

HEALTH SERVICE EXECUTIVE

Account of the sum expended, in the year ended 31 December 2008, compared with the sum granted and of the sum which may be applied as appropriations-in-aid in addition thereto, for the salaries and the expenses of the Health Service Executive and certain other services administered by the Executive, including miscellaneous grants.

Service	Estimate Provision €000	Outturn €000	Closing Accruals €000
ADMINISTRATION	€000		
A.1. SALARIES, WAGES AND ALLOWANCES AND OTHER ADMINISTRATION EXPENSES OF CORPORATE HSE			
<i>Original</i>	67,457		
<i>Supplementary</i>	15	67,472	70,488
A.2. VALUE FOR MONEY AND POLICY REVIEWS		411	400
A.3. INNOVATIVE SERVICE DELIVERY PROJECTS		12,000	5,390
SERVICES			
B.1 HSE - EASTERN REGIONAL AREA			
<i>Original</i>	2,588,760		
<i>Supplementary</i>	2,985	2,591,745	2,568,197
B.2 HSE - MIDLAND AREA			225,933
<i>Original</i>	613,776		
<i>Supplementary</i>	711	614,487	640,252
B.3 HSE - MID-WESTERN AREA			52,953
<i>Original</i>	820,820		
<i>Supplementary</i>	950	821,770	812,088
B.4 HSE - NORTH EASTERN AREA			74,361
<i>Original</i>	820,761		
<i>Supplementary</i>	945	821,706	821,809
B.5 HSE - NORTH WESTERN AREA			73,394
<i>Original</i>	722,198		
<i>Supplementary</i>	831	723,029	714,724
B.6 HSE - SOUTH EASTERN AREA			60,838
<i>Original</i>	1,045,816		
<i>Supplementary</i>	1,203	1,047,019	1,064,751
B.7 HSE - SOUTHERN AREA			94,722
<i>Original</i>	1,434,229		
<i>Supplementary</i>	1,651	1,435,880	1,396,274
B.8 HSE - WESTERN AREA			153,440
<i>Original</i>	1,170,135		
<i>Supplementary</i>	1,346	1,171,481	1,158,910
B.9 GRANTS IN RESPECT OF CERTAIN OTHER HEALTH BODIES INCLUDING VOLUNTARY AND JOINT BOARD HOSPITALS			95,508
<i>Original</i>	2,233,964		
<i>Supplementary</i>	37,131	2,271,095	2,196,692
B.10 HSE - MEDICAL CARD SERVICES SCHEME			256,888
<i>Original</i>	1,709,493		
<i>Supplementary</i>	23,004	1,732,497	1,772,061
B.11 HEALTH AGENCIES AND OTHER SIMILAR ORGANISATIONS (PART FUNDED BY NATIONAL LOTTERY)		7,513	5,000
B.12 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		15,767	15,285
B.13 ECONOMIC AND SOCIAL DISADVANTAGED AND DISABILITY (DORMANT ACCOUNTS FUNDED)			
<i>Original</i>	10,000		
<i>Supplementary</i>	4,000	14,000	13,397

Service		Estimate Provision	Outturn	Closing Accruals
SERVICES (cont'd)	€000	€000	€000	€000
B.14. PAYMENT TO A SPECIAL ACCOUNT ESTABLISHED UNDER SECTION 13 OF THE HEALTH (REPAYMENT) SCHEME ACT 2006				
<i>Original</i>	150,000			
<i>Supplementary</i>	<u>86,000</u>	236,000	236,000	
B.15. PAYMENT TO A SPECIAL ACCOUNT ESTABLISHED UNDER SECTION 4 OF THE HEPATITIS C COMPENSATION TRIBUNAL (AMENDMENT) ACT 2006 - INSURANCE SCHEME		1,500	248	
B.16. LONG TERM RESIDENTIAL CARE				
<i>Original</i>	920,000			
<i>Supplementary</i>	<u>(84,772)</u>	835,228	830,633	
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		544,181	549,269	76,426
C.2 BUILDING, EQUIPPING AND FURNISHING OF HEALTH FACILITIES (PART FUNDED BY NATIONAL LOTTERY)		2,539	2,539	
C.3 INFORMATION SYSTEMS AND RELATED SERVICES FOR HEALTH AGENCIES		<u>40,000</u>	<u>18,732</u>	
Gross Total				
<i>Original</i>	14,931,320			
<i>Supplementary</i>	<u>76,000</u>	15,007,320	14,893,139	1,634,004
Deduct:				
D. APPROPRIATIONS-IN-AID				
<i>Original</i>	2,601,275			
<i>Supplementary</i>	<u>(346,000)</u>	2,255,275	2,222,552	111,106
Net Total				
<i>Original</i>	12,330,045			
<i>Supplementary</i>	<u>422,000</u>	12,752,045	12,670,587	1,522,898
			<u>€1,458,151</u>	

The Statement of Accounting Policies and Principles and Notes 1 to 17 form part of this Account.

NOTES

1 EXCEPTIONS TO GENERAL ACCOUNTING POLICIES

Remuneration

Accrued expenses includes liabilities in respect of remuneration earned up to 31 December 2008.

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 included 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 2009 which fell due for payment before 31 December 2008.

Subhead B16 - Long Term Residential Care

Subhead B.16. was established in 2008 to provide for expenditure on long term residential care for the elderly which had previously been charged to subheads B.1. to B.8., as well as expenditure anticipated to arise on the introduction of the new Nursing Homes Subvention Scheme ("Fair Deal"). In setting the estimate for Subhead B.16., the estimates for Subheads B.1. to B.8. were reduced by a fixed percentage.

Expenditure on long term residential care during 2008 continued to be incurred by each individual HSE Area and to be recorded in the same manner as heretofore. The accounting systems inherited by the HSE from its predecessor bodies were not designed to report on a programme basis. As a result, the HSE has not been able to identify what long term residential care expenditure by individual HSE areas in 2008 ought to be charged to Subhead B.16., as opposed to Subheads B.1. to B.8.

Instead, expenditure charged to Subhead B.16. has been based on a fixed percentage of expenditure charged to Subheads B.1. to B.8. This is in line with the approach taken in setting the estimate. As a consequence, while the amount charged to the Vote is correct, it was not possible to identify the payments for long term residential care that were chargeable to Subhead B.16.

The Minister for Health and Children intends to introduce the new Nursing Homes Support Scheme in the final quarter of 2009. The introduction of the scheme requires a new approach in terms of management of Subhead B16, whereby funding must be accounted for on an individual patient basis. In preparation for this new approach, the HSE is currently engaged in calculating the cost of long-term residential care within each HSE facility on a per bed basis.

2 OPERATING COST STATEMENT FOR 2008

	€000	€000	€000
Net Outturn			12,670,587
Changes in Capital Assets			
Purchases Cash	(345,665)		
Disposals Cash	639		
Depreciation	160,300		
Loss on Disposals	4,835	(179,891)	
			<hr/>
Changes in Net Current Assets			
Increase in Closing Accruals	219,799		
Decrease in Stock	7,411	227,210	47,319
			<hr/>
Operating Cost			12,717,906
Reconciliation of Operating Cost to Expenditure Recognised in the Annual Financial Statements			
Operating Cost			12,717,906
Expenditure met from Other Income			2,347,776
Capital Expenditure charged to Income and Expenditure Account			345,665
Depreciation			(160,300)
Loss on Disposals			(4,835)
Expenditure per Income and Expenditure Accounts			<hr/> <u>15,246,212</u>
Revenue Expenditure per Revenue Income and Expenditure Account			14,683,044
Capital Expenditure per Capital Income and Expenditure Account			563,168
Expenditure per Income and Expenditure Accounts			<hr/> <u>15,246,212</u>

3 STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2008

	€000	€000	€000
Capital Assets (Note 4)			5,015,594
Financial Assets			3
Current Assets			
Stocks (Note 15)	119,914		
Debtors and Prepayments	130,601		
Debit Balances: Suspense	77,303		
Debit Balances: Long Stay	3,650		
Bank and Cash	25,025		
PMG Balance	61,769		
Total Current Assets		<hr/> <u>418,262</u>	
Less Current Liabilities			
Creditors	263,105		
Accruals	1,377,971		
Credit Balances: Suspense	21,361		
Credit Balances: Special Income & Expenditure	11,927		
Deferred Income	3,770	1,678,134	
Other Credit Balances:			
Due to State (Note 16)	130,001		
EU Funding	—	130,001	
			<hr/>
Net Liability to the Exchequer (Note 5)		4,458	
Total Current Liabilities		<hr/> <u>1,812,593</u>	
Net Current Liabilities			<hr/> <u>(1,394,331)</u>
Net Assets			<hr/> <u>3,621,266</u>

4 STATEMENT OF CAPITAL ASSETS AS AT 31 DECEMBER 2008

	Land	Buildings	Work-in Progress	Equipment	Vehicles	Totals
	€000	€000	€000	€000	€000	€000
Cost or Valuation at 1 January 2008	2,024,749	2,425,839	444,320	1,026,284	85,028	6,006,220
Additions	2,281	32,168	252,441	55,177	3,598	345,665
Transfers from Work-in-Progress	375	232,531	(242,340)	36	9,398	—
Disposals	(1,983)	(688)	(1,921)	(10,103)	(6,436)	(21,131)
Gross Assets at 31 December 2008	2,025,422	2,689,850	452,500	1,071,394	91,588	6,330,754
Accumulated Depreciation:						
Opening Balance at 1 January 2008		462,447		644,524	63,545	1,170,516
Depreciation for the year		64,271		84,638	11,391	160,300
Depreciation on Disposals		(87)		(9,492)	(6,077)	(15,656)
Cumulative Depreciation at 31 December 2008	—	526,631	—	719,670	68,859	1,315,160
Net Assets at 31 December 2008	2,025,422	2,163,219	452,500	351,724	22,729	5,015,594

5 NET LIABILITY TO THE EXCHEQUER**Reconciliation of Surplus to be surrendered at year end to Debtor and Creditor Balances held at 31 December 2008**

	€000	€000
Surplus to be surrendered		81,458
Exchequer Grant Undrawn		(77,000)
Net Liability to the Exchequer		4,458
Represented by:		
Debtors		
Net PMG Position and Cash	86,794	
Debit Balances: Long Stay	3,650	
Debit Balances : Suspense	77,303	167,747
Creditors		
Due to State (Note 16)	(130,001)	
Credit Balances: Special Income & Expenditure	(11,927)	
Credit Balances: Suspense	(21,361)	(163,289)
		4,458

6 EXTRA EXCHEQUER RECEIPTS

Extra Exchequer Receipts totalling €0.517m in respect of the sale of land and buildings were paid to the Exchequer in 2008.

Extra Exchequer Receipts totalling €3.506m in respect of the refund of property purchases which did not proceed were paid to the Exchequer in 2008.

7 EXPLANATION OF THE CAUSES OF VARIATION BETWEEN OUTTURN AND ESTIMATE PROVISION

Sub-head	Less/(More) than provided €000	Explanation
A.3.	6,610	Projects totalling €5.9m were approved for funding in 2008.
B.11	2,513	National Lottery Grants are not paid until conditions of the grant are fulfilled. Approved grants unpaid at 31 December 2008 amounted to €0.687m.
B.15	1,252	The travel insurance element of the scheme was introduced in March 2008.
C.3	21,268	Expenditure was less than estimated as there were delays in obtaining sanction for certain projects.

8 APPROPRIATIONS-IN-AID

		Estimated €	Realised €
1. Receipts from health contributions		1,330,000,000	1,326,676,600
2. Recovery of cost of Health Services provided under regulations of the European Community			
	<i>Original</i>	450,000,000	
	<i>Supplementary</i>	<u>(350,000,000)</u>	
3. Receipts from certain excise duties on tobacco products		100,000,000	100,000,000
4. Recovery from the UK Department of Health and Social Security of their share of the Leopardstown Park Hospital		167,605,000	167,605,000
5. Recoupment of certain Ophthalmic Services Scheme costs from the Social Insurance Fund		170,000	149,714
6. Recoupment of certain Dental Treatment Services Scheme costs from the Social Insurance Fund		5,000,000	6,048,061
7. Charges for maintenance in public and semi-private accommodation in public hospitals		8,500,000	9,289,825
8. Dormant Accounts - Economic & Social Disadvantage		315,000,000	263,059,809
	<i>Original</i>	3,500,000	
	<i>Supplementary</i>	<u>1,000,000</u>	
9. Dormant Accounts - Disability		4,500,000	4,300,000
	<i>Original</i>	6,500,000	
	<i>Supplementary</i>	<u>3,000,000</u>	
10. Superannuation		9,500,000	9,097,028
11. Miscellaneous Receipts		205,000,000	212,262,890
		<u>110,000,000</u>	<u>124,062,661</u>
Total			
	<i>Original</i>	2,601,275,000	
	<i>Supplementary</i>	<u>(346,000,000)</u>	
		<u>2,255,275,000</u>	<u>2,222,551,588</u>

Explanation of Variation

2. The payment of €100m by the UK authorities under the UK-Ireland Healthcare Reimbursement Agreement was negotiated between both Government Departments. It represented an interim agreement on the estimation of the UK liability based upon progress then achieved in considering the results from surveys completed during 2008 and updated costing information. This information was used to assess both the liability in respect of 2008 and the 2007 payment which was made on account pending the availability of new survey results and further review. The provision in the 2009 Revised Estimates Volume amounts to €250m.
5. The number of claimants was higher than anticipated.
6. The number of claimants was higher than anticipated.
7. The amendment to the charging regime for long-stay charges resulted in lower than expected receipts.
12. Miscellaneous receipts were higher than anticipated.

9 COMMITMENTS

Global Commitments	€000
Commitments likely to arise in subsequent years for:	
Procurement Subheads	196,942
Operating Leases	46,585
Finance Leases	41,442

Legally Enforceable Capital Commitments	NHO/PCCC	Cumulative spend to 31 Dec 2008	To be paid in subsequent years	Total
		€m	€m	€m
Capital Projects over €6.35 million:				
University College Hospital Galway - Phase 2	NHO	100.62	0.24	100.86
Community Nursing Unit (Fifty bed unit), Ballinasloe	PCCC	0.57	9.17	9.74
Community Nursing Unit (100 bed) - Loughrea	PCCC	0.73	13.00	13.73
Cork University Hospital - Cardiac Renal	NHO	36.74	32.29	69.03
Cork University Hospital - Infrastructure upgrade	NHO	22.33	0.72	23.05
Cork University Hospital - Amalgamated Maternity Unit	NHO	78.39	0.75	79.14
Kerry General Hospital - A & E	NHO	0.95	8.04	8.99
Bessboro , Co Cork - Child & Adolescent Psychiatric Unit	PCCC	1.00	6.40	7.40
St Mary's Community Nursing Unit, Cork City (Fifty bed)	PCCC	1.33	8.50	9.83
An Daingean Community Hospital	PCCC	12.98	1.49	14.47
Tralee Community Nursing Unit	PCCC	8.75	1.03	9.78
St Dymphna's, Kelvin Grove, Carlow - Intellectual Disability Unit	PCCC	6.04	2.90	8.94
St John's Hospital, Wexford, Phase 2 Development	PCCC	11.12	2.10	13.22
St Vincent's Hospital, Dungarvan, Co Waterford - New thirty two bed unit and fifteen place day hospital	PCCC	8.18	2.07	10.25
Cashel, Phase 2	PCCC	3.59	9.10	12.69
Integrated Patient Management System	NHO	26.22	1.46	27.68
Connolly Hospital, Blanchardstown - Surgical Block	NHO	13.37	3.50	16.87
St Ita's Portrane, Co Dublin - Residential Development	PCCC	12.34	3.22	15.56
St Mary's Hospital, Phoenix Park - Community Nursing Unit	PCCC	18.82	0.35	19.17
St Mary's Hospital, Phoenix Park - CNU & Catering Department	PCCC	4.86	5.40	10.26
St Joseph's Raheny - One hundred bed Community Nursing Unit	PCCC	3.90	11.80	15.70
Our Lady of Lourdes Hospital, Drogheda- Extension & Refurbishment of A & E	NHO	9.34	15.31	24.65
Bloomfield Hospital, Stocking Lane, Rathfarnham, Dublin 16	PCCC	11.99	2.80	14.79
Pearse St/Irishtown Health Centre	PCCC	9.84	3.56	13.40
Midland Regional Hospital, Tullamore - Equipment & Commissioning	NHO	24.04	1.91	25.95
General Hospital, Mullingar - Phase 2B	NHO	23.30	1.37	24.67
Clonbrusk, Athlone, Co Westmeath - Disability Day Service	PCCC	3.85	3.50	7.35
Clonskeagh CNU, Dublin 14 - One hundred bed Community Nursing Unit	PCCC	6.98	7.81	14.79
St James's Hospital - PET Scanner	NHO	5.58	1.04	6.62
St Vincent's Hospital - Main Development	NHO	198.59	1.50	200.09
Our Lady's Hospice, Harolds Cross	PCCC	3.13	7.37	10.50
Beaumont Hospital - Equipment & Refurbishment	NHO	39.20	0.68	39.88
Incorporated Orthopaedic Hospital, Clontarf - Phase 2 Development	PCCC	10.97	5.71	16.68
Mater Campus Hospital Development Ltd	NHO	24.11	8.30	32.41
Radiation Oncology Suites	NHO	15.28	40.00	55.28
Ambulance Services	NHO	8.13	4.00	12.13
National Paediatric Hospital Development Board	NHO	1.99	18.20	20.19
TOTAL		769.15	246.59	1,015.74

10 MATURED LIABILITIES UNDISCHARGED AT YEAR END

The total amount of matured liabilities undischarged at 31 December 2008 was €36,801,085.

11 DETAILS OF EXTRA REMUNERATION

	Amount paid	Number of recipients	Recipients of €10,000 or more	Max. individual payment of €10,000 or more
	€000			€
Allowances	128,127	44,156	1,098	128,685
Overtime	216,334	29,703	6,405	156,689
Night duty	80,327	36,007	300	17,024
Weekends	199,973	71,364	824	28,747
On-Call	63,386	15,498	1,597	130,573
Other	40,921	14,539	312	129,897
Total extra remuneration	729,068			

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

Note 2: HSE extra remuneration costs above relate to HSE employees only.

12 MISCELLANEOUS ITEMS

The HSE paid €25.4m in respect of insurance policies in 2008 and this is reflected in the outturn for Subhead A.1.

There were a total of 1,834 outstanding claims against the HSE with Irish Public Bodies Mutual Insurance Ltd. at the end of 2008.

The HSE paid a further €1,700,186 in respect of various claims brought against it and settled in 2008 which were not covered under insurance.

The HSE had 27 outstanding claims for compensation at 31 December 2008 which are not covered by the HSE insurance policy.

Other ex-gratia payments made during 2008 amounted to €22,604 and other miscellaneous payments amounted to €55,693.

The cost of severance awards paid in 2008 totalled €47,592.

Payments to retired staff for services in 2008 amounted to €13,714,720.

Gratuities (excluding pension lump sums) paid in 2008 amounted to €1,837,672.

Performance related pay paid in 2008 was €1,725,549.

During 2008, the HSE wrote off bad debts amounting to €9.326m and increased the provision for bad debts by €9.2m.

Prompt Payment Interest paid by the HSE in 2008 was €885,219.

Payments of €887,288 were made in 2008 arising from Labour Relations Commission/Rights Commissioners awards.

Stocks valued at €94,188 were written off in 2008.

The HSE is insured against employers liability and public liability risks up to an indemnity limit, under both retro-rated and flat-rated basis. 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 2008, 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 €224,861 and €7,160,847 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.

A High Court case was taken in 2007 by community pharmacists seeking to enforce contractual entitlement to advance payments for medical card schemes. Community pharmacy contracts provide for cash payments on 45-day terms in advance of actual claims payments which historically took longer than this credit period to process manually. Since the automation of claims processing, the practice of advance payment to community pharmacists was ceased as actual claims are paid within this 45-day timeframe. Pharmacists have sought to have the cash advances reinstated and the provision in the contract enforced. This case was defended by the Department of Health and Children but the judgement was in favour of the plaintiffs. The case is being appealed to the Supreme Court although a date has not been set as yet for this hearing. If the Supreme Court upholds the judgement of the High Court, the outcome will be the reinstatement of all advance payments and the back payment of same, the cost of which will be in the order of €70m in respect of arrears.

Pharmacists have lodged a separate claim with the HSE for loss of retail mark up on products dispensed under the terms of the over 70's medical card, products which would otherwise have been subject to higher retail mark up where full eligibility did not exist. The claim is in the amount of €100m over and above the amount of €30m 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.

The Health Repayment Scheme closed to new applicants on 31 December 2007 and 14,000 claims have been received in respect of living patients and 25,500 claims in respect of estates. The Scheme is now estimated to cost in the region of €438m to €458m. The Scheme received some applications relating to patients in private nursing homes which were turned down on the basis that they were not contemplated within the scope of the Scheme. Proceedings have been instituted in 302 cases, involving patients who spent time in private nursing home facilities. None of the cases have yet proceeded to a hearing. Consequently, it is considered inappropriate to attempt to estimate any potential future liability or to detail the uncertainties attaching thereto since to do so might prejudice the outcome of court proceedings.

13 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.

14 NATIONAL LOTTERY FUNDING

Payments in the year ended 31 December 2008

Block Allocations to HSE Areas

	€
Eastern Regional Authority	1,674,046
Midland	321,564
Mid Western	480,907
North Western	372,850
North Eastern	618,423
South Eastern	600,457
Southern	490,498
Western	441,701
Total	<u><u>5,000,446</u></u>

15 STOCKS

Stocks at 31 December 2008 comprised:

	€000
Medical, Dental and Surgical Supplies	37,290
Laboratory Supplies	6,794
Pharmacy Supplies	21,340
High Tech Pharmacy Stocks	18,890
Pharmacy Dispensing Stocks	2,464
Blood and Blood Products	1,535
Vaccine Stocks	19,430
Household Services	9,155
Stationery and Office Supplies	2,583
Sundries	433
Total	<u><u>119,914</u></u>

16 DUE TO THE STATE

The amount due to the State at 31 December 2008 consisted of:

	€000
Income Tax	61,355
Pay Related Social Insurance	42,881
Withholding Tax	20,311
Value Added Tax	5,454
Total	<u><u>130,001</u></u>

17 ENHANCING INTERNAL CONTROLS

A Statement on internal financial control in the standard format for the year ended 31 December 2008, has been submitted with this Account to the Comptroller and Auditor General.

During 2008 I commissioned an external review of finance controls in the HSE. Whilst not specifically commissioned for the purposes of informing the Statement on Internal Financial Control, the terms of reference of the review were:

- To undertake a review of existing financial controls and reports;
- To comment upon the fitness for purpose of the current finance organisation of the HSE;
- To examine the interaction between the finance and other directorates within the HSE to include an assessment of the accountability arrangements of Directors;
- To identify within current systems and resource constraints how to extract the best delivery for the benefit of the CEO.
- To aid in the positioning of finance to support the decision making process.

The report on the Review of Financial Controls in the Health Service Executive was presented to me in January 2009 and reviewed and discussed by the Audit Committee at its January 2009 meeting. A recurring theme through the entire review was the limitation imposed on Finance delivery by the absence of a fit-for-purpose accounting system. The optimal solution for Finance delivery in the HSE will involve putting in place a single national financial system and work continues to secure such an outcome. However, there are many further improvements which are being pursued and delivered even in the absence of the systems solution. It is towards these deliverables that the report's recommendations were targeted. The recommendations were grouped under logical headings of the Role of Finance, the Organisation Structure, a number of Key Deliverables, People, Systems and Next Steps.

Structured plans for the implementation of the recommendations of the report are being followed up by management.

A Working Group, chaired by Mr Tom Considine with representatives from the Department of Health and Children, the Department of Finance and the HSE was established by the Minister for Health and Children, following a Government Decision, to study certain accounting issues related to the Health Service Executive (HSE). The primary focus of the working group was the interaction between Vote Accounting and Income and Expenditure Accounting (accrual accounts) and in particular how that interaction can be best managed to maximise the value added for the HSE, the Government, Dáil Éireann, Government Departments and the Comptroller and Auditor General.

The terms of reference of the Working Group were to:

- Review, in the context of sections 20 and 36 of the Health Act 2004, the annual Income and Expenditure Accounts and Appropriation Accounts prepared to date in respect of the Health Service Executive (HSE) and Vote 40;
- Describe the format and content of:
 - annual income and expenditure accounts operated by the HSE
 - annual Appropriation Accounts of the HSE in the light of the structure of Vote 40 for the HSE;
- Identify and consider issues arising from the combined operation of the two accounting requirements for the HSE, the Department of Health and Children, the Department of Finance, the Comptroller and Auditor General and the Oireachtas;
- Consider ways to improve understanding of and consistency between the two sets of HSE Accounts with a view to improving transparency for Comptroller and Auditor General audit of, and Departmental and Oireachtas consideration of, the accounts;
- Investigate the necessity or otherwise of setting a defined expenditure level for the HSE each year;
- Examine the implications of such a control mechanism for the Estimate process, HSE budget setting and associated reporting for Income and Expenditure purposes; and
- Make recommendations accordingly.

The Working Group reported to Government in March 2009. The report has been reviewed and discussed by the Audit Committee. Implementation plans for the report's recommendations are being prepared by management.

In addition to these external reviews, a formal internal review of the effectiveness of the system of internal control in the HSE was conducted by a project team comprising senior managers who have specific expertise in the areas of finance, audit and control. Annual reviews of the system of internal control undertaken in previous years established a template which has been followed in carrying out this review in 2008. The review involved a number of steps as follows:

- Assessment of progress against the implementation of recommendations contained in previous reports.
- Consideration of Controls Assurance Statements completed by senior managers.
- Assessment of management's mitigation of potential risks identified by the Comptroller and Auditor General (C&AG);
- Review of Internal Audit Reports and C&AG management letters;
- Structured bilateral interviews with a representative sample of senior managers randomly selected from across the organisation.

The report of the project team was circulated to senior management in March 2009. In summary, the overall conclusion from this review is that while the control environment, control and risk management processes and assurance arrangements remain largely effective, there are a number of areas where specific action is recommended to increase effectiveness and consolidate on the improvements which are in evidence since the previous report. The implementation of these recommendations by management will be monitored by the Audit Committee during 2009.

PROFESSOR BRENDAN DRUMM
Accounting Officer
HEALTH SERVICE EXECUTIVE
31st March 2009

Certificate of the Comptroller and Auditor General

I have audited the Appropriation Account of the Vote for the Health Service Executive for 2008 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.

Attention is drawn to Note 1 to the Account which discloses the basis on which expenditure has been charged to Subhead B.16 – Long Term Residential Care. Owing to the nature of the HSE's accounting system, I was unable to satisfy myself that the outturn on any of Subheads B.1 to B.8 and Subhead B.16 is accurately stated, although the amount charged in aggregate to these subheads and the Vote is correct.

In my opinion, except for the effects of any adjustments to Subheads B.1 to B.8 and Subhead B.16 that might have been needed had the necessary accounting information in relation to expenditure on long term residential care been available, the Appropriation Account properly presents the receipts and expenditure of the Vote for the year ended 31 December 2008.

Chapters 37 to 40 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.



JOHN BUCKLEY
Comptroller and Auditor General
4 September 2009