



Appropriation Account 2013

Vote 39

Health Service Executive

Introduction

As Accounting Officer for Vote 39, 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 2013 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 2013, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €31.1 million is liable for surrender to the Exchequer.

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

Tony O'Brien

Accounting Officer
Health Service Executive

10 September 2014

Statement on Internal Financial Control

This statement on internal financial control represents the position for the year ended 31 December 2013.

Responsibility for the System of Internal Financial Control

The Health Service Executive (HSE) was established by Ministerial order on 1 January 2005 in accordance with the provisions of the Health Act 2004. The HSE must comply with directives issued by the Minister for Health under the Act.

The HSE Directorate was established on 25 July 2013, following the enactment of the Health Service Executive (Governance) Act 2013. The new Directorate is accountable to the Minister for Health for the performance of the HSE. The establishment of the Directorate was a step in a much wider process of reform which envisages, as set out in the Programme for Government, the eventual dissolution of the HSE. The HSE (Governance) Act builds on existing accountability arrangements under the Health Act 2004, such as annual service plans and reports, codes of governance and the provision of information to the Minister for Health. The Act allows the Minister for Health to issue directions to the HSE on the implementation of Ministerial and government policies and objectives and to determine priorities to which the HSE must have regard in preparing its service plan.

The Directorate is the governing body of the Executive with authority, in the name of the Executive, to perform the functions of the Executive. The Directorate may delegate some of the functions of the Executive to the Director General (DG). The Directorate may establish committees to provide assistance and advice in relation to the performance of its functions. The Directorate has established a number of Committees including an Audit Committee and a Risk Committee, each of which comprises one appointed Director and external nominees.

The Directorate has responsibility for major strategic development and expenditure decisions. Responsibility for operational issues is devolved, subject to limits of authority, to executive management.

In addition to his functions as a member of the Directorate and as the chairperson of the Directorate, the DG's functions include carrying on, managing and controlling generally the administration and business of the Executive. The DG is the Accounting Officer for the HSE. The DG is accountable to the Minister on behalf of the Directorate for the performance by the Directorate of its functions and those of the Executive.

The Directorate has overall responsibility for the HSE's system of internal financial control and for reviewing its effectiveness. Management at all levels of the HSE is responsible to the DG for the implementation and maintenance of internal financial controls over their respective functions. This embedding of the system of internal financial control is designed to ensure that the HSE is capable of responding to business risks and that significant control issues, should they arise, are escalated promptly to appropriate levels of management. A system of internal financial control is designed to reduce rather than eliminate risk. Such a system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely manner.

Basis for Statement

I, as Chairman of the Directorate and Accounting Officer, make this statement in accordance with the requirements set out in the Code of Practice for the Governance of State Bodies and in the Public Financial Procedures of the Department of Public Expenditure and Reform.

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 of €14 billion incurred by the HSE in 2013 are stringent in terms of accountability and transparency in order to fulfil our responsibility for funding received from the Exchequer and other sources in this respect. These duties are set out in the Health Act 2004 and in the Public Financial Procedures of the Department of Public Expenditure and Reform.

The system of internal financial control is by its nature dynamic. It is continually developed, maintained and monitored in response to the emerging requirements of the organisation. The current systems environment in the HSE presents additional challenges to the effective operation of the system of internal financial control. Devolved financial systems are multiple and fragmented and the review in 2013 of current financial management arrangements reiterated the consensus amongst the finance community in the HSE that the current financial operating model is not fit for purpose. 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 relies on an interim reporting solution to support all national level financial reporting, including monthly management reports, the Annual Financial Statements and the Appropriation Account. This system imports data from 12,000 cost centres per month from HSE legacy systems and is manually reanalysed to support national reporting. The absence of a single national system requires that significant work is undertaken manually to ensure that the local ledgers and the national system are synchronised and reconciled. This reporting approach is becoming increasingly challenging in the light of changes to organisation structure and the ageing of the systems.

The HSE's Finance Reform Programme initiated in 2013 is addressing these challenges. The Programme is a key element of overall system reform and, following on from reports by Ogden and PA Consulting in 2012, a report recommending a new operating model for Finance, ***Defining Financial Management - A Finance Operating Model for Health in Ireland***, was completed by PA Consulting in 2013. It is expected that the new finance operating model for health, when implemented, will support far reaching and fundamental change in financial management practice and will be an important enabler in wider system reform. Underpinned by a single integrated financial management system and mandated financial management framework, these changes will ensure stability and an improved control environment within a reformed health system and will drive a culture of collective responsibility and cost consciousness. Implementing a new finance operating model provides an opportunity to completely transform the financial management of the health system and will support the delivery of key elements of the reform agenda of *Future Health* including introducing Hospital Groups and Money Follows the Patient. Phase 1 of the programme is now complete and has made a significant impact in tackling specific challenges in service planning, budgeting and cost-containment. The challenge facing the HSE is how to best transform financial management during a period of unprecedented change across the healthcare system. There is a need to build on what has been achieved in recent months and to deliver an approach to financial management that secures medium term stability and cost containment while allowing sufficient flexibility to support the wider reform agenda. Phase 2 of the Finance Reform Programme commenced in December 2013 and involves the development of a business case to obtain the necessary approval to procure a new integrated financial management system for the health service. This programme is the start of a multi-year project that will ultimately affect all staff within the health system as it will fundamentally transform the way we manage finance, facilitated by a change in culture, systems and processes. The Finance Reform Programme is the single most important non-clinical priority of the Health Service for 2014.

Key Internal Financial Control Procedures

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

- The HSE's **Framework for Corporate and Financial Governance** is set out on www.hse.ie, and includes all supporting policies, procedures and guidelines which underpin the Framework. The Framework was approved by the Minister for Health in accordance with Section 35 of the Health Act 2004 and reflects the requirements of the Code of Practice for the Governance of State Bodies. Staff are required to have full knowledge of their responsibilities which are clearly outlined in part II of the Framework and that it is against this that all compliance is benchmarked.
- 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's **National Financial Regulations** form an integral part of the system of internal financial 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 Public Expenditure and Reform 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 an ongoing process, with new regulations and updates to existing regulations issued periodically in response to new or emerging requirements. Ten National Financial Regulations were updated in 2013 to reflect new organisation structures, legislation and best practice. Six new National Financial Regulations were launched during the year, standardising policy and procedures in key HSE operations. 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.
- A devolved **budgetary system** is in place with senior managers charged with responsibility to operate within defined accountability limits and to account for significant budgetary variances to the DG within a formal performance monitoring framework (National Planning and Performance and Assurance Group process), described in further detail below.
- The HSE has put in place procedures designed to ensure **compliance with all pay and travel circulars issued by the Department of Public Expenditure and Reform**. Any exceptions identified are addressed and are reported on an annual basis to the Minister for Health, in accordance with the Code of Practice for the Governance of State Bodies.
- A detailed **standardised appraisal process** is conducted for all capital projects budgeted in excess of €0.5 million. The Health Service's National Capital Steering Committee appraises all projects to be included in the Capital Plan in accordance with the Department of Public Expenditure & Reform's VFM Code (2012). Project applications must be accompanied by detailed project briefs including a needs assessment, a detailed capital appraisal or a **cost benefit analysis**, life cycle costs, projected capital budget and revenue and staffing implications. The National Capital Steering Committee validates the submissions received, checks alignment with the Health Service's Service Plan, examines revenue implications (if any), and may reject, request additional information or recommend for inclusion in the Capital Plan subject to availability of capital funding. All proposed major capital projects which are budgeted in excess of €20 million are subject to a detailed cost benefit analysis carried out in accordance with the Department of Public Expenditure & Reform's VFM Code (2012). Leadership Team/Directorate reviews of the capital programme take place on a regular basis. All Service Divisions are represented on the National Capital Steering Committee.
- **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 Head of Estates has authority to approve proposed property transactions up

to a limit of €2 million, once recommended for approval by the Property Review Group. Transactions in excess of this amount must be approved by the DG, once recommended for approval by the Property Review Group and endorsed by the Leadership Team. Transactions in excess of €2 million once approved by the DG must then be submitted to the Directorate for final approval. Any disposal of property below market value requires approval of the Directorate.

- The HSE recognises the importance of **risk management, including financial risk management**, as an essential process for the delivery of quality and safe services. Risk management at an operational level is a line management function. Each Division is required to describe accountability arrangements for managing risk at all levels within the Directorate. These arrangements are part of the normal reporting mechanism to ensure that risk management is embedded into the business process. Each service/function is obliged to identify, assess and manage risk relevant to their area; the risk register is the principal 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 register is a mechanism to provide assurance (evidence) to the Directorate 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 mitigate the risks identified. Regular reports on the status of the corporate risks are submitted to the Risk Committee. While clinical risk management processes in the HSE are relatively mature, non-clinical and financial risk management processes are subject to ongoing development. The full suite of HSE risk management policies, procedures and guidelines are published on www.hse.ie.
- The financial impact of clinical and operational incidents is reflected in cases settled by the State Claims Agency (SCA) and by insurers, on behalf of the HSE. The responsibility for management of clinical negligence, personal injury and property damage claims against the HSE has been delegated to the SCA under statute. The SCA also provides advice and assistance to HSE risk management, clinical and administrative personnel with the aim of supporting patient safety and reducing future claims and litigation. Where claims do arise the objective is to manage these claims so as to ensure that the State's liability and associated expenses are contained at the lowest achievable level. The SCA hosts an **electronic national adverse events management reporting system** which facilitates the investigation of any subsequent claims and also the identification and analysis of developing trends and patterns. The lessons learned from this analysis support the improvement of patient safety and contribute to the reduction of claims in the HSE. Annually, the SCA plans and implements risk management work programmes based on claims and incident data trend analysis, legal requirements and precedents and recent developments in litigation risk management, nationally or internationally. A comprehensive programme of training and seminars was delivered by the SCA's risk management units during 2013. The SCA provides insurance advices on HSE contracts, licences, schemes and tenders in circumstances where State indemnity applies or on insurances required where it does not apply. This ensures that the State's liabilities are minimised in the most cost effective manner.
- The legal framework under which the HSE provides grant funding to non-statutory service providers is set out in the Health Act 2004. The HSE has a formal **national governance framework** with national standardised documentation which governs grant funding provided to non-statutory organisations. The governance framework for the non-statutory sector seeks to ensure the standard, consistent application of good governance principles which are robust and effective to ensure that both the HSE and the agency meet their respective obligations.

All grant funding is now governed by one of four standard document types, depending on the nature of the arrangement, as follows:

- Section 38 Service Arrangements: these cover all voluntary hospitals and major non-acute voluntary agencies, in total 39 agencies;
- Section 39 Service Arrangements: cover all other voluntary and community agencies not included above, in receipt of funding over €250k, currently 366 agencies;

- Section 39 Grant Aid Agreements: cover all agencies in receipt of funding under €250k, the vast majority of agencies fall into this category with some 1,959 agencies currently funded; and
- For-Profit Service Arrangements cover all agencies in the commercial for-profit sector regardless of funding level, currently some 252 Agencies.

Each Service Arrangement reflects the complexity of the services provided and includes corporate and clinical governance requirements, quality standards and codes of practice for services, and financial controls. Various guides and process control forms are maintained on the HSE's intranet site together with a comprehensive operational manual supporting the recently issued HSE National Financial Regulation, *NFR-31 Grants to Outside Agencies*. The HSE has also developed a national standard service specification template with the disability sector which allows a high level of visibility and management control of individual centres of service delivery and the resources expended to deliver those services. These advances will allow the HSE to advance the strategies outlined in *Future Health*, and enable the development of a "money follows the patient" funding model.

The Grant Aid Agreement, while a simpler governance control, sets out minimum standards, such as the requirement for a written constitutional document, separate bank account, financial management and tax compliance, which is compulsory for all. Further compliance requirements are also included where appropriate.

The documentation has been reviewed and updated in recent years and changes have been made to ensure the documentation reflects current legislation, regulation and government department directives. In 2013 an additional information return was added to all Section 38 and Section 39 Service Arrangements, requiring agencies to separately report on all individual staff paid at Grade VIII level equivalent or above, detailing their salary including allowances and any other benefits paid. This additional information was required by 31 May 2014. A new Compliance Statement setting out additional assurances in relation to key controls assurances will be required to be signed off in 2014 by the Boards of all Section 38 Agencies.

- **A National Register of Non-Statutory Agencies' Service Arrangements and Grant Aid Agreements**, is in operation. This Register is managed by the National Business Support Unit (NBSU) and has created a unique identifier for each agency allowing the maintenance of key information on each separate funding arrangement which includes both current and historic funding, compliance with national standard governance documentation, and key contact details. This is available on the HSE intranet site as a reference guide for all HSE managers. Monthly performance monitoring statistics and reports are prepared.
- As part of the HSE's Transformation and Change Agenda, a **System Reform Group (SRG)** was established to project manage the HSE Reform Programme. The SRG is led by the National Lead for Transformation and Change. The National Lead leads the HSE Reform Programme on behalf of the DG, providing the strategic vision and driving the change management and benefits focused culture across the organisation. The SRG manages the HSE Reform Portfolio and provides expertise and change management support to the individual programmes.
- 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**, confirming their compliance with policies and procedures and attesting to the existence and operation of controls which are in place in their area of responsibility, or identifying where exceptions or weaknesses exist.

Planning, Performance Monitoring and Reporting

- Planning takes place at several levels within the HSE and takes into account internal and external guidance provided through, for example, the Government's reform agenda, *Future Health*, the Department of Health's Statement of Strategy, national policy documents, specific strategies, economic forecasts and clinical and quality priorities. In line with section 31, Health Act, 2004 and section 12, HSE (Governance) Act, 2013 a HSE **National Service Plan** is published each year, and contains information on the type and volume of service activity that is needed in order to deliver health and social care to the people who use HSE services. It includes performance and activity measures which are tracked and reported through the National Planning and Performance and Assurance Group (NPPAG) process. The PIs are reviewed each year as part of the service planning process to check that they are still relevant, collectable and useful. In developing the plan, service managers reflect the type and level of service that is required to meet estimated need and can be delivered within the resources that are available in the year. The 2013 National Service Plan was submitted to Minister for Health on 21 December 2012 and approved on 9 January 2013. Progress and outcomes against this plan are reported fully in the HSE Annual Report and Financial Statements. The 2014 National Service Plan was submitted to the Minister for Health on 25 November 2013. This was following an extension of the time-limits, as allowed in legislation, following a request to the Minister by the HSE. The plan was approved by the Minister on 17 December 2013.
- To underpin the National Service Plan, a **National Operational Plan 2013** was published to support implementation, setting out a national position for each main care group / programme in order to guide the translation of national policy into the four Regional Service Plans and three Hospital Group Plans. 2013 was a year of transition for the health service, moving from a regional governance model to a national Divisional model, with local accountability. The format and structure of all plans and reports will evolve to reflect these new arrangements in 2014.
- During 2013, as part of the overall planning and performance framework, a National Planning and Performance and Assurance Group (NPPAG) was formally established by the DG and its monthly meetings are chaired by the COO/Deputy DG. The NPPAG is the principal planning and performance assurance group within the HSE and is responsible for:
 - Ensuring the systems, controls and processes are in place to provide appropriate levels of assurance to the DG, the Directorate and the Minister that the HSE is delivering on its National Service Plan commitments.
 - Undertaking a monthly review of performance across the organisation, including a detailed financial performance review.
 - Managing the performance escalation and intervention process.
 - Participating in the service planning process.
 - Considering the draft version of the HSE's monthly performance assurance report for submission to the DG and HSE Directorate after which it is submitted to the Department and published.

The core membership of the NPPAG includes the CFO and all those who are responsible and accountable for budgets and service delivery.

- The performance management process is managed at local, regional and national levels. Its approach seeks to ensure:
 - Performance management and responsibility resides at the most appropriate level;
 - A stronger regional role in managing performance;
 - Performance management at national level has a dual purpose of providing assurance to the DG and Minister and is an escalation process for addressing underperformance.

To support performance assurance, a robust management process takes place in preparation of the monthly NPPAG meeting, following which the COO/ Deputy DG meets with the DG to review the draft Performance Assurance Report (PAR), prior to the report being tabled for a meeting of the Leadership Team at which it is formally considered. The draft PAR is also shared with the Department of Health. The Directorate, as the governing body for the HSE, considers the report at its monthly meeting. Once approved, the appropriate reports are formally submitted to the Secretary General of the Department of Health, to comply with reporting requirements to the Minister for Health (Health Act, 2004) and published on www.hse.ie

- Timely and comprehensive reports about how services are performing against various targets, including financial, enable HSE staff and managers to increase service efficiency and effectiveness. These include:
 - Regional Management Data Reports are produced to assist the performance management process at regional level (Regional Directors Operations / Regional Directors Performance and Integration (RDPI)). These reports are made available to the COO and service Directors;
 - CompStat (monthly web-enabled reports at hospital, hospital group and community/ local health office (LHO) level) – Performance information within CompStat underpins the monthly Regional CompStat/Performance Assurance Fora chaired by the RDPI. The Regional Forum is attended by senior clinical and management personnel from hospitals and LHO's. Operational performance across key operational metric areas is reviewed and performance improvement plans are agreed. The forum provides for a resolution focussed approach to improving performance and sharing best practice;
 - Monthly regional Performance Exception Reports are aggregated to produce a report to inform the COO of regional issues in advance of the NPPAG;
 - The monthly PAR, drawn from the corporate activity, HR and Finance data sets, and informed by the regional reports is the primary paper considered by the NPPAG for performance assurance. This is supplemented by detail in a Management Data Report (MDR).
- In addition, as part of the performance assurance process, the following key reports are compiled and published:
 - HSE Annual Report and Financial Statements - produced and published each year to give an overview of performance for the preceding year. It is a comprehensive report on the organisation's activity, achievements, challenges and financial performance as set out in its National Service Plan. Through the audited financial statements, the HSE accounts for use of resources allocated from Government. The HSE Annual Report is a legal requirement under section 37 (Health Act 2004). Unlike other documents and reports required under the Health Act, the Minister is not required to approve the Annual Report. The report is published online at the end of May each year.
 - The HSE Appropriation Account - prepared by the HSE and audited by the Comptroller and Auditor General and published in his Annual Report. The Appropriation Account is a comprehensive account of the HSE's financial performance in the year, prepared under Government accounting rules.
- A monthly dashboard is provided to the CFO reporting on key performance and risk areas as follows:
 - I&E financial results: Performance against budget by hospital group, division and national services.
 - Vote results: A two month rolling view of Vote performance against subhead.
 - Key Income KPI's: This includes claims submitted, claimed, pending or awaiting consultant action in addition to total claims by insurer rolling over a three month period and metrics around the top ten poorest performing hospitals.

- The monthly management accounts provide a detailed view of the organisations financial performance against budget. The accounts include but are not limited to the following:
 - Acute performance by hospital group and region.
 - Performance by national division and by region.
 - Primary Care Reimbursement Service – performance by scheme.
 - National Services – performance by function.
 - Corporate – performance by function.
 - Pay, non pay and income performance against profile.

A commentary and analysis accompanies the management accounts which provide context and commentary around emerging or existing trends and divisional performance.

- A detailed financial performance and outlook document is produced each month for consideration by the CFO. This document outlines the key risk areas for the organisation in addition to illustrating likely scenarios regarding the financial challenge for the year. The report covers acute and divisional financial outlook for the year and separately highlights key organisational risk areas as well as offering scenarios relating to budgetary overruns based on detailed engagement with services. This detailed financial performance and outlook document is also shared with Government and members of the Health Service Directorate and is a key part of the performance management process.
- The HSE is required to submit a monthly vote issues report and return and a monthly vote expenditure report and return to the Department of Health for transmission to Department of Public Expenditure and Reform (DPER). The monthly issues report and return is due five days before each month end and is an estimate of monthly vote expenditure compared to the monthly vote profile (budget). The issues returns from all Votes are consolidated by DPER and the Department of Finance and published on the 2nd or 3rd working day of each month as part of the monthly Exchequer Returns.
- The HSE is also required to submit monthly vote expenditure report and return by the 5th working day of each month. This return reports actual vote expenditure by Subhead compared to the monthly vote profile (budget). Both the monthly vote report and return are signed by the Accounting Officer.
- A monthly Cash Report is generated by the Treasury Unit that includes metrics from a number of sources, including the Cash Forecast model, to give early indications of the year-end position. This report forms part of the agenda of monthly meetings with the Department of Health and DPER. The report outlines the cash trends from a number of angles, giving early indications of the success or otherwise of cost containments plans to date as well as full year possible out-turns based on best case scenario to the most likely scenario.
- The Business Information Unit (BIU) is the central repository within the HSE of activity information for acute and community services. Extensive amounts of data are collected, collated, validated and analysed by this unit. This data is used in performance monitoring and measurement which influences the HSE in taking both operational and strategic decisions. The BIU comprises two units:
 - BIU Acute to manage data streams from 48 acute hospitals;
 - BIU Non-Acute to manage data streams from all non-acute Divisions: Health and Wellbeing, Primary Care, Social Care, Mental Health and the National Ambulance Services.

Data returns are primarily based on the activity and targets as set out in the current year's National Service Plan. This data is collated and quality assured by divisional analysts. In addition, the analysts prepare graphs which identify trends in the performance of each Division and track service delivery against target. Where there are inconsistencies in data returns, queries are referred to the Business Managers to validate accuracy of information

received. Queries are followed up by the team and information is validated with the services to ensure that data received is accurate.

Directorate Oversight

- The HSE has an **Internal Audit** Division with appropriately trained personnel which operates in accordance with a written charter/terms of reference which the Directorate 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 risks and related controls on a rolling basis. The work of the Internal Audit division is reviewed by the Audit Committee, which reports to the Directorate. Procedures are in place to ensure that the recommendations of Internal Audit are followed up. The National Director of Internal Audit reports to the DG of the HSE through the Chairman of the Audit Committee and has a close working relationship with the DG and is a member of the HSE leadership 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. Work is ongoing to increase the resources of the Internal Audit Division.
- An **Audit Committee** with an independent chair, comprising three Board members and one independent member was in place until the dissolution of the Board in July 2013. The Chairman of the Audit Committee was not a member of the HSE Board but reported to the Board on all significant issues considered by the Committee. The Committee operated under agreed Terms of Reference and met on four occasions in 2013. The National Director of Finance and the National Director of Internal Audit attended meetings of the Committee, while the CEO and other members of the executive management team attended when necessary. The external auditors attended as required and had 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 new Audit Committee with an independent chair, comprising one Director and five external members was appointed in January 2014, in accordance with the provisions of the Health Service Executive (Governance) Act, 2013.
- A **Risk Committee** with an independent chair, comprising four Board members, one independent member and three members of HSE senior management was in place until the dissolution of the Board in July 2013. This Committee met on four occasions in 2013. The Chairman of the Risk Committee was not a member of the HSE Board but reported to the Board on all significant issues considered by the Committee. Following the enactment of the Health Service Executive (Governance) Act, 2013, a Risk Committee was established, reporting to the Directorate. This Risk Committee has an independent chair and comprises a Director and four external members. The Risk Committee of the Directorate met on one occasion in 2013. Both Risk Committees operated under agreed Terms of Reference and focused principally on assisting the Board/Directorate in fulfilling its duties by providing an independent and objective review of non-financial risks. The Committees also considered internal audit reports concerning the effectiveness of non-financial internal controls and HIQA reports including the implementation of HIQA recommendations. Liaison will be facilitated by periodic joint meetings of the two committees and regular engagement between the two committee chairs. Minutes of the meetings of each committee will be shared reciprocally.
- **Monitoring and review of the effectiveness of the system of internal financial control** is informed by the work of the Internal Audit division, the Comptroller and Auditor General, the Audit Committee and the Managers in the HSE with responsibility for the development and maintenance of the management 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 reviewed by the Leadership Team and actions are taken to implement recommendations. Monitoring and review of their implementation is overseen by the Audit Committee.

Significant Breaches of the Control System in 2013

Governance of Section 38-Funded Agencies

In 2013, almost €3.5 billion of the HSE's total expenditure related to grants to voluntary agencies. A condition of these grants is that the individual agencies sign either a Service Agreement or a Grant Aid agreement which sets out the amount of the grant and the services that the agency will deliver. In addition, the agency must comply with public sector pay policy. The HSE has process in place to monitor agencies which includes checks to ensure that agencies are complying with the terms of the Service Agreement and the review of audited accounts from the agency.

Audit work carried out by the Comptroller and Auditor General and the HSE's Internal Audit has identified weaknesses in relation to the HSE's overall monitoring of S38 agencies and in agencies' compliance with public sector pay policy. At the end of 2013, signed governance documentation was in place in relation to 97% of the value of grant funding provided.

In relation to compliance with pay policy:

- The Department of Health drew up a pay policy for the health service with a particular focus on Section 38 Agencies. This was issued to the HSE on 27 September 2013. The Department of Health Circular was issued to the health sector by the National Director of Human Resources by way of HSE HR Circular 016/2013 on 30 September 2013. As part of the ongoing process to reach compliance, organisations seeking to make a business case for the continuation of an unapproved allowance were invited to submit their business cases for consideration by the HSE. Business cases were also required for the continued payment of the allowances which are not encompassed by or in line with the Department of Health Consolidated Salary Scales but may have been sanctioned in the past. A total of 202 business cases were received.
- 143 business cases were received in respect of Senior Managers (i.e. those at salary level of Grade VIII and above) for consideration by the Internal Review Panel. In addition, 59 business cases in respect of salary level below Grade VIII have been reviewed at operational level by the Regional Directors of Performance and Integration with support from Regional HR.
- An Internal Review Panel, comprising of nominated members of the HSE Leadership Team, reviewed each business case in detail and their deliberations were summarised in a report. Agencies that had submitted business cases were advised of the decision of the Internal Review Panel on 8 April 2014 and were also sent a copy of the report of the Internal Review Panel. The report provided details on the criteria the Panel used when assessing the merits of each business case; provided a narrative on the decisions made; and outlined legal considerations to assist when making arrangements to cease payment of the unapproved remuneration. Each agency was also provided with a breakdown of the business cases received in respect of their organisation and the decision made in each case.
- It is now the responsibility of each Agency to implement the recommendations made by the Internal Review Panel as a matter of urgency. A period of up to three months to 1 July 2014 has been set to allow time for Agencies to make the necessary arrangement to cease the payment of all unapproved remuneration and to ensure appropriate risk mitigation measures are put in place to deal with issues as they arise. Agencies were requested to set out the course of action they intend to take to give effect to the decisions of the Internal Review Panel and to respond to the National Director of Human Resources no later than 16 May 2014.

In relation to the HSE's monitoring of agencies to ensure that funds are being applied for the purpose granted and that value for money is being achieved:

- During 2013, the HSE completed a specific project aimed at strengthening the management and governance framework with specific emphasis on the appropriate management processes required to effectively manage its relationship with the non-statutory sector and meet its accountability arrangement. As a result of the project, a number of guidance documents have been developed to assist budget holders in improving their management of the relationship with funded agencies.
- Where agencies did not complete a service agreement (or similar document) in 2013, the HSE has communicated with the agency involved and taken appropriate action, resulting in some cases in the cessation of contracts. In order to ensure continued focus on compliance with service agreements, the rate of compliance with the requirement for grant-funded agencies to sign funding agreements is included as a key performance indicator for both Corporate and Regional reporting.

Compliance with Procurement Rules

In procuring goods and services, all areas within the HSE must comply with the relevant procurement procedures which are set out in detail in the HSE's National Financial Regulations.

As the Accounting Officer, I am required in the Statement on Internal Financial Control, to attest to compliance with all relevant procurement procedures during the financial year. In addition, the HSE is required to submit an annual return (the 40/02 return) to the Comptroller and Auditor General and the Department of Public Expenditure and Reform by 31 March in relation to the prior financial year. This return must disclose details of any contracts in excess of €25,000 (exclusive of VAT) which have been awarded without a competitive process.

The HSE does not have an automated centralised system to maintain a register of contracts awarded without a competitive procurement process. Rather, it relies on individual areas to identify and report such non-compliance. As a result of this manual self-assessment process, the HSE was unable to submit the 40/02 return by the required date. The return submitted in July 2014 disclosed during 2013 that goods and/or services totalling €17.8 million (116 cases) had been procured without a competitive process. In the past returns submitted did not include all instances of non-competitive procurement that were appropriate for declaration in the return. The audit identified a significant level of under reporting of non competitive procurement during 2013.

In 2013 and in previous years, audits have identified a significant level of non-compliance with procurement rules. In order to address the weaknesses, during 2013 the HSE assigned responsibility for collating the required information to a designated Assistant National Director of Procurement and ensured that control assurance statements signed by individual managers require a declaration that managers have complied with procurement guidelines. During 2014, the HSE plans to increase the level of communication and training to staff on the requirements of Circular 40/02 and on procurement rules generally, with a view to improving compliance in this area in 2014.

Tax Compliance

The HSE is currently finalising a comprehensive review of tax compliance which was commenced in 2013. The detailed self-review was conducted across all tax heads for which the HSE needs to account and focused in particular on those risk areas identified by the formal tax risk assessment which was conducted with external specialist tax assistance in 2012. Any underpayment of tax identified in the self-review will be the subject of a voluntary disclosure to the Revenue Commissioners in 2014. The HSE has obtained specialist tax advice which indicated that any liability which might arise would not be expected to be material in the context of the HSE's overall annual tax liability. The HSE's tax control framework is immature and requires significant further development from a tax governance, risk management and compliance perspective. A number of initiatives to improve future compliance are underway, such as the establishment, in 2013, of an in-house specialist tax function for the HSE, and the development of a structured ongoing training programme for staff and a rolling programme of

self-review, which will be rolled out during 2014. The HSE remains committed to exemplary compliance with taxation laws.

Recovery of Income from other States

Income from services provided under EU Regulations accrues to the State where

- People from other EU countries access health services in Ireland using a European Health Insurance Card (EHIC) in either an acute hospital, a Local Health Office a pharmacy or from a GP.
- Where people from other states come to live in Ireland and are issued with medical cards by the HSE whilst retaining their social security link to another State.

It has been established that all data necessary for claiming refunds from other EU Member States for these services has not been collected in some cases.

A project has commenced to improve data collection and quality to maximise the income generation potential for this recovery. Notwithstanding the constraints of the manual system, it is anticipated that the HSE will issue its first reimbursement claims in Quarter 2 2014. It is not possible to be specific on the value of such claims until such time as they are finalised.

Control over medical card eligibility

The scale of costs within the Medical Card and Primary Care Schemes and the volume of transactions associated with them means that there are potential areas of risk that need to be managed.

Eligibility to receive a medical card, in general, depends on an assessment of the applicant's means. This assessment is completed upon initial application for a medical card and an assessment is also repeated periodically to confirm continuing eligibility.

Most medical cards are awarded for three years following eligibility assessment. However, eligibility may cease upon a change in circumstance and therefore a review of eligibility may be initiated during the eligibility period to confirm continuing eligibility.

During 2013, new legislation was enacted to enable the sharing of information with the Revenue Commissioners and with the Department of Social Protection. As soon as information became available from the Revenue Commissioners, it was incorporated into the risk analysis process and it assisted with the determination of the review approach to adopt. The extent and quality of this information sharing for the purposes of control over medical card eligibility continues to develop.

Renewal Notice Reviews

At 1 January 2013 there were almost 1,854,000 full medical cards and just over 131,000 GP visit cards in issue. During 2013, 1,279,000 cards were due to expire in monthly tranches. The full cohort in each monthly tranche which was approaching expiry was subject to a risk analysis to determine the review approach to adopt in each case. Renewal notices issued in relation to almost 601,000 persons. Renewal notices were not issued to the remaining 678,000 persons as it was concluded on the basis of the risk assessment (which included data from the Revenue Commissioners) that those persons were at low risk or at no risk of being ineligible, and eligibility in those cases was extended for a further one year. Renewal of a medical card can be done by way of a full review of eligibility by the HSE or by cardholder self-assessment depending on the relative risk identified during the risk assessment process. Of the 601,000 renewals issued in 2013, 284,000 involved a full review and 317,000 requested the cardholder to self-assess.

As at 7 April 2014, the assessment of eligibility had been concluded in relation to 75% of the cardholders selected for review.

- Continuing eligibility was confirmed in relation to 429,000 cards (71%).
- 22,500 cards (3.75%) were not renewed because the eligibility criteria e.g., income thresholds were not met.
- In 8,000 cases (1.3%) the cardholder was deceased.
- Almost 18% of the cards selected for review were not renewed because the cardholder did not respond to the renewal process.
- The assessment of eligibility was on-going in relation to 34,000 cards (5.7%).

Targeted reviews

A review is categorised as “targeted” when it is initiated during the eligibility period rather than when the card is due for renewal. During 2013, the HSE issued 44,000 targeted reviews. As at 7 April 2014, the assessment of eligibility had been concluded in relation to 9,200 cardholders.

- Continuing eligibility was confirmed in relation to 6,900 cards (75% of the completed assessments).
- Eligibility was removed in 2,300 cases (25% of the completed assessments) because the eligibility criteria e.g. income thresholds were not met.

In a further 39% of targeted reviews, medical cards were not renewed because the cardholder did not respond to the renewal process. The assessment of eligibility was on-going in relation to 17,400 cards and in 192 cases the cardholder was deceased.

Residence Confirmation

In addition to the review of eligibility outlined above, the HSE also uses risk assessment to determine when to seek confirmation of residence in the State in relation to inactive cards.

During 2013, 102,000 individuals whose medical cards had been inactive for periods of more than 12 months were contacted requesting residence confirmation. As at 28 February 2014, 76,000 individuals (75%) had confirmed residence. Eligibility was removed in relation to 25,403 cards (25%).

Overall ineligibility rate

The non-renewal and ineligibility rates found as a result of risk based and targeted reviews are likely to be higher than those applying to the population of medical cardholders as a whole. The HSE does not currently have a reliable estimate of the level of ineligibility across the population of cardholders. Options for developing a methodology to produce reliable estimates are being examined.

Review of the Effectiveness of the System of Internal Financial Control

The annual review of the effectiveness of the system of internal control of the HSE is directed at enabling the DG as Accounting Officer and the Directorate HSE to deliver upon their requirement to satisfy themselves and represent to the Minister for Health and to the Oireachtas that there is appropriate effective control within the HSE. During 2013 a formal **Review of the System of Internal Control** in the HSE was completed by the Finance Directorate with input from the Quality and Patient Safety Directorate, the results of which have informed this Statement on Internal Financial Control. The review was carried out by finance and quality and risk managers with specific expertise in the areas of finance, audit, control, quality and risk. Annual reviews of the system of internal control use an established **controls assurance process** methodology which has been further developed in carrying out this review during 2013.

The methodology of the 2013 review involved reference to:

- status of the recommendations of the 2007 - 2012 Reports on the Review of the Effectiveness of the System of Internal Control
- controls assurance statements completed by all senior managers, administrative and clinical, from National Director Level to Grade VIII (or equivalent relevant) 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 formal structured bilateral interviews with a representative sample of approximately 100 managers and heads of service and their responses to an internal controls questionnaire (ICQ) completed during each interview
- Internal Audit reports, 2013 audit programme
- Audit Committee and Risk Committee minutes/reports
- reports and management letters of the Comptroller and Auditor General
- the 2013 audit programme of the Comptroller and Auditor General and in particular, the audit risks identified therein
- assessment of the progress of the implementation of recommendations contained in previous Internal Audit reports and reports of the Comptroller and Auditor General
- internal news /media releases
- HSE Board /Directorate minutes
- Steering Group/Working Group/Implementation Groups minutes etc
- external reviews/reports
- reports of the Committee of Public Accounts
- Health Information and Quality Authority reports
- Mental Health Commission reports
- Quality Patient Safety Audit reports and
- Government policy, such as Future Health - A Strategic Framework for Reform of the Health Service 2012–2015 and Programme for Government.

The scope of the review has been expanded over previous years to require the completion of Controls Assurance Statements by clinical management, and for Clinical Directors to complete a self-assessment review in the bilateral interview sessions. The content of the Controls Assurance Statement itself was enhanced to include assurances in relation to compliance with Circular 40/02 (procurement) and with the HSE's data protection policies. In addition, managers were required to confirm that they had not issued any letters of comfort in the period under review.

A new requirement in the 2013 review was for line management to co-sign each staff member's Control Assurance Statement to confirm that they had discussed the internal controls framework of the HSE, had examined evidence of non-compliance presented in the statement and risk register, and where appropriate, had agreed action plans to address weaknesses or escalate the risk to a higher level within the organisation.

A further element of the controls assurance process, the internal controls questionnaire (ICQ), was extended in recent years to include Clinical Directors. The ICQ is completed by a sample of senior managers during a formal bilateral interview. This represents a significant integration of clinical and financial risk management to enable a comprehensive assurance process for the HSE Board. Full compliance by staff with the extended controls assurance process in 2013 has not been achieved. Compliance rates, within those divisions that have completed the process, range from 70% to 100%, with an average compliance rate of 92%. While the rate of overall compliance with the process has improved slightly compared with previous years, there are still particular service areas where compliance has been low. The individual National Director Registers identify the staff who have and have not signed a Controls Assurance Statement and the level of non-compliance, while improved, remains unacceptable. The absence of a signed Controls Assurance Statement attesting to the operation of controls in such a large number of

cases gives rise to a concern that corporate risks may not be appropriately identified and addressed.

ICQ interviews were conducted with a sample of over 100 senior managers from across the services, including one Clinical Director. It is necessary to achieve a higher representation of Clinical Directors in this ICQ process and steps are being taken by management to obtain higher levels of participation from this cohort. It was necessary to conclude the 2013 Controls Assurance Process by the end of March 2014, however each Regional Director of Performance and Integration was instructed to conclude the 2013 process to the maximum extent possible by continuing to engage with individual managers who have not signed their statements, to ensure that they do sign.

Conclusion

The report of the Review of the System of Internal Control in the HSE was circulated to the Directorate in May 2014. Their evaluation of the effectiveness of the system of internal control has had regard to the continuous development of the control systems of the HSE as an organisation undergoing significant change, comprising an amalgamation of health bodies and their legacy systems. The roll out and subsequent extension in scope and depth of the annual controls assurance process in recent years has had the effect of increasing awareness and understanding of the control system throughout the organisation. The monitoring of progress with the implementation of the report's recommendations has improved focus on compliance by managers.

There have been 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. In summary, notwithstanding control breaches which were identified and are being addressed by management as set out above, 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. Structured plans for the implementation of the recommendations of the Review of the System of Internal Control in the Health Service Executive are 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 2014 review of the system of internal controls.

Tony O'Brien
Accounting Officer
Health Service Executive

10 September 2014

Comptroller and Auditor General Report for presentation to the Houses of the Oireachtas

Vote 39 Health Service Executive

I have audited the appropriation account for Vote 39 Health Service Executive for the year ended 31 December 2013 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993. The account has been prepared in the form prescribed by the Minister for Public Expenditure and Reform, and in accordance with standard accounting policies and principles for appropriation accounts.

Responsibility of the Accounting Officer

In accordance with Section 22 of the Exchequer and Audit Departments Act 1866, the Accounting Officer is required to prepare the appropriation account. By law, the account must be submitted to me by 31 March following the end of the year of account.

The Accounting Officer is also responsible for the safeguarding of public funds and property under his control, for the efficiency and economy of administration by his Department and for the regularity and propriety of all transactions in the appropriation account.

Responsibility of the Comptroller and Auditor General

I am required under Section 3 of the Comptroller and Auditor General (Amendment) Act 1993 to audit the appropriation accounts of all Votes and to perform such tests as I consider appropriate for the purpose of the audit.

Upon completion of the audit of an appropriation account, I am obliged to provide a certificate stating whether, in my opinion, the account properly presents the receipts and expenditure related to the Vote. I am also required to refer to any material case in which

- a department or office has failed to apply expenditure recorded in the account for the purposes for which the appropriations made by the Oireachtas were intended, or
- transactions recorded in the account do not conform with the authority under which they purport to have been carried out.

Under Section 3 (10) of the Comptroller and Auditor General (Amendment) Act 1993, I am required to prepare each year, a report on any matters that arise from the audits of the appropriation accounts or examinations of accounting controls.

Scope of audit

An audit includes examination, on a test basis, of evidence relevant to the amounts and regularity of financial transactions included in the account and an assessment of whether the accounting provisions of the Department of Public Expenditure and Reform's *Public Financial Procedures* have been complied with.

The audit involves obtaining sufficient evidence to give reasonable assurance that the appropriation account is free from material misstatement, whether caused by fraud or other irregularity or error. I also seek to obtain evidence about the regularity of financial transactions in the course of the audit. In forming the audit opinion, the overall adequacy of the presentation of the information in the appropriation account is evaluated.

Opinion on the appropriation account

In my opinion, the appropriation account properly presents the receipts and expenditure of Vote 38 Health for the year ended 31 December 2013.

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.

Non compliance with procurement rules

The Accounting Officer has disclosed in the statement on internal financial control that material instances of non-compliance with national procurement rules occurred in respect of contracts that operated in 2013. Chapter 14 of my report on the accounts of the public services for 2013 also deals with procurement in the Health Service Executive.

Reporting on matters arising from audit

The Accounting Officer has also disclosed in the statement on internal financial control other significant breaches of the control system in 2013 concerning governance of Section 38 funded agencies, tax compliance, recovery of income from other states and control over medical card eligibility.

Seamus McCarthy
Comptroller and Auditor General

16 September 2014

Statement of Accounting Policies and Principles

The standard accounting policies and principles for the production of appropriation accounts as determined by the Department of Public Expenditure and Reform (DPER) have been applied in the preparation of the account except for the following;

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 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. 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 pre-dated 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 1.2 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 includes apportionments.

Expenditure on Long Term Residential Care

The Nursing Homes Support Scheme (NHSS) 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 and replaces the subvention scheme which had been in existence since 1993. Subhead C.2 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 proportion 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 the NHSS.

Expenditure on Children and Family Service

The 2013 Estimate of the HSE included subhead C.3. (Children and Family Services). The vote outturn for Subhead C.3. was derived from the income and expenditure systems operated by the HSE by identifying cost centres and legal expenses relevant to the Children and Family Service.

Other Apportionments

In addition to Subhead C.2 and C.3, certain expenditure currently administered centrally (e.g. statutory pension costs excluding lump sums and national contracts) is apportioned to area-based subheads on an estimated basis in line with how the Revised Estimates Volume allocation was calculated.

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. Where lands had been revalued prior to transfer to the HSE, Department of Health valuation rates were used. The related aggregate depreciation account balance was also included in the opening balance sheet. The HSE has adopted a policy of not revaluing fixed assets.

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 individual invoices in excess of €20,000 paid in January 2014 which fell due for payment before 31 December 2013.

Vote 39 Health Service Executive Appropriation Account 2013

Service	Estimate provision		2013	2012
			Outturn	Outturn
	€000	€000	€000	€000
Administration				
A.1	Salaries, wages and allowances and other administration expenses of Corporate HSE	61,831	62,517	64,819
A.2	Value for money and policy reviews	389	389	389
A.3	Pension lump sum payments			
	<i>Original</i>	154,000		
	<i>Supplementary</i>	<u>(82,000)</u>	72,000	61,185
				175,494
HSE Regions and Other Health Agencies				
B.1	HSE-Dublin Mid Leinster Region			
	<i>Original</i>	1,359,558		
	<i>Supplementary</i>	<u>11,000</u>	1,370,558	1,372,529
				1,372,716
B.2	HSE-Dublin North East Region			
	<i>Original</i>	1,239,277		
	<i>Supplementary</i>	<u>11,000</u>	1,250,277	1,252,550
				1,251,037
B.3	HSE-South Region			
	<i>Original</i>	1,930,883		
	<i>Supplementary</i>	<u>11,000</u>	1,941,883	1,944,463
				1,946,459
B.4	HSE-West Region			
	<i>Original</i>	2,146,958		
	<i>Supplementary</i>	<u>11,000</u>	2,157,958	2,160,646
				2,164,462
B.5	Grants in respect of certain other health bodies including voluntary and joint board hospitals			
	<i>Original</i>	2,170,306		
	<i>Supplementary</i>	<u>67,000</u>	2,237,306	2,256,030
				2,158,954

Service	Estimate provision		2013	2012
			Outturn	Outturn
	€000	€000	€000	€000
Other services				
B.6	Health agencies and other similar organisations (part funded by National Lottery)	7,513	3,599	4,105
B.7	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	14,458	14,921	14,214
B.8	Payment to a special account established under Section 13 of the Health (Repayment Scheme) Act 2006	8,000	—	1,700
B.9	Payment to a special account established under Section 4 of the Hepatitis C Compensation Tribunal (Amendment) Act 2006 – Insurance Scheme	1,500	900	700
B.10	Service developments and innovative service delivery projects	66,600	27,702	41,500
B.11	Payments to the State Claims Agency			
	<i>Original</i>	96,000		
	<i>Supplementary</i>	<u>37,000</u>	133,000	123,741
				75,668
Care Programme				
C.1	Primary care reimbursement services and community demand led schemes			
	<i>Original</i>	2,520,756		
	<i>Supplementary</i>	<u>104,000</u>	2,624,756	2,637,071
				2,756,613
C.2	Long term residential care	974,273	966,324	962,608
C.3	Children and Family Services	541,321	566,794	569,834

Service			2013	2012
	Estimate provision		Outturn	Outturn
	€000	€000	€000	€000
Capital Services				
D.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			
	<i>Original</i>	329,461		
	<i>Supplementary</i>	(50,000)	279,461	289,302
D.2	Building, equipping and furnishing of health facilities (part funded by National Lottery)		2,539	2,539
D.3	Information systems and related services for health agencies		140,000	126,041
D.4	Building and equipping mental health and other health facilities (funded from the disposal of surplus assets)		8,000	3,587
	Gross expenditure			
	<i>Original</i>	13,773,623		
	<i>Supplementary</i>	120,000	13,893,623	13,872,830
				13,987,444
	<i>Deduct</i>			
E	Appropriations in aid			
	<i>Original</i>	1,461,152		
	<i>Supplementary</i>	(99,000)	1,362,152	1,372,433
				1,489,345
	Net expenditure			
	<i>Original</i>	12,312,471		
	<i>Supplementary</i>	219,000	12,531,471	12,500,397
				12,498,099

Surplus for surrender

The surplus of the amount provided over the net amount applied is liable for surrender to the Exchequer.

	2013	2012
	€	€
Surplus to be surrendered	31,074,196	22,833,999

Notes to the Appropriation Account

1 Operating Cost Statement 2013

	2013	2012
	€000	€000
Expenditure on HSE corporate administration	62,906	65,208
Expenditure on services and programmes	13,809,924	13,922,236
Gross expenditure	13,872,830	13,987,444
<i>Deduct</i>		
Appropriations-in-aid	1,372,433	1,489,345
Net expenditure	12,500,397	12,498,099
Changes in capital assets		
Purchases cash	(181,073)	
Depreciation	179,429	
Asset transfers/disposals	3,995	
Disposals cash	2,465	
Loss on disposals	4,712	
	9,528	346,428
Changes in net current assets		
Increase in closing accruals	18,254	
Increase in stock	(4,587)	
	13,667	100,271
Net programme cost	12,523,592	12,944,798

1.1 Net Revenue and Capital Vote Outturn

Category	2013 REV estimate €000	Supplementary estimate €000	Final 2013 estimate €000	2013 outturn €000	Surplus / (deficit) €000
Gross revenue	13,392,623	170,000	13,562,623	13,537,828	24,795
Gross capital	381,000	(50,000)	331,000	335,002	(4,002)
Total gross vote	13,773,623	120,000	13,893,623	13,872,830	20,793
<i>Appropriations-in-aid</i>					
Revenue receipts	(1,453,152)	99,000	(1,354,152)	(1,366,167)	12,015
Capital receipts	(8,000)	—	(8,000)	(6,266)	(1,734)
Total appropriations-in-aid	(1,461,152)	99,000	(1,362,152)	(1,372,433)	10,281
Net vote	12,312,471	219,000	12,531,471	12,500,397	31,074
Net revenue	11,939,471	269,000	12,208,471	12,171,661	36,810
Net capital	373,000	(50,000)	323,000	328,736	(5,736)
Net vote	12,312,471	219,000	12,531,471	12,500,397	31,074

1.2 Reconciliation of operating cost to expenditure recognised in the Annual Financial Statements (AFS)

	2013	2012¹
	€000	€000
Net programme cost	12,523,592	12,944,798
Expenditure met from other income	1,470,594	1,493,476
Purchases cash	181,073	145,670
Depreciation	(179,429)	(178,853)
Land transfers/ disposals	(3,995)	(307,727)
Disposals cash	(2,465)	(5,135)
(Loss) on disposals	(4,712)	(383)
Expenditure per AFS income and expenditure accounts	<u>13,984,658</u>	<u>14,091,846</u>
Revenue expenditure per revenue income and expenditure account	13,642,431	13,784,400
Capital expenditure per capital income and expenditure account	342,227	307,446
Expenditure per AFS income and expenditure accounts	<u>13,984,658</u>	<u>14,091,846</u>
Analysed as follows		
	2013	2012
	€000	€000
Revenue pay and pensions		
Clinical	2,789,900	2,825,541
Non-clinical	901,068	910,032
Other client/patient services	614,208	631,832
Superannuation	566,203	656,375
Sub-total pay and pensions	<u>4,871,379</u>	<u>5,023,780</u>
Revenue non-pay		
Clinical	856,264	836,019
Patient transport and ambulance services	56,682	55,601
Primary care and medical card schemes	2,901,490	3,032,397
Other client/patient services	64,866	65,729
Grants to outside agencies	3,477,148	3,464,212
Housekeeping	232,970	227,362
Office and administrative expenses	408,534	386,723
Long stay charges repaid to patients	230	1,149
Hepatitis C insurance scheme	1,209	911
Clinical indemnity scheme payments	135,874	75,668
Nursing home support scheme (Fair Deal)	591,386	570,041
Other operating expenses	44,399	44,808
Sub-total non pay	<u>8,771,052</u>	<u>8,760,620</u>
Capital expenditure		
Capital grants to outside agencies	68,875	98,357
Capital expenditure on HSE projects	273,352	209,089
Sub-total capital	<u>342,227</u>	<u>307,446</u>
Total expenditure per AFS income and expenditure accounts	<u>13,984,658</u>	<u>14,091,846</u>

¹ Certain prior year amounts have been re-classified on the same basis as those applying in the current year.

2 Balance Sheet as at 31 December 2013

	Note	2013 €000	2012 €000
Capital assets	2.2	4,910,238	4,919,766
Financial assets		3	3
		4,910,241	4,919,769
Current assets			
Bank, cash and PMG	2.3	143,989	128,552
Stocks	2.4	122,852	118,265
Debtors and prepayments	2.5	217,526	165,375
Other debit balances	2.6	45,268	54,629
Total current assets		529,635	466,821
Less current liabilities			
Creditors		148,053	149,468
Accrued expenses		1,329,183	1,259,305
Deferred income		10,440	9,755
Other credit balances	2.7	172,032	165,823
Net liability to the Exchequer	2.8	17,225	17,359
Total current liabilities		1,676,933	1,601,710
Net current assets		(1,147,298)	(1,134,889)
Net assets		3,762,943	3,784,880
Represented by:			
State funding account	2.1	3,762,943	3,784,880

2.1 State Funding Account	Note	2013 €000	2012 €000
Balance at 1 January		3,784,880	4,230,587
Disbursements from the Vote			
Estimate provision	Account	12,531,471	
Surplus to be surrendered	Account	(31,074)	
Net vote		12,500,397	12,498,099
Non cash expenditure – reserves ¹		1,258	992
Net programme cost		(12,523,592)	(12,944,798)
Balance at 31 December		3,762,943	3,784,880

¹ Revenue reserves from Aontacht Phobail Teoranta and Drug Treatment Centre Board.

2.2 Capital Assets

	Land	Buildings	Work in progress	Equipment	Motor vehicles	Total
	€000	€000	€000	€000	€000	€000
Gross assets						
Cost or valuation at 1 January 2013	1,714,188	3,588,142	224,877	1,218,006	91,982	6,837,195
Additions	9,457	17,183	82,613	63,655	8,165	181,073
Transfers (from work in progress)	48	183,700	(185,040)	—	1,292	—
Transfers/disposals	(2,009)	(9,701)	(3,995)	(20,010)	(9,364)	(45,079)
Cost or valuation at 31 December 2013	1,721,684	3,779,324	118,455	1,261,651	92,075	6,973,189
Accumulated depreciation						
Opening balance at 1 January 2013	—	862,550	—	972,993	81,886	1,917,429
Depreciation for the year	—	95,465	—	77,533	6,431	179,429
Depreciation on transfers/disposals	—	(5,896)	—	(19,129)	(8,882)	(33,907)
Cumulative depreciation at 31 December 2013	—	952,119	—	1,031,397	79,435	2,062,951
Net assets at 31 December 2013	1,721,684	2,827,205	118,455	230,254	12,640	4,910,238
Net assets at 31 December 2012	1,714,188	2,725,592	224,877	245,013	10,096	4,919,766

2.3 Bank, Cash and PMG

at 31 December	2013	2012
	€000	€000
Officers imprest/petty cash balances	673	630
Commercial bank account balances	48,370	29,680
PMG balance	94,946	98,242
	143,989	128,552

2.4 Stocks

at 31 December	2013	2012
	€000	€000
Medical, dental and surgical supplies	31,719	33,156
Laboratory supplies	6,449	6,260
Pharmacy supplies	18,179	16,873
High tech pharmacy stocks	33,780	32,603
Pharmacy dispensing stocks	1,066	1,306
Blood and blood products	1,250	1,421
Vaccine stocks	19,638	15,984
Household services	8,074	8,010
Stationery and office supplies	2,016	2,063
Sundries	681	589
	<u>122,852</u>	<u>118,265</u>

The HSE, in accordance with the Department of Public Expenditure and Reform letter of sanction, wrote off stock amounting to €0.7 million in 2013.

2.5 Debtors and Prepayments

at 31 December	2013	2012
	€000	€000
Patient debtors – private facilities in public hospitals ¹	110,783	53,283
Patient debtors – public inpatient charges	13,840	12,530
Patient debtors – long stay charges	8,200	8,450
Prepayments and accrued income	18,598	20,037
Pharmaceutical manufacturers	15,294	27,674
Pension levy deductions from staff/service providers	10,549	11,314
Statutory redundancy claim	6,021	9,844
Voluntary hospitals re: national medical device service contracts	11,145	8,425
Sundry debtors	23,096	13,818
	<u>217,526</u>	<u>165,375</u>

¹ The primary reason for the increase in the level of patient debtors in 2013 is that at the end of 2012 the HSE received accelerated payments totalling €49.8 million representing the insurers' estimate of amounts due to the HSE where the claim process had not been finalised. The amounts paid to the HSE during 2013 (as the relevant claims were finalised) were reduced to take account of the accelerated payments received at the end of 2012. No such accelerated payments were received from the insurance companies at the end of 2013.

Debt Write-Offs and Provisions

During 2013, the HSE, in accordance with the Department of Public Expenditure and Reform letter of sanction, wrote off bad debts amounting to €14.5 million and increased the provision for bad debts by €3.7 million as follows:

	Debts written off		Movement in provision	
	2013	2012	2013	2012
	€m	€m	€m	€m
Private charges	4.9	4.9	4.7	2.3
In-patient charges	2.9	2.2	0.6	1.5
Emergency department charges	3.6	2.7	(1.4)	(0.5)
Road traffic accidents	2.0	2.0	(1.5)	(3.7)
Long-stay	0.2	0.2	1.8	1.7
Non-patient related debts	0.9	(1.4)	(0.5)	0.6
Total	14.5	10.6	3.7	1.9

2.6 Other Debit Balances

at 31 December	2013	2012
	€000	€000
Payroll overpayments	4,275	5,008
Advances to pharmacists	—	231
Secondments	3,011	3,664
Payroll technical adjustment ¹	30,350	31,593
National Treatment Purchase Fund/Special Delivery Unit	94	3,602
Local authorities	2,292	3,241
Other debit balances	5,246	7,290
	45,268	54,629

¹ Payroll technical adjustments relate to payments made to staff arising from payroll rationalisation. The payments are repayable by staff involved.

2.7 Other Credit Balances

at 31 December	2013	2012
	€000	€000
Amounts due to the State		
Income Tax	56,994	59,402
Pay Related Social Insurance	37,173	36,570
Professional Services Withholding Tax	18,924	18,412
Value Added Tax	9,035	6,412
Due to the State	122,126	120,796
Payroll deductions and other credit balances	17,513	17,877
Special income and expenditure balances	32,393	27,150
	172,032	165,823

2.8 Net Liability to the Exchequer

at 31 December	2013	2012
	€000	€000
Surplus to be surrendered	31,074	22,834
Exchequer grant undrawn	(13,849)	(5,475)
Net liability to the Exchequer	<u>17,225</u>	<u>17,359</u>
Represented by:		
Debtors		
Bank, cash and PMG	143,989	128,553
Other debit balances	45,268	54,629
	<u>189,257</u>	<u>183,182</u>
Creditors		
Due to State	(122,126)	(120,796)
Payroll deductions and other credit balances	(17,513)	(17,877)
Special income and expenditure balances	(32,393)	(27,150)
	<u>(172,032)</u>	<u>(165,823)</u>
	<u>17,225</u>	<u>17,359</u>

2.9 Commitments

at 31 December	2013	2012
	€000	€000

Global Commitments

Commitments likely to arise in subsequent years for:

Procurement and grant subheads	268,090	280,397
Operating leases	41,039	40,546
Finance leases	36,035	37,048

Capital Commitments¹

	Cumulative spend to 31 December 2012	Expenditure in 2013	Commitments 2014-2017	Total
	€m	€m	€m	€m
Hospital Services				
National Paediatric Hospital Development Board	36.35	1.20	195.24	232.79
National Maternity Hospital Holles Street	—	—	85.00	85.00
St James Hospital – Centre of Excellence for Ageing	0.01	1.00	30.69	31.70
St Luke's Hospital Kilkenny – Phase 1 of redevelopment	2.40	6.10	8.47	16.97
Our Lady of Lourdes Hospital – Phase 2	0.03	0.35	15.52	15.90
National Ambulance Control Centre	3.96	0.80	7.20	11.96
Mercy University Hospital	—	0.10	11.10	11.20
University College Hospital Galway	0.02	0.20	7.98	8.20
University Hospital Limerick – Fit-out of Emergency Department	0.40	0.20	7.40	8.00
Sub-total hospital services	43.17	9.95	368.60	421.72

Capital Commitments¹	Cumulative spend to 31 December 2012	Expenditure in 2013	Commitments 2014-2017	Total
	€m	€m	€m	€m
Community Services				
Central Mental Hospital – Phase 1 National Forensic Central Hospital	0.04	1.38	80.05	81.47
National Rehabilitation Hospital – Phase 1 redevelopment/replacement of existing facility	9.42	1.20	23.60	34.22
Primary Care Centre – Cork City North West	—	—	16.90	16.90
Cork University Hospital – replacement acute mental health unit	0.06	4.54	7.94	12.54
University College Hospital Galway – replacement acute mental health unit	0.08	0.20	13.72	14.00
Our Lady Of Lourdes Hospital –new acute mental health unit.	0.18	0.70	11.62	12.50
Sacred Heart Hospital Castlebar – refurbishment and extension of long-stay wards.	—	0.10	10.90	11.00
Cherry Orchard Hospital – child and adolescent residential unit	0.30	0.26	10.17	10.73
Killarney mental health residential unit	—	0.46	10.24	10.70
Primary care centre – Dublin North Inner City	0.01	1.00	8.69	9.70
Primary care centre – Monaghan Town	—	0.25	9.25	9.50
Primary care centre – Rowlagh /North Clondalkin	—	1.00	8.50	9.50
Primary Care Centre – Finglas	—	0.38	8.82	9.20
Tullamore Hospital - refurbishment	—	1.00	7.00	8.00
Primary Care Centre – Corduff	—	0.50	6.70	7.20
Sligo General Hospital – acute mental health unit	0.60	0.20	13.95	14.75
Sub-total community services	10.69	13.17	248.05	271.91
Total capital commitments	53.86	23.12	616.65	693.63

¹ The HSE has a multi-annual capital investment plan which prioritises expenditure on capital projects in line with strategic objectives in the capital plan and the annual service plan. The commitments identified above are in respect of the total cost of projects for which specific funding budgets have been approved at year end. These commitments may involve costs in years after 2013 for which budgets have yet to be approved. This includes non contractual commitments in respect of projects planned but yet to be approved in order to provide for healthcare infrastructural deficits including the National Children's Hospital, HIQA compliance and the new Forensic Mental Health Facility.

2.10 Matured Liabilities

The total amount of matured liabilities undischarged at 31 December 2013 was €14.2 million.

3 Programme Expenditure by Subhead

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%.

Description	Less/(more) than provided €000	Explanation
A.3 Pension lump sums	10,815	The 2013 service plan anticipated a reduction in staff numbers of almost 4,000 WTEs (4,705 leavers). The number of leavers from the Health Service Executive in 2013 was 1,900. The average gross lump sum was €31,793.
B.5 Grants in respect of certain other health bodies including voluntary and joint board hospitals	(18,724)	The supplementary estimate was required to address service pressures and shortfall in income collection. The legislation to charge private patients in public beds was not passed in 2013.
B.6 Health agencies and other similar organisations (part funded by National Lottery)	3,914	National Lottery grants are not paid until the conditions of the grant are fulfilled.
B.8 Payment to a special account established under Section 13 of the Health (Repayment Scheme) Act 2006	8,000	Following the withdrawal of a High Court appeal brought by the HSE & Department of Health in respect of determinations made by the Appeals Officer which grants repayments to clients of certain disability services, the HSE commenced work during 2013 with the service providers to process repayments as determined by the Appeals Officer. The service providers were not in a position to submit the relevant details in time for payment by the end of 2013.
B.9 Payment to a special account established under Section 4 of the Hepatitis C Compensation Tribunal (Amendment) Act 2006 – Insurance Scheme	600	The Estimate was based on actuarial projections of insurance policyholders. The outturn was less than the actuarial projection.
B.10 Service developments and innovative service delivery projects	38,898	The savings are once-off time-related savings primarily within the 2013 mental health allocation relating to the recruitment of staff where the recruitment process was not finalised before year end.

Description	Less/(more) than provided €000	Explanation
B.11 Payments to the State Claims Agency	9,259	The original estimate was prepared on the basis that the High Court began to agree to settlements in respect of catastrophic injuries on a periodic payment basis, in anticipation of proposed legislation. Periodic payment orders (PPO) allow for catastrophic injury cases to be settled on the basis of an initial lump sum to deal with upfront costs such as general damages, home alterations, specialist equipment etc and thereafter an annual amount is paid, to meet on-going care costs. The estimate was subsequently revised upwards due to a change in approach by the High Court in respect to the settlement of catastrophic injury cases which occurred in late 2012. In the absence of PPO legislation, the High Court in a number of cases has converted the settlements back to traditional lump sum settlements, where they had previously settled on an interim basis. Final payments made were less than the post supplementary estimate, due to the timing and nature of settlements and reimbursement of claims from the State Claims Agency.
C.1 Primary care reimbursement services and community demand led schemes	(12,315)	The 2013 service plan provided for a reduction of €383 million in funding available for community demand led schemes. A supplementary estimate of €104 million was required due to the timing of the FEMPI regulations which reduced the fees paid to doctors and pharmacists and a shortfall in other savings targets.
D.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.	(9,841)	The procurement of design teams and contractors took longer than anticipated resulting in delays in site commencement by contractors.
D.3 Information systems and related services for health agencies	13,959	The saving relates to revenue ICT expenditure which is charged to Subhead D.3. Expenditure on revenue ICT has reduced from €98 million in 2010 to €87 million in 2013.
D.4 Building and equipping mental health and other health facilities (funded from the disposal of surplus assets)	4,413	The HSE raised €6.03 million from the sale of surplus assets in 2013. The savings arose as major projects were at an early stage in their lifecycle and the procurement of design teams and contractors took longer than anticipated due to the level of challenges being experienced by contractors.

4 Receipts

4.1 Appropriations-in-aid

		2013		2012
		Estimated	Realised	Realised
	€000	€000	€000	€000
1.	Recovery of cost of health services provided under regulations of the European Community	211,000	220,000	220,000
2.	Receipts from certain excise duties on tobacco products	167,605	167,605	167,605
3.	Recoupment of certain Ophthalmic Services Scheme costs from the Social Insurance Fund	3,000	5,042	—
4.	Recoupment of certain Dental Treatment Services Scheme costs from the Social Insurance Fund	3,000	9,706	—
5.	Statutory charges in public hospitals, long-stay charges and charges for maintenance in private and semi-private accommodation in public hospitals			
	<i>Original</i>	401,546		
	<i>Supplementary</i>	<u>(99,000)</u>		
6.	Superannuation	181,086	181,655	195,611
7.	Miscellaneous receipts	115,759	103,011	103,511
8.	Receipts from the disposal of mental health and other health facilities.	8,000	6,027	4,479
9.	PCRS rebate receipts	27,000	40,168	37,316
10.	Receipts from pension-related deduction on public service remuneration	343,156	344,452	351,988
	Total			
	<i>Original</i>	1,461,152		
	<i>Supplementary</i>	<u>(99,000)</u>		
		1,362,152	1,372,433	1,489,345

Explanation of significant variations

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

Description	Less/(more) than provided €000	Explanation
Recoupment of certain Ophthalmic Services Scheme costs from the Social Insurance Fund	(2,042)	The detailed statistical analysis required to calculate the payment to the HSE was not finalised for payment in 2012. €5.042 million was received in 2013.
Recoupment of certain Dental Treatment Services Scheme costs from the Social Insurance Fund	(6,706)	The detailed statistical analysis required to calculate the payment to the HSE was not finalised for payment in 2012. €9.706 million was received in 2013.

Description	Less/(more) than provided €000	Explanation
Statutory charges in public hospitals, long-stay charges and charges for maintenance in private and semi-private accommodation in public hospitals	7,779	The estimate allocation included €31.2 million in respect of proposed legislation to provide for the charging of private patients in public beds. The legislation was not passed in 2013 and the HSE was therefore unable to raise these charges. In December 2012 the HSE statutory hospitals received accelerated payments totalling €49.8 million representing the insurers' estimate of amounts due to the HSE where the claim process had not been finalised. The amounts paid to the HSE during 2013 (as the relevant claims were finalised) were reduced to take account of the accelerated payments received at the end of 2012. The estimate allocation was based on the assumption that a similar arrangement would apply in 2013. No such accelerated payments were received from the insurance companies at the end of 2013. The remaining shortfall for the most part arises as a result of an increase in debtors days in 2013 when compared to 2012.
Miscellaneous receipts	12,748	The Estimate provision includes variable and once-off receipts which did not materialise in 2013.
Receipts from the disposal of mental health and other health facilities.	1,973	All vacant properties not required for future service use are offered for sale on the open market. The HSE will only sell if it is believed the offer represents value for money and represents market value. In recent years the market for such properties that the HSE has an interest in disposing of has been limited.
PCRS rebate receipts	(13,168)	Pharmaceutical manufacturers rebate receipts were more than anticipated due to the extension of the rebate scheme to the drug payment schemes.

4.2 Extra Receipts Payable to the Exchequer

	2013		2012
	Payable €000	Paid €000	Total €000
1. Statutory Redundancy Rebate	5,281	—	—

4.3 Reconciliation of Income per the Annual Financial Statements to Appropriations-in-aid

			2013
	Revenue €000	Capital €000	Total €000
Total per annual financial statements	13,635,283	335,708	13,970,991
Less Exchequer grants	12,171,661	328,736	12,500,397
Total other income per annual financial statements	1,463,622	6,972	1,470,594
Less income credited to suspense			
Department of Health			(21,770)
Department of Children and Youth Affairs			(1,074)
Department of Social Protection and other State sources			(1,022)
Agency services			(7,282)
NTPF receipts/non cash receipts			(943)
Capital receipts from other State sources			(974)
Less movements in working capital			
Difference between patient cash receipts and patient income ¹			(76,357)
Movement in other non-Vote debtors and other cash receipts.			11,261
Appropriations-in-aid			1,372,433

¹ The primary reason for the difference between patient cash receipts and patient income in 2013 is that at the end of 2012 the HSE received accelerated payments totalling €49.8 million representing the insurers' estimate of amounts due to the HSE where the claim process had not been finalised. The amounts paid to the HSE during 2013 (as the relevant claims were finalised) were reduced to take account of the accelerated payments received at the end of 2012. No such accelerated payments were received from the insurance companies at the end of 2013.

5 Employee Numbers and Pay

Whole Time Equivalents	2013	2012
HSE employees	64,923	65,687
Voluntary sector employees	35,036	35,819
Other directly employed non employment control framework personnel	4,123	3,746
Total employees	104,082	105,252

Summary analysis of pay and pension costs	2013	2012
	€000	€000
Basic pay	3,226,840	3,283,355
Allowances	115,546	119,371
Overtime	134,519	157,164
Night duty	67,547	70,711
Weekends	166,819	176,355
On-call	48,248	55,190
Arrears	17,229	17,992
Employer PRSI	315,486	322,472
Superannuation	566,203	656,375
HSE pay	4,658,437	4,858,985
Agency pay	212,942	164,795
Total pay	4,871,379	5,023,780

5.1 Allowances and Overtime Payments¹

	Number of recipients²	Recipients of €10,000 or more	Maximum individual payment³	Maximum individual payment
			2013	2012
			€	€
Allowances	34,273	1,250	150,765	129,361
Overtime	19,148	3,893	154,549	167,288
Night duty	31,588	159	18,403	17,389
Weekends	45,747	513	16,638	18,119
On-call	7,045	1,465	117,299	85,906
Other ⁴	11,599	141	67,186	92,482

¹ Payments relate to HSE employees only

² Certain individuals received extra remuneration in more than one category

³ The maximum individual allowance and overtime payments may include amounts paid in 2013 in respect of previous years.

⁴ Other includes sessional payments accounted for as payroll costs and pay arrears.

5.2 Performance and Merit Payments

Arrears of performance related pay paid in 2013 was €14,265 (2012: €252,366).

Gratuities paid in 2013 amounts to €3.68 million (2012: €3.67 million) and included death gratuities, short service gratuities and gratuities paid to non pensionable persons.

5.3 Other Remuneration Arrangements

Payments to retired staff for services in 2013 amounted to €8.5 million (€12 million in 2012) and relates to salary and interviewer payments to retired HSE staff (excludes payments to agency staff).

Payments of €1.9 million were made in 2013 arising from Labour Relations Commission/Rights Commissioners awards (2012: €1 million).

The cost of severance awards paid in 2013 totalled €91,618 (2012: €5,500).

6 Miscellaneous

6.1 National Lottery Funding

A total of €3.6 million was paid by HSE areas as summarised below and charged to Subhead B.6. A listing of recipients of the funding and the amounts paid is available on the HSE website (www.hse.ie).

Block Allocations to the HSE Regions

	2013	2012
	€000	€000
Dublin Mid Leinster Region	1,202	1,205
Dublin North East Region	337	1,208
South Region	1,049	1,041
West Region	1,011	651
Total	3,599	4,105

HSE capital expenditure funded from the National Lottery in 2013 amounted to €2.5 million (2012: €2.5 million) and is charged to Subhead D.2.

6.2 Legal Fees and Compensation

Legal costs paid during the year are categorised as follows:

Legal Fees Paid	2013	2012
	€000	€000
Legal fees paid	44,454	45,877
Legal compensation costs paid	306	990
Total	44,760	46,867

The HSE paid a further €282,000 in respect of various claims brought against it and settled in 2013 which were not covered under insurance.

Redundancy payments of €41,000 were paid in 2013.

Other ex-gratia payments made during 2013 amounted to €117,000 and other miscellaneous payments amounted to €203,000.

There were a total of 359 outstanding claims against the HSE with HSE Insurers at the end of 2013.

The HSE had 204 outstanding claims for compensation at 31 December 2013 which are not covered by the HSE insurance policy.

Insurance

Prior to 1 January 2001, the HSE insurance premium was subject to retro-rating. Under the retro-rating 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 2013 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 €5,000 and €980,500 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. Until the transfer to State indemnity on 1 January 2010, the HSE was insured against employer's liability and public liability risks up to an indemnity limit, under both retro-rated and flat-rated bases.

Clinical Indemnity Scheme

Since 1 July 2009, the HSE is funded by the Exchequer for claims processed by the State Claims Agency on behalf of the HSE 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 2013, the estimated liability incurred to that date under the Clinical Indemnity Scheme and State indemnity was €1,084 million. Of this €1,084 million, approximately €1,009 million relates to the Clinical Indemnity Scheme, with the balance of the estimated liability relating to non clinical claims. In 2013, €124 million (2012: €76 million) was charged to the appropriation account.

There were a total of 4,133 outstanding claims against the HSE with the State Claims Agency at 2 January 2014.

6.3 Prompt Payment of Account Interest

Prompt payment interest paid by the HSE in 2013 was €197,000 (2012: €204,000).

6.4 Contingent Liabilities

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 professional indemnity, fire and specific all risk claims. In most cases such insurance would be sufficient to cover all costs, but this cannot be certain due to indemnity limits and certain policy conditions. The financial effects of any uninsured contingencies have not been provided in the accounts.

6.5 Other

The HSE paid €4 million in respect of insurance premia in 2013 (2012: €3.8 million) and this is reflected in the outturn for Subhead A.1 and B.1 to B.4.