to enable it to ensure that the financial statements comply with the Order. It is also responsible for safeguarding the assets of the Irish Blood Transfusion Service and hence taking reasonable steps for the prevention and the detection of fraud and other irregularities.

On behalf of the Board



Chairman



Board member

IRISH BLOOD TRANSFUSION SERVICE

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have audited the financial statements on pages 4 to 15.

Responsibilities of the Board and of the Comptroller and Auditor General

The accounting responsibilities of the members of the Board are set out in the Statement of Board Members' Responsibilities on page 2. It is my responsibility under Section 5 of the Comptroller and Auditor General (Amendment) Act, 1993 to audit the financial statements presented to me by the Board and to report on them. As the result of my audit I form an independent opinion on the financial statements.

Basis of Opinion

In the exercise of my function as comptroller and Auditor General I plan and perform my audit in a way which takes account of the special considerations in relation to management and operations which attach to bodies in receipt of substantial funding from the State.

My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements and of whether the accounting policies are appropriate, consistently applied and adequately disclosed.

An audit was conducted in accordance with auditing standards which embrace the standards issued by the Auditing Practices Board and in order to provide sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. I obtained all the information and explanations that I required to enable me to fulfil my function as Comptroller and Auditor General and, in forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements.

Without qualifying my opinion, I draw attention to

- note 26 to the financial statements which outlines the circumstances surrounding the potential liability of the Service in respect of Hepatitis C and HIV. It is not possible to assess or quantify the extent of the liability. The accounts have been drawn up on a going concern basis which assumes that funds to discharge all liabilities will continue to be made available by the State.
- the fact that there were shortcomings in certain aspects of financial management during the year of account which are currently being examined by me and which may form the basis of a special report.

In my opinion proper books of account have been kept by the Irish Blood Transfusion Service and the financial statements which are in agreement with them give a true and fair view of the state of the affairs of the Irish Blood Transfusion Service at 31 December 2000 and of its income and expenditure and cash flow for the year then ended.



John Purcell
Comptroller and Auditor General
24 July 2002

Seirbhís Fuilastriúcháin na hÉireann

Irish Blood Transfusion Service

Statement of Accounting Policies

Basis of accounting

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Irish Blood Transfusion Service's financial statements. The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention.

The financial statements reflect the income and expenditure of the Board related to its acquisition and distribution of blood and blood products. They also reflect the costs related to the referral and counselling of certain persons affected by HIV and Hepatitis C. They also reflect the cost of providing ex-gratia payments to certain persons affected by Hepatitis C associated with obtaining treatment for their Hepatitis C condition up to the point at which compensation is accepted arising from a decision of the compensation tribunal or court. The awards by the tribunal are a charge on special accounts established under sections 10 and 11 of the Hepatitis C Compensation Tribunal Act 1997. The awards are paid by the Department of Health and Children from these special accounts.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of each fixed asset on a straight line basis over its expected useful life, at the following annual rates:

Premises	4%
Plant & equipment	10% - 25%
Computer hardware	10% - 20%
Computer software	10% - 25%
Motor vehicles	20%

A full year's depreciation is charged in the year of purchase and none in the year of sale.

Stocks

Stocks, other than blood stocks, are valued consistently with prior years at the lower of cost and net realisable value. Stocks of blood and blood components are excluded.

Debtors

Known bad debts are written off and specific provision is made for any amounts, the collection of which is considered doubtful. In addition, a general provision equal to 2% of outstanding debtors at the year-end is maintained.

Pensions

The cost of providing pensions to employees is charged to the income and expenditure account on a systematic basis over the service lives of those employees in proportion to their expected pensionable payroll costs. These regular pension costs are calculated by reference to actuarial valuations. To the extent that pension costs do not equate with cash contributions to the pension scheme, a provision or prepayment is recognised in the balance sheet.

Seirbhís Fuilastriúcháin na hÉireann Irish Blood Transfusion Service

Income and Expenditure Account

for the year ended 31 December 2000


	Notes	2000 €'000	2000 €'000	2000 IR£'000	2000 IR£'000	1999 IR£'000	1999 IR£'000
Recurring income							
Sales and tests	1		58,207		45,842		37,858
Dept. of Health & Children grants:							
- Hepatitis C expenses			<u>1,167</u>		<u>919</u>		<u>1,833</u>
			59,374		46,761		39,691
Non-recurring income							
Premium payment from m Landlord			762		600		-
Profit on disposal of fixed asset			<u>37</u>		<u>29</u>		<u>25</u>
			799		629		25
Total income			60,173		47,390		39,716
Recurring expenditure							
Processing costs	5	34,355		27,056		18,773	
Salaries & wages	2	17,440		13,735		11,237	
Procurement costs	7	4,122		3,246		2,739	
General expenses	6	7,165		5,643		3,807	
Financial charges		232		183		39	
Hepatitis C expenses		1,167		919		1,833	
HIV program expenses		41		32		517	
Depreciation	8	3,659		2,882		1,681	
Amortised capital grant	15	<u>(3,474)</u>		<u>(2,736)</u>		<u>(1,604)</u>	
Total expenditure			<u>64,707</u>		<u>50,960</u>		<u>39,022</u>
(Deficit) / surplus for year			(4,534)		(3,570)		694
Surplus at beginning of year			<u>2,143</u>		<u>1,687</u>		<u>993</u>
(Deficit) / surplus at end of year			<u>(2,391)</u>		<u>(1,883)</u>		<u>1,687</u>

The Irish Blood Transfusion Service has no recognised gains or losses in the financial year or the preceding financial year other than those dealt with in the income and expenditure account.

The statement of accounting policies, cash flow statement and notes 1-28 form part of these financial statements.

On behalf of the members of the board


Chairman


Board member

Seirbhís Fuilastriúcháin na hÉireann
Irish Blood Transfusion Service

Balance Sheet


at 31 December 2000

	<i>Notes</i>	2000 €'000	2000 €'000	2000 IR£'000	2000 IR£'000	1999 IR£'000	1999 IR£'000
Fixed assets							
Tangible assets	8		48,763		38,404		35,682
Current assets							
Stock		1,255		988		2,102	
Debtors	9	9,788		7,709		6,637	
Cash at bank and in hand	18	<u>3</u>		<u>2</u>		<u>2,032</u>	
		11,046		8,699		10,771	
Current liabilities							
Creditors and Accruals	10	12,497		9,842		8,755	
Obligation under finance leases	14	21		16		19	
Bank Overdraft	18	<u>4,101</u>		<u>3,230</u>		<u>85</u>	
		16,619		13,088		8,859	
Net current assets			<u>(5,573)</u>		<u>(4,389)</u>		<u>1,912</u>
Total assets less current liabilities			43,190		34,015		37,594
Deferred liability							
Obligation under finance leases	14		<u>(6)</u>		<u>(5)</u>		<u>(21)</u>
Net assets			<u>43,184</u>		<u>34,010</u>		<u>37,573</u>
Financed by							
Capital grant	15		45,304		35,679		35,672
Research grant	16		271		214		214
Accumulated (deficit) / surplus			<u>(2,391)</u>		<u>(1,883)</u>		<u>1,687</u>
			<u>43,184</u>		<u>34,010</u>		<u>37,573</u>

The statement of accounting policies, cash flow statement and notes 1-28 form part of these financial statements.

On behalf of the members of the board


Chairman


Board member

Seirbhís Fuilastriúcháin na hÉireann
Irish Blood Transfusion Service

Cash flow statement

for year ended 31 December 2000

	<i>Note</i>	2000 IR£'000	1999 IR£'000
Operating activities			
Net cash inflow (outflow)	17	<u>(2,248)</u>	<u>2,143</u>
Return on investments & servicing of finance			
Interest paid		(72)	(15)
Interest element of finance leases		(4)	(6)
		<u>(76)</u>	<u>(21)</u>
Investing activities			
Proceeds from sale of fixed assets		85	33
Purchase of fixed assets		(5,660)	(25,916)
		<u>(5,575)</u>	<u>(25,883)</u>
Net cash outflow before financing		(7,899)	(23,761)
Financing			
Capital element of finance leases		(19)	(17)
Research grant		0	(79)
Capital grant	15	2,743	25,269
		<u>2,724</u>	<u>25,173</u>
(Decrease) / increase in cash	18	<u>(5,175)</u>	<u>1,412</u>

Seirbhís Fuilastriúcháin na hÉireann
Irish Blood Transfusion Service

Notes on the Financial Statements for the year ended 31st December 2000

1. Sales and tests	2000	1999
	IR£'000	IR£'000
Sales		
Blood	12,529	12,367
Blood components	6,787	6,422
Blood products	23,046	16,193
Plasma for blood products	961	286
	<hr/>	<hr/>
Total sales	43,323	35,268
Tests	2,519	2,590
	<hr/>	<hr/>
Total sales and tests	45,842	37,858
	<hr/>	<hr/>

2. Staff costs

The aggregate payroll costs of employees by category were as follows:

	2000	1999
	IR£'000	IR£'000
Wages and salaries		
Procurement	2,694	2,387
Processing	5,183	4,664
Donor organisation	1,693	1,681
Administration	2,325	1,124
Medical administration	892	721
	<hr/>	<hr/>
Total wages and salaries	12,787	10,577
Pension costs (<i>note 19</i>)	948	660
	<hr/>	<hr/>
	13,735	11,237
	<hr/>	<hr/>
The average number of persons employed by the Board was	469	431

3. Taxation

The Revenue Commissioners have admitted the claim by the Irish Blood Transfusion Service for Charity Exemption from taxation.

Seirbhís Fuilastriúcháin na hÉireann

Irish Blood Transfusion Service

Notes

continued

4. Statutory and other information

	2000 IR£'000	1999 IR£'000
Auditors remuneration	15	9
Depreciation	2,882	1,681
Rentals payable under operating leases (building)	459	586

5. Processing Costs

	2000 IR£'000	1999 IR£'000
Purchase of blood products	20,866	13,912
Blood packs and accessories	3,450	2,975
Drugs, dressings, instruments and reagents	2,740	1,886
	<u>27,056</u>	<u>18,773</u>

6. General Expenses

	2000 IR£'000	1999 IR£'000
Rent and rates	571	611
Heating, lighting and power	283	185
Catering	383	377
Postage	199	242
Telephone	227	197
Cleaning	649	538
Carriage	293	155
Audit fees	15	9
Repairs and renewals	1,182	587
Insurance	256	204
Miscellaneous expenses	289	170
Blood tests	668	183
Professional services	580	308
Provision for bad debts	4	41
Security	44	-
	<u>5,643</u>	<u>3,807</u>

7. Procurement costs

Procurement costs in 2000 amounted to £3.2 million (1999: £2.7 million) and includes expenditure incurred in the collection of blood donations.

Seirbhís Fuilastriúcháin na hÉireann Irish Blood Transfusion Service

Notes

continued

8. Tangible fixed assets

	Premises IR£'000	Plant & equipment IR£'000	Computer hardware IR£'000	Computer software IR£'000	IT Asset in progress IR£'000	Motor vehicles IR£'000	Total IR£'000
<i>Cost</i>							
At beginning of year	31,665	7,135	1,955	1,177	1,733	814	44,479
Additions in year	2,006	1,343	479	1,104	498	230	5,660
Disposals in year	(51)	(58)	-	-	-	(17)	(126)
At end of year	33,620	(*)8,420	2,434	2,281	2,231	1,027	50,013
<i>Accumulated depreciation</i>							
At beginning of year	2,366	4,516	610	697	-	607	8,796
Charge for year	1,265	787	248	434	-	148	2,882
Disposals in year	(51)	(12)	-	-	-	(6)	(69)
At end of year	3,580	5,291	858	1,131	-	749	11,609
At 31 December 2000	30,040	3,129	1,576	1,150	2,231	278	38,404
At 31 December 1999	29,299	2,619	1,345	479	1,733	207	35,682

(*) Includes new HQ project equipping

9. Debtors: all due within one year unless otherwise stated

	2000 IR£'000	1999 IR£'000
Trade debtors	5,443	5,340
Prepayments and accrued income	1,104	1,297
Other debtors	1,162	-
	7,709	6,637

Included in Debtors, is an amount of £1.16m in respect of legal costs incurred by the Irish Blood Transfusion Service in its participation in the Tribunal of Inquiry of Infection with HIV and Hepatitis (of persons with Haemophilia and related matters). While the award of costs by the Chairperson of any Tribunal is a discretionary matter, the IBTS has been advised that the costs should be recoverable in full, as the costs are reasonably incurred and reasonable in amount given the length and complexity of the Tribunal.

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10. Creditors: amounts falling due within one year

	2000 IR£'000	1999 IR£'000
Trade creditors	5,945	6,291
Other creditors including social welfare	346	482
Accruals	2,570	1,982
Revenue grants in advance	981	-
	<hr/> 9,842	<hr/> 8,755

11. Investment in leased assets

Included in tangible assets set out in note 8 the following assets in the category representing Plant & Equipment are held under finance leases:

	2000 IR£'000	1999 IR£'000
Gross amount	86	86
Accumulated depreciation	84	77
Net book value	<hr/> 2	<hr/> 9
Depreciation for the year	<hr/> 7	<hr/> 21

12. Blood stocks held at year end

There existed at the year-end, blood stocks which amounted to 2,391 units (1999: 1,926 units) which in accordance with the Board's accounting policy are excluded from stocks. Further, the Board expects that the above stocks will realise revenue to the Board of £287,709 (1999 £184,665) subsequent to the year-end.

13. Bank overdrafts

All bank overdrafts have been entered into with the Allied Irish Bank plc following consent being obtained from the Minister for Health & Children.

14. Leasing commitments

The Board has entered into various finance and operating leasing arrangements. On foot of these agreements its liabilities at year-end were:

<u>Finance leases</u>	2000 IR£'000	1999 IR£'000
Amounts due within 1 year	16	19
Amounts due within 2-5 years	5	21
	<hr/> 21	<hr/> 40

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	2000	1999
	IR£'000	IR£'000
<u>Operating leases</u>		
Amounts payable during the next twelve months in respect of leases, which expire:		
Within 1 year	-	-
Within 2-5 years	-	-
After 5 years	46	459
	<hr/> 46	<hr/> 459
	<hr/>	<hr/>

15. Capital grant

	2000	1999
	IR£'000	IR£'000
Balance at beginning of year	35,672	11,433
Amounts received /receivable fixed assets	234	2,855
Amounts received / receivable new HQ	2,509	22,988
Amortised against depreciation	(2,736)	(1,604)
	<hr/> 35,679	<hr/> 35,672
	<hr/>	<hr/>

16. Research grant

	2000	1999
	IR£'000	IR£'000
At beginning of year	214	294
Received during the year	100	100
Expenditure during the year	(100)	(180)
	<hr/> 214	<hr/> 214
	<hr/>	<hr/>

In addition to its principal functions the Board separately administers research funds which are independently provided by suppliers. Research grants provided to the Board during 2000 were for the sole purpose of funding clinical research by the National Haemophilia centre into coagulation disorders.

17. Reconciliation of operating (deficit) / surplus to net cash inflow from operating activities

	2000	1999
	IR£'000	IR£'000
Operating (deficit) / surplus	(3,570)	694
Depreciation	2,882	1,681
Amortised capital grant	(2,736)	(1,604)
Decrease / (increase) in stocks	1,114	(1,015)
(Increase) in debtors	(1,072)	(933)
(Decrease) / increase in creditors	1,087	3,324
Interest expense and similar charges	76	21
Profit on sale of fixed assets	(29)	(25)
	<hr/> (2,248)	<hr/> 2,143
	<hr/>	<hr/>

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18. Change in cash

	2000 IR£'000	1999 IR£'000	Changes in Year
Balance at beginning of year	1,947	535	
Net cash (outflow) / inflow	(5,175)	1,412	
Balance at end of year	<u>(3,228)</u>	<u>1,947</u>	
Represented by:			
Cash at bank and in hand	2	2,032	(2,030)
Bank overdraft	(3,230)	(85)	(3,145)
	<u>(3,228)</u>	<u>1,947</u>	<u>(5,175)</u>

19. Pensions information

The Board operates an externally funded defined benefit pension scheme for all employees, which is contributory. The pension charge for the year amounted to £947,841 (1999: £659,788), including a pension accrual at 31 December 2000 (included in creditors due within one year) amounting to £243,267 (1999: Nil).

Payments made to the fund are charged annually in the financial statements and comprise current service and back contributions. The fund is valued every three years by a professionally independent actuary on both a discontinuance and going concern basis. The rates of contribution are determined by the actuary who reviews these rates for continued appropriateness in the intervening years.

At the date of the most recent actuarial valuations, 1 May 1999, the assets of the Scheme would have been sufficient at the valuation date to provide members' accrued benefits based on pensionable service completed to the valuation date and pensionable salaries at that date with allowance for statutory revaluation, where relevant.

20. Product liability

The Board has to meet the first £250,000 in respect of product liability claims, annually, with the State carrying the indemnity for the excess.

21. Capital commitments

The Board has constructed a new national headquarters in the grounds of St. James Hospital. Construction commenced in June 1998 and the date of practical completion was 22 December 1999. The total expenditure, including fit-out, on the project to 31 December 2000 was £34.8 million. Costs were £0.4 million for 2001. The project is fully funded by the Department of Health & Children. The Board in 2002 has initiated plans to construct a NAT (Nucleic Acid Test) laboratory at the new Headquarters.

22. Contingent liabilities

A claim has been made against the Board in respect of additional costs in relation to the building of the new headquarters (National Blood Centre). Any claim payable by the Board will be recoverable from the Department of Health and Children.

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A high court claim has been made by Donor L, a donor from the Munster region who alleges that there was significant delay in informing him in the early 1990s that his blood donation had a HCV reactive result. This case has not come to trial yet. It is not possible to quantify financial exposure, if any, at this junction.

23. IT upgrade note

IT upgrade programme is being undertaken by the Board at a cost estimated in 1998 to be £4.6 million. Total expenditure to 31 December 2000 was £7.4 million.

24. Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Board will continue its operations for the foreseeable future.

25. Comparative amounts

Comparative amounts have been regrouped where necessary, on the same basis as those for the current year.

26.1 Anti D Immunoglobulin

In early 1994 the Board was advised that Hepatitis C could have been transmitted through Anti D immunoglobulin produced from Irish blood plasma and manufactured by the Board. Accordingly the Board withdrew this product from the market. The Board also carried out – in conjunction with and funded by the Department of Health & Children – a nation wide testing, counselling and referral programme for recipients of the Board's Anti D product. Health Boards also participated in the programme. In order to seek to ensure that persons would not be deterred or prevented because of financial hardship from availing of the programme the Board has administered a strictly ex-gratia scheme providing for limited contributions to recipients' expenses incurred in participation in the programme. The Department of Health & Children has funded this. The Board has also conducted a look-back programme to trace donors and recipients of Hepatitis C infected blood and blood derivatives. This has been funded by the Department of Health & Children and carried out in co-operation with Health Boards.

The Board has received letters before action and in approximately 772 cases has been sued in legal proceedings by persons alleging HCV infection by the Board's Anti D product. Further letters and proceedings may be received in future. The Board has decided to admit liability for negligence in all cases where persons have been infected with Hepatitis C through Anti D immunoglobulin manufactured and supplied by the Board. A very much smaller number of letters before action and proceedings have been received by the Board in respect of alleged Hepatitis C infections through transfusions and means other than Anti D immunoglobulin. The Board has not admitted liability in these claims where the infection was not connected with infected Anti D. It is not possible at this stage to assess or quantify any legal liability, which may attach to the Board in these threatened or actual proceedings. These claimants have a right to seek compensation from the Hepatitis C Compensation Tribunal instead of court damages. The Board does not know how many of these persons have done so. Most of the HCV litigation cases are not active and the Board has been advised that it is reasonable to assume that these plaintiffs are claiming through the Compensation Tribunal. Two litigation cases are ongoing however. These are likely to be completed in 2002.

The Board since September 1995 has carried out an optional screening programme offering testing for Hepatitis C to any recipient of blood or blood products within the State. This screening programme has been funded by the Department of Health & Children and administered by IBTS with the assistance of the Health Boards.

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The Board has instituted legal proceedings against a former employee / officer of the Board, seeking damages in respect of losses incurred by the Board which it is claimed arise as a result of negligence and breach of duty of the person concerned. The Defendant's legal advisors have not yet indicated the stance being taken in relation to the defence of the proceedings.

26.2 HIV Lookback

In December 1996 the Board learned that a person had been identified as being infected with HIV from a transfusion of blood supplied by the Board in July 1985. Proceedings were commenced in early 1997 and the case has been settled.

The Board also was informed that a look-back for the small number of persons who may have received blood from donors who donated to IBTS and tested HIV positive since the introduction of HIV testing in October 1985 may not have been done on their donations made prior to October 1985.

An extensive chart tracing exercise undertaken in 1996 could not trace all recipients and it was subsequently decided in conjunction with the Department of Health and Children that a Public Information Campaign should be undertaken and a HIV testing service was offered to recipients of products that may possibly have been exposed to HIV and who wished to avail of testing. This service has been funded by the Department of Health and Children and administered by the IBTS. To date 2,153 persons have availed of testing and all have been found negative.

On 8th September 1999 a Tribunal of Enquiry was established to inquire into the HIV and Hepatitis C infection of haemophiliacs who may have received IBTS and other factor products. The Tribunal was mandated to enquire into the other HIV matters referred to above and into the release and administration of platelets that were not tested for HIV in December 1985. The tribunal completed its hearing in autumn 2001 and the tribunal report is currently awaited.

27. Related party transactions

There have been no transactions with related parties, which require disclosure under FRS8.

28. Approval of financial statements

The financial statements were approved by the Board on 18th July 2002

