

Vote 40: Health Service Executive

Introduction

As Accounting Officer for Vote 40, I am required each year to prepare the Appropriation Account for the Vote, and to submit the Account to the Comptroller and Auditor General for audit.

In accordance with this requirement, I have prepared the attached account of the amount expended in the year ended 31 December 2010 for the salaries and expenses of the Health Service Executive and certain other services administered by the Executive, including miscellaneous grants.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2010, including the amount that could be used as appropriations-in-aid of expenditure for the year.

The Statement of Accounting Policies and Principles and notes 1 to 6 form part of the Account.

Statement of Accounting Policies and Principles

The standard accounting policies and principles for the production of Appropriation Accounts have been applied in the preparation of the Account except for the following:

Statement of Capital Assets

Tangible fixed assets comprise Land, Buildings, Work in Progress, Equipment and Motor Vehicles. Tangible fixed asset additions since 1 January 2005 are stated at historic cost less accumulated depreciation. The carrying values of tangible fixed assets taken over from predecessor bodies by the HSE are included in the opening balance sheet on establishment day, 1 January 2005, at their original cost/valuation. The related aggregate depreciation account balance was also included in the opening balance sheet.

Depreciation is calculated to write-off the original cost/valuation of each tangible fixed asset over its useful economic life on a straight line basis at the following rates:

Land: land is not depreciated.

Buildings: depreciated at 2.5% per annum.

Modular buildings (i.e. prefabricated buildings): depreciated at 10% per annum.

Work in progress: no depreciation

Equipment - computers and ICT systems: depreciated at 33.33% per annum.

Equipment - other: depreciated at 10% per annum.

Motor Vehicles: depreciated at 20% per annum.

Statement of Capital Assets under Development

A separate Statement has not been completed as Capital Assets under Development are included as Work in Progress in the Statement of Capital Assets.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the estimated proceeds of sales less costs to be incurred in the sale of stock.

Matured Liabilities

Matured Liabilities are invoices paid in January 2011 which fell due for payment before 31 December 2010.

Preparation of the Appropriation Account from the Annual Financial Statements (AFS)

Section 36 (2) of the Health Act, 2004 requires the HSE to prepare Annual Financial Statements (AFS) in such form as the Minister for Health and Children may direct and Section 36 (3) requires that these accounts be prepared in accordance with accounting standards specified by the Minister. The AFS are prepared on an income and expenditure basis. That is all income relating to the period is recognised, whether actually received or not and all expenditure relating to the period, both actual and accrued, is charged. The balance of the account shows the excess of income over expenditure or vice versa.

The Appropriation Account is prepared on a receipts and payments basis and recognises cash received and paid during the period of account. It is a non-cumulative account and any amount underspent at year-end is surrendered to the Exchequer.

The charge to the HSE Vote comprises expenditure recorded on an area basis and expenditure relating to nationally administered programmes. The area-based expenditure is produced for areas that predated the HSE and derived from legacy systems operated in those areas. The Executive's financial systems are designed to produce accrual-based accounts and the cash based figures required for Vote accounting relies on substantial reconciliations to the accrual figures. These are derived from the AFS by eliminating non cash items and analysing all asset and liability accounts to identify all suspense account balances. The key to the process is that both sets of accounts are ultimately prepared from the same source transactions. The summary reconciliation of the vote outturn to the AFS is included in Note 1 to the Appropriation Account.

Ultimately, while this process produces an overall outturn that equates to the Vote outlay of the Executive in the year, the charge to some individual subheads include apportionments.

The Nursing Homes Support Bill was enacted on 1 July 2009 and the Nursing Homes Support Scheme (NHSS) commenced on 27 October 2009. The scheme provides eligible people with financial support towards the cost of their long term residential care and involves a co-payment arrangement between the person and the State. The scheme applies to people accessing long term residential care from 27 October 2009 onwards and replaces the Subvention Scheme which has been in existence since 1993. Subhead B.12 is designed to account for all expenditure on long term residential care which comprises the following four elements:

- subventions paid in respect of residents in private nursing homes, who were resident prior to the introduction of the NHSS and who have opted not to transfer to the NHSS scheme;
- contract bed payments paid in respect of residents in private nursing homes, who were resident prior to the introduction of the NHSS and who have opted not to transfer to the NHSS scheme;
- payments to private nursing homes in respect of residents who are in the NHSS;
- a percentage of the gross expenditure of public residential care units.

The first three elements are charged directly to the subhead. The fourth element is based on a cost allocation model developed by the HSE, which in summary, apportions the costs of its long-stay units on the basis of beds allocated to different care groups.

Other Apportionments

In addition to Subhead B.12 certain expenditure currently administered centrally (e.g. national contracts paid by HSE Corporate) is funded by the area-based subheads and accordingly the related expenditure is apportioned to those subheads on an estimated basis.

Statement on Internal Financial Control

Along with the Account, I have submitted a statement in the standard format on the system of internal financial control that operates in the Health Service Executive.

Statement on Enhancing Internal Controls

The controls assurance process of the HSE is directed at enabling the CEO as Accounting Officer and the Board and Chairman of the HSE to deliver upon their requirement to satisfy themselves and represent to the Minister for Health and Children and Oireachtas that there is appropriate effective control within the HSE.

During 2010 a formal Review of the System of Internal Control in the Health Service Executive was completed by the Finance Directorate, the results of which have informed this Statement on Internal Financial Control. The review was carried out by finance managers with specific expertise in the areas of finance, audit and control. Annual reviews of the system of internal control use an established template which has been further developed in carrying out this review in 2010. An improved level of management awareness and understanding of the review process has been observed year on year. The methodology of the review involved reference to:

- Controls Assurance Statements completed by all senior managers from National Director level to Grade VIII (or equivalent) level. This had regard to the material risks that could affect the HSE, the methods of managing those risks, the controls that are in place to contain them and the procedures to monitor them;
- Results and findings of structured bilateral interviews with a cross section sample of approximately 100 managers and heads of service and their responses to an internal controls questionnaire completed during each interview;
- Internal Audit reports;
- Reports and management letters of the Comptroller and Auditor General;
- The 2010 audit programme of the Comptroller and Auditor General for the HSE and in particular, the audit risk identified therein;
- Assessment of the progress against the implementation of recommendations contained in previous Internal Audit reports and reports of the Comptroller and Auditor General as presented quarterly to the Audit Committee;
- Periodic status reports to the Audit Committee.

The report of the Review of the System of Internal Control in the Health Service Executive was circulated to senior management in March 2011. In summary, notwithstanding the significant breaches which were identified by management and are being addressed, the control environment, control and risk management processes and assurance arrangements are improving but are still not totally effective. There are a number of areas where specific action is recommended to increase effectiveness and consolidate on the improvements which have been put in place since the previous report.

In making this assessment regard must be had to the relative immaturity of the HSE as an organisation and the cultures of the various organisations incorporated within the HSE. The HSE is an amalgamation of 17 different bodies initially and has absorbed 8 additional bodies since its formation. The HSE remains dependent upon the legacy systems of these entities pending the implementation of a single enterprise wide financial, procurement and HR system. There have been a number of significant breaches of the control environment of the HSE which are referenced in this statement. These breaches point to the need for continued emphasis on and development of the control environment and a focus on the need to drive a single organisation wide culture of compliance. The HSE also needs to focus on building management capacity and capability in key areas including Finance, Procurement, ICT and line management.

Structured plans for the implementation of the recommendations of the Review of the System of Internal Control in the Health Service Executive are being prepared by management. The implementation of these recommendations by management will be monitored by the Audit Committee during the year and will be reassessed in the 2011 review of the system of internal controls.

Notwithstanding the improvements to the internal control framework, I, as Accounting Officer, have drawn attention to a range of issues in the following text that reflect the reality of the control environment in the HSE. There will continue to be a strong focus on driving compliance in the coming year.

Financial Control Environment

The HSE spends public funds on the provision of health and personal social services to the population of Ireland. The duties relating to expenditure incurred by the HSE are stringent in terms of accountability and transparency in order to fulfil our responsibility for a budget of some €14.4bn in 2010. These duties are set out in the Health Act 2004 and in the Public Financial Procedures of the Department of Finance. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under continuous review.

Development, maintenance and monitoring of this system of internal control involves additional challenges in the HSE, where devolved financial systems are multiple and fragmented. Some incremental consolidation and standardisation of financial processing systems has been undertaken to meet management and statutory reporting requirements. Financial processing is not fully automated and significant manual intervention is still required to facilitate the preparation of timely monthly management reports, the Annual Financial Statements and the Appropriation Account. The financial systems are not fit-for-purpose in that they are designed to produce accrual accounts rather than a Vote-based Appropriation Account. The financial systems are not capable of providing the level of detailed analysis of Vote expenditure which is required by Government Accounting rules.

The HSE has submitted various proposals in the last number of years to the Department of Health and Children seeking approval for investment in a single financial system. A detailed business case for a National Financial and Procurement System was submitted to the Department of Health and Children in June 2010. Due to the nature and scale of this project, and in accordance with Department of Finance protocols, this project is deemed subject to the standard peer review process for ICT projects in the public sector. The peer review process has three stages: Business Case Review; Tender Evaluation Review; Contract Review. The peer review group have now been selected and the Business Case Review stage has commenced with the HSE. The timeline associated with completion of each stage is outside the direct control of the HSE. Peer review process is estimated to take 12 months or longer.

The service and capital plan was adopted by the Board in January 2010 and approved by the Minister for Health and Children within the statutory timeframe. During 2010 monitoring and evaluation of performance and budgets against service plan objectives was carried out.

The following is a description of the key processes which are in place across the HSE to provide effective internal financial control:

- There is a framework of administrative procedures and regular management reporting in place including segregation of duties, a system of delegation and accountability and a system for the authorisation of expenditure. The HSE is working to develop a stronger evidence base of compliance with standards and procedures which will focus on simplicity of presentation of and communication to staff.

· The HSE's National Financial Regulations form an integral part of the system of internal control and have been prepared to reflect current best practice. Particular attention has been given to ensure that the Financial Regulations are consistent with statutory requirements, Department of Finance circulars and public sector guidelines. Compliance with National Financial Regulations is mandatory throughout the organisation. The development and maintenance of the HSE's suite of National Financial Regulations is a dynamic and continuous process, with new regulations and updates to existing regulations issued periodically in response to new or emerging requirements. While policies and regulations are nationally standardised, internal processes are largely systems-driven, and variations in process remain unavoidable until such time as the HSE has implemented a single organisation-wide financial system.

· The HSE has a comprehensive planning, performance monitoring and management framework. The HSE Performance Monitoring Control Committee, chaired by the National Director of Finance, continued in its role of reviewing and validating organisational performance in the key areas of finance, human resource management and the achievement of targets identified in the National Service Plan. The control assurance work undertaken in 2010 suggests the need for investment in ensuring clarity of roles, focus on sanctions for poor performance and the need to understand and integrate the clinical and managerial governance arrangements.

· The HSE is dependent upon a sector wide holistic approach to risk assessment so that issues and key dependencies to mitigating risk can be considered in their full effect.

· The monthly Performance Report provides an integrated analysis of key performance data from Finance, HR, Acute and Primary & Community Services and is published monthly on the HSE website, www.hse.ie. The activity data reported is based on the Performance Activity and Key Performance Indicators outlined in the National Service Plan. A Supplementary Report is also produced each month which provides more detailed data on the metrics covered in the Performance Report. Biannual reports were also published on the website to show progress against specific actions as set out in the National Service Plan and regular progress reports are provided against an agreed set of performance indicators and measures. In addition to the monthly and bi-annual performance reports, specific service programmes, e.g. Integrated Services Project, Reconfiguration and Clinical Programmes, provided regular progress reports.

· In accordance with the provisions of the Health Act 2004, the Board published the Corporate Plan 2008 – 2011 in 2008, which set out the HSE's priorities and direction for the three year period. The HSE is now in the process of preparing its next three-year Corporate Plan. The National Service Plan for 2010 was also prepared and submitted to the Minister for Health and Children for approval in January 2010.

· HealthStat is a comprehensive databank of performance information from Irish public health services. It currently provides detailed monthly results from 29 teaching, regional and general hospitals and 32 Local Health Offices (LHOs) responsible for providing health and social care services in the community. The results are published online on www.hse.ie. During 2010 the HSE modified services to achieve closer working between hospital and community services. HealthStat is accommodating these changes by reporting a joint view on the performance of hospitals and LHOs at a regional level in order to support the new integrated structures. Each month, the information generated through HealthStat is reviewed at a HealthStat Forum meeting, led by the HSE CEO and attended by the Regional Directors of Integrated Services, the hospital CEOs and Clinical Directors and the Local Health Office managers.

· The aim of HealthStat and the HealthStat Forum is to share best practice and address problem areas in specific hospitals or LHOs in a positive way. The Forum discusses suggestions for improvement in individual hospitals or LHO's and identifies systemic performance issues that need a national approach. The HealthStat Forum and the online publication of results encourage hospitals and LHOs to work for consistent performance improvement.

- A devolved budgetary system was in place with senior managers charged with responsibility to operate within defined accountability limits and to account for significant budgetary variances to the CEO.

- A detailed standardised appraisal process is conducted for all capital projects budgeted in excess of €0.5m. The process involves presenting a project brief to the National Director of Commercial and Support Services setting out service need in the context of capital priorities as expressed in the Corporate and Service Plans and the Health Strategy. A cost-benefit analysis of all proposed major capital projects is carried out. Those which are budgeted in excess of €30m are subject to a detailed cost benefit analysis carried out in accordance with Department of Finance 2005 Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector as amended by the Value for Money circular of January 2006. Board reviews of the capital programme take place on a regular basis.

- The HSE has an Internal Audit function with appropriately trained personnel which operates in accordance with a written charter/terms of reference which the Board has approved. Work of the National Director of Internal Audit and his team is informed by analysis of the financial risks to which the HSE is exposed. Annual Internal Audit plans, approved by the Audit Committee, are based on this analysis. These plans aim to cover the key controls on a rolling basis over a reasonable period. The Internal Audit function is reviewed periodically by the Audit Committee, which reports to the Board. Procedures are in place to ensure that the reports of the Internal Audit function are followed up. The National Director of Internal Audit reports to the Board of the HSE through the Chairman of the Audit Committee and has a close working relationship with the CEO and is a member of the HSE management team. Any instances of fraud or other irregularities identified through management review or audit are addressed by management and where appropriate an Garda Síochána are notified.

- The HSE intends to commence an external review of Internal Audit in 2011 in accordance with standards issued by the Institute of Internal Auditors for all internal audit functions.

- An Audit Committee chaired by a Board member other than the Chairman of the Board is in place. It comprises three Board members. The Chairman of the Audit Committee reports to the Board on all significant issues considered by the Committee. The Committee operates under agreed Terms of Reference and met on ten occasions in 2010. The National Director of Finance and the National Director of Internal Audit attend meetings of the Committee, while the CEO and other members of the executive management team attend when necessary. The external auditors attend as required and have direct access to the Committee Chairman at all times. In accordance with best practice, the Committee met with the National Director of Internal Audit and with the external auditors in the absence of management.

- A Risk Committee chaired by a Board member other than the Chairman of the Board is in place. It comprises six Board members and an external specialist nominee. The Committee reports directly to the Board. The Risk Committee of the HSE operates under agreed Terms of Reference and focuses principally on assisting the board in fulfilling its duties by providing an independent and objective review of non-financial risks. The Risk Committee met on six occasions in 2010. Full liaison between the Audit and Risk Committees of the Board is essential to the proper functioning of these two inter-related Board committees. Liaison is facilitated by common membership between these two committees and joint meetings are held quarterly to strengthen this liaison role.

- Risk Management principles underpin all areas of governance within the HSE. An integrated approach to risk management is utilised, incorporating both clinical and non-clinical risk. Each service/function is obliged to identify, assess and manage risk relevant to their area; the risk register is the principle tool to enable communication of this risk information. Where risks are identified that have significant potential to impact on the overall objectives of the HSE they are recorded on the Corporate Risk Register. The corporate register is a mechanism to provide assurance (evidence) to the Board that risk is being identified, assessed and managed and that a range of control measures and action plans are in place at any time to enable mitigation of the risks identified.

- Regular reports on the status of the corporate risks are submitted to the Risk Committee. During the year the Chairman of the Risk Committee commissioned an external review of the operation of the Risk Committee, concerning the role of the Committee and its general conduct including interaction with the executive risk management function. Implementation of a number of recommendations from that report has commenced, while the Committee will oversee further risk management development initiatives throughout 2011 and future periods.

- The HSE has recently appointed a Director of Risk, Quality and Clinical Care with a specific role around improvement. Financially the impact of clinical and operational incidents is reflected in cases settled through the State Claims Agency and insurers. The HSE is focusing on the examination and effective management of quality with a view to reducing these incidents. The risk management processes in the HSE, while being developed, are still relatively immature. In addition, further guidance is being developed to promote a common understanding of the risk appetite of the HSE as required by the Code of Practice for the Governance of State Bodies.

- A revised National Incident Management and Serious Incident Management process has been agreed and implementation is underway.

- During 2010, three health entities; the Crisis Pregnancy Agency, St Luke's Hospital and the National Cancer Screening Service Board were dissolved under legislation and were subsumed into the HSE. All assets and liabilities of these entities, along with staff, were transferred to the HSE at the dissolution date. In accordance with HSE policy, formal due diligence examinations covering finance, HR, legal, insurance and governance aspects were carried out by the HSE as part of the process of subsuming these entities.

- Monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the Internal Audit function, the Audit Committee and the Managers in the HSE with responsibility for the development and maintenance of the financial control framework. Comments and recommendations made by the Comptroller and Auditor General in his management letters or other reports, such as reports of the Committee of Public Accounts are of the utmost importance and monitoring and review of their implementation is overseen by the Audit Committee.

- The HSE's Code of Governance was launched in 2008 following Ministerial approval and is published on www.hse.ie. A review of the Code of Governance was commenced in 2010 including an update of all organisational financial and operational control procedures. These include a wide range of written policies, procedures, guidelines and standards applicable to all HSE employees and are essential to ensure that organisational governance in the HSE is robust and effective. A one-stop online repository of all control procedures will be available for staff in 2011.

- The HSE has put in place procedures designed to ensure compliance with all pay and travel circulars issued by the Department of Finance. Any exceptions identified are addressed and are reported on an annual basis to the Minister, in accordance with the Code of Practice for the Governance of State Bodies.

- As part of the HSE's annual review of the effectiveness of the system of internal controls, all staff at Grade VIII (or equivalent) level and above are required to complete a Controls Assurance Statement, attesting to the existence and operation of controls which are in place in their area of responsibility. The level of compliance by managers in completing Controls Assurance Statements has been audited on a sample basis by Internal Audit in 2011, with the audit findings pointing to further requirements for improvement.

- Grants to outside agencies are governed by Sections 38 and 39 of the Health Act, 2004. Standardised Service Arrangement and Grant Agreement documentation was agreed between the HSE and its funded agencies in 2009. At 31 December 2010, the HSE had signed agreements in place covering 92% of the value of funding paid by the HSE to outside agencies. There are a number of agencies however, particularly in the physical and sensory disability sector, which have not yet signed documentation in respect of grant funding of approximately €190m. This is a very significant level of public funding not covered by formal governance documentation. The HSE cannot continue to fund organisations who will not sign up to formal Service Arrangements. A deadline of the end of Q1 2011 has been set for the signing of Service Arrangements by the agencies concerned.

- The HSE reserves the right to withhold or reduce the funding of agencies who have not signed Service Arrangements by the deadline, until such time as these formal agreements are signed. The signing of outstanding Service Arrangements is actively monitored by each Regional Director of Operations, reporting to the National Director for Integrated Services. The HSE is developing its contracting process to seek a positive assurance relating to the control environment of each funded body.

- Procedures for property acquisitions and disposals by the HSE comply with the legal obligations set out in sections 78 and 79 of the Health Act 1947, as amended by the Health Act 2004. The National Director of Commercial and Support Services has authority to approve proposed property transactions up to a limit of €2 million exclusive of VAT, once recommended for approval by the Property Committee. Transactions in excess of this amount must be approved by the CEO, once recommended for approval by the Property Committee and endorsed by the National Director of Commercial and Support Services. Transactions in excess of €2m once approved by the CEO must then be submitted to the HSE board for final approval.

Detailed examinations carried out in 2009 and 2010 by HSE Internal Audit and by the Comptroller and Auditor General into the SKILL training programme and the Health Services National Partnership Forum (HSNPF) are a matter of public record and have been examined by the Committee of Public Accounts in October and December 2010. Audits of SKILL and HSNPF identified significant failures in governance arrangements pertaining to both, particularly in relation to the operating model – existing as satellite entities outside the mainstream management control of the HSE. Systemic failures were exposed in terms of non adherence to financial, procurement and travel regulations of the HSE. Both programmes have now been subsumed into the HR Directorate of the HSE, ensuring that appropriate governance and oversight arrangements are now in place. The HSE has also taken the appropriate steps required to ensure comprehensive compliance with its regulations in relation to payments, travel and procurement and to address in full the recommendations of Internal Audit and the Comptroller and Auditor General and to ensure that these failures do not recur.

An external ICT Risk Assessment was commissioned by the HSE to inform the HSE ICT Audit Plan 2010-2012. The Risk Assessment was conducted by Mazars and sought to identify the risks that lay within the ICT environment of the HSE. The assessment endeavoured to establish a rating of the maturity of controls in place across the organisation in order to mitigate ICT risk. It concluded that these controls are at a relatively immature stage in their development, i.e. on a 0-5 maturity scale, the HSE ICT Risk Control Environment is at a rating of 1 = Initial. This is defined as meaning that the organisation has recognised that risks exist and need to be addressed, but that there are few standard controls in place and fully documented, that employees are not fully aware of their responsibilities for control activities and that the operating effectiveness is not evaluated on a regular basis (outside of audit). This reflects the fact that the ICT Directorate is made up of eight former health board ICT departments with eight separate networks and very diverse systems and processes.

The assessment identified a small number of ICT sub-processes that demonstrate a more advanced level of control maturity, e.g. the ICT Project Management Methodology, however these are very much “islands of excellence”. In summary, eleven risk areas were identified, with ICT Governance, Data Protection and ICT Security accorded high risk ratings. ICT Strategy and Planning was given a medium to high rating. The remaining seven risk areas were assessed as medium risk. These ratings have and will continue to inform Internal Audit plans and Internal Audit resource has been targeted at the assessment of the controls which are in place to mitigate the risks identified, based on these ratings.

Revenue Audits found underpayments of PAYE/PRSI, VAT, Relevant Contracts Tax and Professional Services Withholding Tax, giving rise to tax, interest and penalty settlements with Revenue totalling €3.35m in 2010. As part of a co-operative compliance programme with Revenue, a number of self reviews are performed by the HSE during the year to assess tax compliance. In 2010 a self review identified an erroneous underpayment of VAT which was the subject of a voluntary disclosure to Revenue in accordance with the Code of Practice for Revenue Audit. The HSE is committed to exemplary compliance with taxation laws. Where areas of non-compliance are detected, either in the course of Revenue audit or arising from self review exercises, immediate steps are taken to settle the liability with Revenue and ensure that the necessary action is taken to eliminate the scope for such errors.

During 2010 internal audits of a number of consultancies were undertaken. These audits revealed that vendors were paid €3.2m (over a number of years) in respect of services for which no competitive procurement processes were conducted. This constituted a breach of established regulations and additional controls have been introduced for the approval and monitoring of consultancy expenditure during 2010.

There are unacceptably long delays in the collection of income under the historical arrangements in place for the collection of charges on behalf of patients with private health insurance. The difficulties in income collection are caused primarily by delays in the signing, by private consultants, of claims which are due for reimbursement. The claims comprise two main elements – the HSE's statutory charge for the hospital bed and the consultant's private fee income. The HSE has sought to collect the statutory charge from the insurers, independent of the consultant's private fee income, prior to sign off of the entire claim by the consultant. This change to the claims process has not been facilitated by the private health insurers. The HSE has brought this to the attention of the Department of Health and is seeking the support of the Minister of Health in improving income collection in the current environment through enabling legislative changes to the claims process.

The HSE has undertaken a number of strategic reviews in areas such as the more effective provision of clinical and other client services focused upon improving quality and driving value. The implementation of these reviews, for example in acute medicine and surgery will improve the efficiency and effectiveness of the health service. Additionally, the HSE has developed proposals for a revised national logistics and procurement strategy. The implementation of these reviews will lead to increasingly effective use of healthcare resources and support the elimination of waste within the health system.

CATHAL MAGEE
Accounting Officer
Health Service Executive
31st March 2011

Certificate of the Comptroller and Auditor General

I have audited the Appropriation Account of Vote 40: Health Service Executive for 2010 under Section 3 of the Comptroller and Auditor General (Amendment) Act, 1993. The Account has been prepared in accordance with the Statement of Accounting Policies and Principles. The duties of the Accounting Officer and of the Comptroller and Auditor General in relation to the Appropriation Accounts, and the basis of the audit opinion, are set out in Part 1 to this volume.

I have obtained all the information and explanations I considered necessary for the purposes of my audit. In my opinion, proper books of account have been kept by the Health Service Executive. The Appropriation Account is in agreement with the books of account.

In my opinion, the Appropriation Account properly presents the receipts and expenditure of the Vote for the year ended 31 December 2010.

Chapters 41 to 48 of my annual report refer to certain matters which I considered it appropriate to report on in accordance with Section 3 (10) of the Comptroller and Auditor General (Amendment) Act, 1993.

A handwritten signature in black ink, appearing to read 'John Buckley', with a stylized flourish at the end.

JOHN BUCKLEY
Comptroller and Auditor General
6 September 2011

Vote 40 Health Service Executive Appropriation Account 2010

Service		2010 Estimate provision	2010 Outturn	2009 Outturn
	€000	€000	€000	€000
Administration				
A.1. Salaries, wages and allowances and other administration expenses of Corporate HSE				
	<i>Original</i> 68,558			
	<i>Supplementary</i> 1,000	69,558	71,700	96,780
A.2. Value for money and policy reviews		400	400	400
Other Services				
B.1. HSE - Dublin Mid Leinster Region				
	<i>Original</i> 1,509,628			
	<i>Supplementary</i> 33,006	1,542,634	1,478,521	1,602,764
B.2. HSE - Dublin North East Region				
	<i>Original</i> 1,403,082			
	<i>Supplementary</i> 30,669	1,433,751	1,400,962	1,610,325
B.3. HSE - South Region				
	<i>Original</i> 2,181,224			
	<i>Supplementary</i> 47,715	2,228,939	2,148,796	2,326,326
B.4. HSE - West Region				
	<i>Original</i> 2,406,090			
	<i>Supplementary</i> 52,610	2,458,700	2,483,008	2,601,667
B.5. Grants in respect of certain other health bodies including voluntary and joint board hospitals				
	<i>Original</i> 2,496,846			
	<i>Supplementary</i> 70,000	2,566,846	2,567,531	2,522,162
B.6. HSE - Medical Card Services and Community Schemes		2,812,000	2,728,989	2,752,987
B.7. Health agencies and other similar organisations (part funded by national lottery)		7,513	4,797	4,606

		2010 Estimate provision	2010 Outturn	2009 Outturn
Service	€000	€000	€000	€000
B.8. Hospital, in-patient, out-patient and counselling services for persons who have contracted Hepatitis C from the use of immunoglobulin anti-D and the provision of services under the Health (Amendment) Act 1996		15,016	15,182	14,993
B.9. Economic and Social Disadvantaged and Disability (Dormant Accounts Funded)		9,300	6,119	8,805
B.10. Payment to a special account established under Section 13 of the Health (Repayment Scheme) Act 2006		17,000	20,000	80,000
B.11. Payment to a special account established under Section 4 of the Hepatitis C Compensation Tribunal (Amendment) Act 2006 - Insurance Scheme		1,500	856	370
B.12. Long Term Residential Care		979,212	959,024	864,714
B.13. Service Developments and Innovative Service Delivery Projects				
	<i>Original</i>	79,270		
	<i>Supplementary</i>	(15,000)	64,270	57,679
B.14. Payments to the State Claims Agency		60,000	79,300	68,671
				14,851
Capital Services				
C.1. Building, equipping and furnishing of health facilities and of higher education facilities in respect of the pre-registration nursing degree programme, including payments in respect of property rental, lease costs, etc		344,253	321,094	412,358
C.2. Building, equipping and furnishing of health facilities (part funded by national lottery)		2,539	2,539	2,539
C.3. Information systems and related services for health agencies				
	<i>Original</i>	140,000		
	<i>Supplementary</i>	(12,000)	128,000	106,689
C.4. Building and equipping mental health and other health facilities (funded from the disposal of surplus assets)		50,000	24,735	—

		2010 Estimate	2010 Outturn	2009 Outturn
Service	€000	€000	€000	€000
Gross Expenditure				
	<i>Original</i> 14,583,431			
	<i>Supplementary</i> <u>208,000</u>	14,791,431	14,477,921	15,103,550
Deduct:				
D. Appropriations-in-aid				
	<i>Original</i> 4,054,850			
	<i>Supplementary</i> <u>(387,000)</u>	3,667,850	3,523,317	3,225,504
Net Expenditure				
	<i>Original</i> 10,528,581			
	<i>Supplementary</i> <u>595,000</u>	<u>11,123,581</u>	<u>10,954,604</u>	<u>11,878,046</u>
Surplus to be surrendered		<u>€168,977,062</u>	<u>€168,977,062</u>	<u>€8,541,887</u>

Notes to the Appropriation Account

1 Operating Cost Statement 2010

	2010	2009
€000	€000	€000
Expenditure on administration	72,100	97,180
Expenditure on services and programmes	14,405,821	15,006,370
Gross expenditure	14,477,921	15,103,550
Deduct		
Appropriations-in-aid	3,523,317	3,225,504
Net expenditure	10,954,604	11,878,046
Changes in capital assets		
Purchases cash	(338,666)	
Depreciation	195,067	
Disposals cash	3,516	
Loss on disposals	8,794	(129,078)
	<u>(131,289)</u>	
Changes in net current assets		
Decrease in closing accruals	(144,811)	(84,217)
Increase in stock	18,520	(26,693)
Direct expenditure	10,697,024	11,638,058
Reconciliation of Operating Cost to Expenditure Recognised in the Annual Financial Statements		
Operating Cost	10,697,024	11,638,058
Expenditure met from other income	3,615,806	3,341,595
Capital expenditure charged to income and expenditure account	338,666	290,258
Depreciation	(195,067)	(160,117)
Loss on disposals	(8,794)	(684)
Expenditure per Income and Expenditure Accounts	14,447,635	15,109,110
Revenue expenditure per revenue income and expenditure account	14,077,269	14,695,001
Capital expenditure per capital income and expenditure account	370,366	414,109
Expenditure per Income and Expenditure Accounts	14,447,635	15,109,110

2 Statement of Assets and Liabilities as at 31 December 2010

	Note	2010 €000	2009 €000
Capital Assets	2.1	5,274,663	5,143,374
Financial assets		3	3
		<u>5,274,666</u>	<u>5,143,377</u>
Current Assets			
Bank and cash	2.2	21,451	12,845
PMG balance		105,668	181,677
Stocks	2.3	128,087	146,607
Debtors and prepayments		169,996	143,248
Other debit balances	2.4	67,775	73,674
Total Current Assets		<u>492,977</u>	<u>558,051</u>
Less Current Liabilities			
Creditors		164,670	154,169
Accrued expenses		1,289,321	1,415,744
Deferred income		6,253	3,575
Other credit balances	2.5	176,917	225,773
Net liability to the Exchequer	2.6	17,977	42,423
Total Current Liabilities		<u>1,655,138</u>	<u>1,841,684</u>
Net Current Assets		<u>(1,162,161)</u>	<u>(1,283,633)</u>
Net Assets		<u>4,112,505</u>	<u>3,859,744</u>

2.1 Statement of Capital Assets

	Land	Buildings	Work-in Progress	Equipment	Vehicles	Totals
	€000	€000	€000	€000	€000	€000
Gross assets						
Cost or valuation at 1 January 2010	2,025,623	2,851,916	526,204	1,109,470	95,154	6,608,367
Transfers	—	278,959	(279,654)	—	695	—
Additions	6,817	88,117	157,546	83,474	2,712	338,666
Disposals	(3,747)	(1,034)	(4,976)	(45,133)	(4,972)	(59,862)
Cost or valuation at 31 December 2010	2,028,693	3,217,958	399,120	1,147,811	93,589	6,887,171
Accumulated Depreciation						
Opening balance at 1 January 2010	—	594,261	—	796,448	74,284	1,464,993
Depreciation for the year	—	91,815	—	94,084	9,168	195,067
Depreciation on disposals	—	(326)	—	(42,381)	(4,845)	(47,552)
Cumulative depreciation at 31 December 2010	—	685,750	—	848,151	78,607	1,612,508
Net Assets at 31 December 2010	2,028,693	2,532,208	399,120	299,660	14,982	5,274,663
Net Assets at 31 December 2009	2,025,623	2,257,655	526,204	313,022	20,870	5,143,374

2.2 Bank and Cash

	2010	2009
	€000	€000
Officers imprest at 31 December	570	518
Commercial bank account balances	20,881	12,327
	21,451	12,845

2.3 Stocks

	2010	2009
	€000	€000
at 31 December		
Medical, dental and surgical supplies	34,050	40,035
Laboratory supplies	6,478	7,027
Pharmacy supplies	19,361	20,577
High tech pharmacy stocks	30,926	32,526
Pharmacy dispensing stocks	2,001	2,455
Blood and blood products	1,408	1,271
Vaccine stocks	21,655	30,153
Household services	9,217	9,086
Stationery and office supplies	2,387	2,909
Sundries	604	568
	128,087	146,607

2.4 Other Debit Balances	2010	2009
	€000	€000
at 31 December		
SWA debtors	(1)	(14)
Prepayments suspense	15	(135)
Other debtors suspense	67,761	73,823
	<u>67,775</u>	<u>73,674</u>
2.5 Other Credit Balances	2010	2009
	€000	€000
at 31 December		
Amounts due to the state		
Income Tax	57,967	62,918
Pay Related Social Insurance	49,913	52,361
Professional Services Withholding Tax	20,746	20,714
Value Added Tax	4,788	5,546
Payroll deductions held in suspense	31,467	20,788
Special income and expenditure balances	11,849	13,446
Advance from VHI	187	50,000
	<u>176,917</u>	<u>225,773</u>
2.6 Net Liability to the Exchequer	2010	2009
	€000	€000
at 31 December		
Surplus appropriations to be surrendered	168,977	8,542
Exchequer grant undrawn	(151,000)	33,881
Net liability to the Exchequer	<u>17,977</u>	<u>42,423</u>
Represented by:		
Debtors		
Net PMG position and cash	127,119	194,522
Debit balances: long stay	—	—
Debit balances : suspense	67,775	73,674
	<u>194,894</u>	<u>268,196</u>
Creditors		
Due to State	(133,414)	(141,539)
Credit balances: special income and expenditure	(11,849)	(13,446)
Credit balances: suspense	(31,654)	(70,788)
	<u>(176,917)</u>	<u>(225,773)</u>
	<u>17,977</u>	<u>42,423</u>

2.7 Commitments	2010	2009
	€000	€000

at 31 December

Global Commitments

Commitments likely to arise in subsequent years for:

Procurement subheads	238,346	253,981
Operating leases	32,573	33,028
Finance leases	40,310	41,049

Legally Enforceable Capital Commitments	Hospital Service or Community Service	Cumulative spend to 31 Dec 2010	To be paid in subsequent years	Total
		€m	€m	€m
Community Nursing Unit, Ballinasloe	Community Service	10.15	0.50	10.65
St Anne's Child & Adolescent Psychiatric Unit	Community Service	7.05	0.86	7.91
St Joseph's Hospital, Ennis	Community Service	6.11	0.10	6.21
Letterkenny General Hospital - Medical Ward Block (Seventy two beds)	Hospital Service	15.84	5.16	21.00
Cork University Hospital (CUH) - Pet Scanner	Hospital Service	5.97	0.48	6.45
An Daingean Community Hospital	Community Service	14.65	0.20	14.85
Ballincollig Community Nursing Unit	Community Service	20.21	0.50	20.71
Bessboro, Co Cork - Child & Adolescent Psychiatric Unit	Community Service	6.98	0.22	7.20
Farnlea Community Nursing Unit (One hundred beds)	Community Service	18.39	0.50	18.89
Fermoy Community Hospital extension	Community Service	4.96	0.15	5.11
Marymount Hospice	Community Service	11.00	2.97	13.97
St Mary's Community Nursing Unit, Cork City	Community Service	9.60	0.40	10.00
Tralee Community Nursing Unit	Community Service	9.25	0.08	9.33
Integrated Patient Management System (IPMS)	Hospital Service	28.10	0.25	28.35
Cashel, Phase 2	Community Service	12.17	0.75	12.92
St Vincent's Hospital, Dungarvan, Co. Waterford	Community Service	11.02	0.17	11.19
Connolly Hospital, Blanchardstown - Surgical Block	Hospital Service	16.63	2.18	18.81
St Ita's Portrane, Co Dublin - Residential Development	Community Service	16.09	0.40	16.49
Our Lady of Lourdes Hospital, Drogheda- Extension & Refurbishment of A & E	Hospital Service	30.30	1.58	31.88
Community Health Unit, Navan	Community Service	29.35	1.00	30.35
Cherry Orchard	Community Service	2.67	5.50	8.17

Legally Enforceable Capital Commitments	Hospital Service or Community Service	Cumulative	To be paid	Total
		spend to 31 Dec 2010	in subsequent years	
		€m	€m	€m
Mental Health Services & Primary Care Centre - Ballyfermot	Community Service	1.79	8.36	10.15
Pearse St/ Irishtown Health Centre	Community Service	13.99	0.14	14.13
St Loman's Hospital - Community Redevelopment	Community Service	5.99	2.50	8.49
Inchicore Primary Care Centre	Community Service	14.49	1.53	16.02
Midland Regional Hospital, Tullamore - Equipment & Commissioning	Hospital Service	26.34	0.28	26.62
St Mary's Hospital, Mullingar - Community Nursing Unit (CNU)	Community Service	4.23	7.84	12.07
Clonskeagh Community Nursing Unit, Dublin 14 - One hundred bed Community Nursing Unit	Community Service	15.25	0.25	15.50
Cappagh National Orthopaedic Hospital	Hospital Service	3.02	1.80	4.82
Coombe Women's Hospital	Hospital Service	5.06	0.97	6.03
Incorporated Orthopaedic Hospital, Clontarf - Phase 2 Development	Community Service	16.08	0.35	16.43
Mater Campus Development	Hospital Service	88.33	77.00	165.33
National Paediatric Hospital Development Board	Hospital Service	23.99	14.00	37.99
Our Lady's Hospital for Sick Children	Hospital Service	6.48	1.52	8.00
National Integrated Medical Imaging System (NIMIS)	Hospital Service	4.90	25.00	29.90
National Cancer Control - Project technical support for National Plan for Radiation Oncology (NPRO) Phase 2 Public private partnership, Phase 1 facilities at St. James's & Beaumont hospitals	Hospital Service	70.43	5.50	75.93
Ambulance Services	Hospital Service	4.45	2.73	7.18
Total		591.31	173.72	765.03

2.8 Matured Liabilities

The total amount of matured liabilities undischarged at 31 December 2010 was €21,386,282.

3 Variations in Expenditure

An explanation is provided below in the case of each expenditure subhead where the outturn varied from the amount provided by more than €100,000, and by more than 5% (25% in the case of administration subheads).

Sub-head	Less/(more) than provided	Explanation
€000		
B.7.	2,716	National Lottery Grants are not paid until the conditions of the grant are fulfilled. Approved grants unpaid at 31 December 2010 amounted to €0.7m.
B.9.	3,181	Expenditure is dependent on the timing of claims received from Pobal.
B.10.	(3,000)	Repayments to applicants were higher than anticipated.
B.11.	644	There is a timing difference between expenditure incurred by the HSE in respect of the Insurance Scheme and the related payments to the Special Account.
B.13.	6,591	Expenditure on some service developments did not commence until the second half of 2010.
B.14.	(19,300)	Expenditure is dependent on the timing and value of claims received from the State Claims Agency.
C.1.	23,159	As the receipts from the disposals of assets was less than expected there is a corresponding saving on gross capital expenditure.
C.3.	21,311	Projected 2010 capital expenditure of €2.4m on ICT infrastructure did not materialise until January 2011, due to delays in payment approvals. In addition, liabilities on a number of other ICT projects did not mature before year end.
C.4.	25,265	As the receipts from the disposals of assets was less than expected there is a corresponding saving on gross capital expenditure.

4 Receipts

4.1	Appropriations-in-aid	2010 Estimated €000	2010 Estimated €000	2010 Realised €000	2009 Realised €000
1.	Receipts from health contributions				
	<i>Original</i>	2,431,439			
	<i>Supplementary</i>	(422,000)	2,009,439	2,017,657	1,755,753
2.	Recovery of cost of Health Services provided under regulations of the European Community				
	<i>Original</i>	285,000			
	<i>Supplementary</i>	35,000	320,000	320,000	286,580
3.	Receipts from certain excise duties on tobacco products		167,605	167,605	167,605
4.	Recoupment of certain Ophthalmic Services Scheme costs from the Social Insurance Fund		5,000	3,788	5,000

		2010	2010	2010	2009
		Estimated	Estimated	Realised	Realised
		€000	€000	€000	€000
5.	Recoupment of certain Dental Treatment Services Scheme costs from the Social Insurance Fund		8,500	9,194	8,500
6.	Charges for maintenance in private and semi private accommodation in public hospitals		376,000	312,601	324,637
7.	Economic & Social Disadvantaged & Disability (Dormant Accounts Funded)		9,300	6,119	8,805
8.	Superannuation		205,000	203,279	220,411
9.	Miscellaneous receipts		167,000	115,961	116,229
10.	Receipts from the disposal of mental health and other health facilities.		58,800	3,586	—
11.	Receipts from pension-related deduction on public service remuneration		341,206	363,527	331,984
	Total				
		<i>Original</i>	4,054,850		
		<i>Supplementary</i>	(387,000)	3,667,850	3,523,317
					3,225,504

Explanation of significant variations

An explanation is provided below in the case of each heading where the outturn varied from the amount estimated [after any supplementary estimate adjustments] by more than €100,000, and by more than 5%.

Heading	Less/(more) than estimated €000	Explanation
4.	1,212	Receipts are dependent on the examination of claims by the Social Insurance Fund.
5.	(694)	Receipts are dependent on the examination of claims by the Social Insurance Fund.
6.	63,399	The accelerated cash receipt target set out in the estimate provision was not achieved.
7.	3,181	Receipts are dependent on the timing of claims received from Pobal.
9.	51,039	Miscellaneous receipts were less than anticipated.
10.	55,214	Disposals did not proceed as quickly as anticipated.
11.	(22,321)	Receipts from the pension levy were higher than estimated.

4.2 Reconciliation of Income per AFS to Appropriations-in-Aid per Appropriation Account

	Revenue	Capital	Total
	€000	€000	€000
Total income per annual financial statements	14,201,193	369,217	14,570,410
Less Exchequer revenue grant	(10,599,546)	(355,058)	(10,954,604)
Total Other Income per Annual Financial Statements	3,601,647	14,159	3,615,806
<i>Less Income Credited to Suspense</i>			
Department of Community, Equality and Gaeltacht Affairs			(24,773)
National Cancer Screening Service			(5,172)
Non Vote miscellaneous income			(9,739)
Agency services			(9,609)
Other payroll deductions			(10,232)
EU funding/capital funding			(953)
Capital receipts from other state sources			(5,838)
Department of the Environment, Heritage and Local Government			(92)
National Council for the Professional Development of Nursing and Midwifery			(1,399)
Health Research Board			(1,474)
<i>Less Movements in Working Capital</i>			
Less difference between maintenance cash and maintenance income			(7,640)
Less movement in other non-Vote debtors			(15,568)
Appropriations-in-Aid			3,523,317

4.3 Reimbursement of Private Activity in Acute Public Hospitals ¹

Private patients receiving treatment in a private-designated bed in an acute hospital are liable for a maintenance charge (determined by the Minister for Health and Children) in addition to the public hospital inpatient charge.

Under the per diem charging system which currently reimburses public hospitals for private treatment, patients are liable for a daily charge for each day that they are treated privately by their Consultant and accommodated in a designated private or semi-private bed. The charge rates are determined in the context of an examination of the different costs of treating patients in three categories of hospital. Hospital Casemix data is used to calculate an average cost per bedday for each category of hospital based on the hospitals within that category. This cost then informs the calculations for the charge rates.

Daily Maintenance Charge for Private Patients in Acute Hospitals by Type of Accommodation and Hospital Category, 2007 – 2010.

	2007	2008	2009	2010
	€	€	€	€
Category 1 – HSE Regional Hospitals and Voluntary and Joint Board Teaching Hospitals				
Private accommodation	689	758	910	910
Semi-private accommodation	540	594	713	713
Day care accommodation	496	546	655	655
Category 2 – HSE County Hospitals and Voluntary Non Teaching Hospitals				
Private accommodation	460	506	607	607
Semi-private accommodation	370	407	488	488
Day care accommodation	329	362	434	434
Category 3 – HSE District Hospitals				
Private accommodation	197	217	260	260
Semi-private accommodation	168	185	222	222
Day care accommodation	146	161	193	193

In addition to the charges set out above, private and semi private patients must also pay the charge equivalent to the statutory inpatient charge which currently stands at €75 in respect of each day spent in hospital. The maximum payment in respect of this charge in any twelve consecutive months is €750 per patient. The average cost per bedday in Category 1 hospitals was €1,018 in 2009. When the statutory charge is included, private and semi-private patients accommodated in private or semi private beds in Category 1 Hospitals were charged at the rates of €985 and €788 respectively per day in 2009. This represents an average of 97% and 77% of the average cost as calculated using the methodology.

¹ Value for Money and Policy Review of the Economic Cost and Charges Associated with Private and Semi-Private Treatment Services in Public Hospitals - Final Report Department of Health and Children, 2010.

4.4 Extra receipts payable to the Exchequer

There were no extra Exchequer receipts paid over in 2010.

	2010	2009
	€000	€000
Proceeds of sale of land and buildings	—	309

5 Employee Numbers and Pay

	2010	2009
Number of staff at year end (full time equivalents)	70,789	71,813
	2010	2009
Summary analysis of pay and pension costs	€000	€000
Basic pay	3,574,545	3,803,109
Allowances	124,009	137,215
Overtime	177,079	192,834
Night duty	73,054	82,739
Weekends	189,795	205,020
On-call	55,353	62,403
Arrears	21,629	24,521
Employer PRSI	311,773	339,101
Superannuation	617,564	524,052
Total pay	5,144,801	5,370,994

Note 1: HSE Pay costs and numbers above relate to HSE employees only. The above figures are disclosed on an income and expenditure basis.

5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment	Maximum individual payment
			2010	2009
			€	€
Allowances	40,531	9,500	186,004	160,536
Overtime	24,262	7,931	135,100	201,886
Night duty	33,363	5,364	19,763	20,572
Weekends	53,769	10,555	30,684	18,178
On-call	7,068	2,209	111,675	119,348
Other	13,731	185	104,460	109,373

Note 1: Certain Individuals received extra remuneration in more than one category.

Note 2: Allowances and overtime payments above relate to HSE employees only.

Note 3: The maximum individual allowance and overtime payments may include amounts paid in 2010 in respect of previous years.

5.2 Performance and Merit Payments

Gratuities (excluding pension lump sums) paid in 2010 amounted to €1,789,578

No performance related pay was paid in 2010.

5.3 Other Remuneration Arrangements

Payments to retired staff for services in 2010 amounted to €14,619,549

Payments of €655,645 were made in 2010 arising from Labour Relations Commission/Rights Commissioners awards.

The cost of severance awards paid in 2010 totalled €57,937

5.4 Voluntary Early Retirement (VER) and Voluntary Redundancy Scheme (VRS)

Following a Government Decision on 1 November 2010, the HSE introduced two new schemes aimed at effecting a reduction in staffing numbers in the Health Service. They include a Voluntary Early Retirement Scheme targeted at staff aged over 50 years of age, and a Voluntary Severance Scheme targeted at management, administrative and support staff grades. The entire cost of the scheme totalled €100m (income and expenditure basis), of which €73m directly related to staff employed by the HSE. The balance of €27m related to staff employed by voluntary health service providers funded by the HSE. Scheme costs relating to HSE employees are accounted for in subheads A1, B1-B4 and B6. Scheme costs relating to the voluntary health service providers' employees are accounted for in subhead B5.

6 Miscellaneous Items

6.1 National Lottery Funding

A total of €4.797 million was paid to the HSE areas. The recipients of the funding, and the amounts paid, are summarised below. A list is available on the HSE website (www.hse.ie). List on website will only include grants over €5k.

National Lottery Funding

	2010	2009
	Outturn	Outturn
	€000	€000
Block Allocations to HSE Regions		
Dublin Mid Leinster Region	1,497	1,436
Dublin North East Region	1,176	1,063
Southern Region	1,045	921
Western Region	1,079	1,186
Total	4,797	4,606

6.2 Write-offs

During 2010, the HSE wrote off bad debts amounting to €12.6m and reduced the provision for bad debts by €5.3m as follows:

	Debts Movement in	
	Written Off	Provision
	€m	€m
Private charges	3.1	(3.4)
In-patient charges	3.4	(1.3)
Emergency department charges	2.5	(0.7)
Road traffic accidents	2.0	(1.4)
Long-stay	0.8	2.4
Non-patient related debts	0.8	(0.9)
Total	12.6	(5.3)

The HSE wrote off stock amounting to €2.6m.

6.3 EU Funding

The outturn shown for Subhead C.1. includes expenditure which was co-financed under the INTERREG III A Initiative from the European Development Fund.

6.4 Legal Fees and Compensation

There were a total of 1,135 outstanding claims against the HSE with Irish Public Bodies Mutual Insurance Ltd. at the end of 2010.

There were a total of 2,170 outstanding claims against the HSE with the State Claims Agency at 31 December 2010.

The HSE paid a further €4,797,929 in respect of various claims brought against it and settled in 2010 which were not covered under insurance.

The HSE had 122 outstanding claims for compensation at 31 December 2010 which are not covered by the HSE insurance policy.

Other ex-gratia payments made during 2010 amounted to €40,557 and other miscellaneous payments amounted to €535,037.

Up to 31 December 2009 the HSE was insured against employers liability and public liability risks up to an indemnity limit, under both retro-rated and flat-rated bases. Under the retro-rated basis, the final premium is not determined until the end of the coverage period and is based on the HSE's loss experience for that same period. The retro-rated adjustment payable by the HSE is subject to maximum and minimum limits. At 31 December 2010 it was not possible to accurately quantify the liability, if any, which may arise as a result of future retro-rating. The maximum liabilities for retro-rated claims still outstanding, based on agreed levels of each insurable risk is €4,699 and €2,983,081 for employers liability and public liability respectively. All insurance premiums from 1 January 2001 have been paid on a flat basis only and no retro-rating applies to cover from this date forward.

Since 1 July 2009 the HSE is funded for claims processed by the State Claims Agency under the terms of the Clinical Indemnity Scheme. From 1 January 2010 the National Treasury Management Agency (Delegation of Functions) Order 2009 extended the State indemnity to personal injury and third party property damage claims against the HSE. Awards paid to claimants under the terms of the scheme are accounted for on a pay-as-you-go basis. At 31 December 2010, the estimated liability incurred to that date under the Clinical Indemnity Scheme and State indemnity was €854m.

6.5 Prompt Payment of Account Interest

Prompt Payment Interest paid by the HSE in 2010 was €279,325.

6.6 Contingent Liabilities

Pharmacists have lodged a claim with the HSE for loss of retail mark up on products dispensed under the terms of the over 70 medical card, products which would otherwise have been subject to higher margin where full eligibility did not exist. The claim is in the amount of €100 million, over and above the amount of €30 million currently paid per annum. The Irish Pharmaceutical Union have indicated that they will engage in non-binding mediation but may pursue the HSE through the courts if they are dissatisfied with the outcome.

The HSE is involved in a number of claims involving legal proceedings which may generate liabilities, depending on the outcome of the litigation. The HSE has insurance cover for public and employer liability, fire and specific all risk claims. In most cases such insurance would be sufficient to cover all costs, but this cannot be certain.

6.7 Other

The HSE paid €7.384 million in respect of insurance premia in 2010 and this is reflected in the outturn for Subhead A.1 and B.1. to B.4.