

## **NORTHERN AREA HEALTH BOARD**

### **Report No F3/2003**

*Report from Finance and Property Committee Meeting  
Held on Thursday, 13<sup>th</sup> March, 2003 at 8.30am.*

#### **1. Minutes from Meeting held on Friday 21<sup>st</sup> February, 2003.**

On proposal by Cllr Devitt, seconded by Cllr Heney, the minutes of the proceeding of the meeting of the Finance & Property meeting, held on 21<sup>st</sup> February (attached), were agreed.

#### **2. NAHB – Annual Financial Statement, 2002**

The Northern Area Health Board, Annual Financial Statement, 2002 was presented by the Chief Executive.

Following discussion to which Cllr O'Donovan, Cllr Heney and Cllr Devitt contributed, and to which the Chief Executive and Director of Finance responded, it was agreed to recommend the Northern Area Health Board, Annual Financial Statement, 2002, (enclosed), for adoption by our Board, following a proposal by Cllr Devitt, seconded by Cllr O'Donovan.

#### **3. NAHB – Budget Allocation, 2003**

A report (enclosed), was presented to the committee by the Chief Executive, outlining our Board's Legal responsibility to supervise the implementation of its service plan to ensure that the net expenditure for the financial year does not exceed the net expenditure determined by the Minister for that financial year. It was also noted that the Board of the ERHA had adopted the Regional Service Plan for 2003 in January, 2003.

Following the report, and discussion to which Cllr Devitt, Cllr O'Brien, Cllr Heney, Cllr O'Donovan and Deputy Dr Fitzpatrick contributed, and to which the Chief Executive, Director of Finance and Director of Human Resources responded, the report was recommended for endorsement by the Board.

#### **4. Report from Internal Audit 2002/Programme of Work 2003.**

The Chief Executive circulated a report from the Internal Audit Unit, for the 2 year period ended 31st December, 2002, and the Internal Audit Programme of Work, 2003 (copy enclosed). The Chief Executive advised that the Internal Auditor would be in attendance with the Chief Executive at the next meeting of the Finance and Property Committee.

It was agreed to arrange, in conjunction with the ERHA, training for board members in relation to their responsibilities, in accordance with the Code of Practise for the Governance of State Bodies, issued by the Department of Finance in October 2001.

Following discussion to which Cllr Devitt, Deputy Dr Fitzpatrick, Cllr O'Donovan contributed, and to which the Chief Executive and Director of Finance responded, the report was noted.

## **5. Property Matters**

### **The 5<sup>th</sup> Floor, Park House, North Circular Road, Dublin 7**

On a proposal by Deputy Dr Fitzpatrick, seconded by Cllr Devitt, it was agreed to recommend for Board approval the acquisition of the lease of the 5<sup>th</sup> floor, Park House, North Circular Road, Dublin 7, as office accommodation for Child Care staff including the Crisis Intervention Service (details enclosed).

## **NORTHERN AREA HEALTH BOARD**

### **Minutes of Finance & Property Committee Meeting, Held in the Boardroom, Swords Business Campus On Friday 21<sup>st</sup> February, 2003.**

#### ***Committee Members Present:***

Cllr. C. Burke  
Cllr Heney

#### ***In the Chair***

Cllr. A. Devitt

#### ***Board Members Present***

Dr D. Fitzpatrick, T.D.

#### ***Officer in attendance***

Ms. M. Windle, Chief Executive  
Mr. M. Walsh, Assistant Chief Executive  
Ms. L. McGuinness, Assistant Chief Executive  
Mr. J. Cahill, Assistant Chief Executive  
Ms Angela Kerrigan, Assistant Chief Executive  
Mr. S. Mulvany, Director of Finance  
Ms. M. Kelly, Director of Human Resources  
Mr. J. Murphy, Board Secretary  
Mr Jim McCormack, Special Projects

#### **1. Minutes from Meeting held on 24<sup>th</sup> January, 2003.**

On proposal by Cllr Devitt, seconded by Cllr Heney, the minutes of the proceeding of the meeting of the Finance & Property meeting, held on 24<sup>th</sup> January, 2003 were agreed.

#### **2. Property Matters**

##### **A. Disposal of Site at Haven House – Morning Star Avenue**

Following a report from the Chief Executive and Assistant Chief Executive on the partnership involving our Board and Dublin City Council in the redevelopment of Haven House, it was agreed, following a proposal by Cllr Burke, seconded by Cllr Devitt to recommend that our Board recommend to the Eastern Regional Health Authority the disposal of the site at Morning Star Avenue to Dublin City Council by way of a 49 year lease.

It was noted that the Authorities interest in the site is secured, in the event that the new development should cease its current use.

**B. St Brendan's Hospital –Playing Fields.**

On a proposal by Deputy Dr Fitzpatrick, seconded by Cllr Burke, it was agreed to recommend for Board approval the granting of a Licence to the Dublin Institute of Technology for the use of the playing fields and sporting facilities at St Brendan's Hospital.

It was noted that the Dublin Institute of Technology would not have exclusive possession of the licensed area, and no interest on the land being conferred.

**C. Disposal of Old Health Centre, Main Street, Swords**

On a proposal by Deputy Dr Fitzpatrick, seconded by Cllr Devitt, it was agreed to recommend that our Board recommend to the Eastern Regional Health Authority the disposal of the Authorities premises known as the Old Health Centre, Main Street, Swords, Co. Dublin.

**D. "St Mogue's" Skerries Road, Rush**

The short term rental of the above premises as a short term Residential Child Care facility was noted.

**3. New Bank Account**

On a proposal by Cllr Devitt, seconded by Cllr Burke, it was agreed to recommend for Board approval, the opening of a credit card account, to be operated under the signature of the Chief Executive, in accordance with our Board's Financial Regulations.

The meeting concluded at 10.00am.

**M. WINDLE  
CHIEF EXECUTIVE**

**21<sup>st</sup> February, 2003**

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**CLLR. ANNE DEVITT  
CHAIRMAN**

## Northern Area Health Board

### Budget Allocation 2003

#### Introduction

It is a reserved function of a Health Board, in accordance with Section 7 of the Health (Amendment) ( No.3) Act, 1996, to supervise the implementation of its service plan to ensure that the net expenditure for the financial year concerned does not exceed the net expenditure determined by the Minister for that financial year.

In accordance with Section 9 of the Health (Amendment) ( No.3) Act, 1996, the Chief Executive Officer shall implement the service plan on behalf of the Health Board so that the amount of net expenditure of the Board for the financial year does not exceed the amount of net expenditure determined by the Minister.

It is also a statutory requirement under Section 10 of the 1996 Act that any over-expenditure in a year is treated as a first charge on the following years allocation.

Our Board's deficit in 2002 came to **€9.7m** mainly due to cost pressures in the Acute Hospitals and Child Care areas and this represents a first charge on the 2003 allocation.

#### Financial Management Framework 2003

In the annual Letters of Determination issued to each Health Board and the Eastern Regional Health Authority (ERHA) for 2003, the Department of Health and Children (DOHC) has emphasised the critical importance of control on spending.

In the course of meetings held with the DOHC and ERHA it has been made very clear that in the current year the over-riding priority within the public health services is to manage within the limits of our financial and staffing resources, and that appropriate corrective action to facilitate this must be taken without delay.

The DOHC has also introduced the principle of "Existing Level of Services" into the financial management framework for 2003. In effect the ELS principle requires our Board to bring our activity in line with available funding and consequently to adjust activity where necessary to reach a level that can be sustained within current resources.

It must also be noted that for 2003 the DOHC has stated very clearly "***there will be no consideration given to a Supplementary Estimate in 2003, without exception***". The practical impact of this, according to the DOHC, is that formerly demand led items such as:

- Community Drugs Schemes (GMS)
- Disability Allowances
- Superannuation
- Medical Indemnity

must now be managed like any other expenditure heading. This represents a significant change to the previous position and would, according to the DOHC, require our Board to set aside contingencies to cover any otherwise un-funded expenditure in these areas.

### **Outlook 2003**

In summary our Board is facing an extremely challenging year ahead due to:

- The impact of continuing deficits in a number of service areas including Acute Hospitals and Child Care.
- Increased demand for services across a range of care groups and continually rising expectation levels among clients.
- Increased activity levels provided, in certain areas without specific funding, over the period 2000 to 2002 in response to increased demand placed on services.
- The very limited level of additional funding in 2003 for new service developments.
- The long-term effects of the failure to provide adequate minor capital funding to facilitate a proper programme of planned maintenance. We have reached a stage where many of our buildings now require immediate significant remedial works.
- Continued erosion over time of our non-pay allocation by the failure to adequately provide for price inflation over a number of years.
- Increased costs associated with technological advances in specific areas, most notably the acute hospital sector.

We have examined our Board's costs in 2002, focusing particularly on activity and staff numbers in the last quarter of the year of 2002, and their projection into 2003 allowing for national pay awards and an estimate of price inflation.

When this calculated expected cost for 2003 is compared to the likely total funding available for 2003 it is clear that our board will be required to adjust our cost base reduce our costs by approximately 6% in the current year in order to remain within the funding available to us.

It is important to note that the statutory requirement to breakeven is expressed in terms of our Board as a whole and not in respect of any specific care group. In light of this it is intended to exercise flexibility in the application of funding across and between care groups in order to achieve our objective to remain within our allocation while maintaining existing priority services to the greatest extent possible.

It is also the case that the pace at which our Board will have the capacity to put in place service developments commissioned by ERHA in previous years but not yet implemented will be severely restricted. It will be necessary to defer certain developments and consider phasing in other absolute priority developments provided satisfactory progress is being made generally on the management of services within available resources.

## **Budget Setting Process 2003**

Our Board was notified of our initial 2003 allocation on the 18<sup>th</sup> February and this allocation currently stands at €502.8m which represents an increase of approximately 2% over the comparable budget figure for 2002.

In anticipation of this allocation work has been underway since January to set high level operational budgets and to engage service managers in this regard as early as possible in the year.

In preparing these operational budgets we have departed from the traditional incremental budgeting approach. This approach ignored the actual funding requirements of specific services and effectively meant that managers in areas with longstanding deficits commenced each year with a limited prospect of remaining within budget.

The operational budgets that have been set and communicated to managers during February take cognisance of the real costs within services while ensuring that areas with significant un-funded capacity have been provided with additional financial support. These areas have also been set clear and achievable targets in terms of bringing costs / activity down to the level now being approved and funded.

Meetings between management team members and service managers in relation to their operational budgets are ongoing and the objective initially is to support local service managers in identifying and agreeing the measures that will be necessary if they are to operate within budget in the current year and the impacts of these measures.

## **Principles**

The principles being applied in this process are as follows:

- Safe patient / client care cannot be compromised at any cost .
- The impact on front line patient / client service activity and capacity will be minimised in so far as is practical.
- Where necessary service provision will be re-prioritised and re-orientated so as to ensure we are achieving value for money and directing resources to areas of highest priority.
- Services must be operated within our approved employment ceiling – to be agreed with ERHA.
- In identifying necessary reductions in pay costs we will initially focus on reducing overtime and other pay related costs.

- Where it is necessary to reduce actual staffing numbers the focus will initially be on non-replacement and natural wastage.
- As a public health service provider our principle obligations are to our clients and staff. In meeting these obligations we will be proactive in seeking to restrict cost increases in goods and services supplied to us by the commercial sector including private care providers.

## **Conclusion**

Discussions with ERHA in terms of setting out a Service Plan for 2003 and finalising our allocation are ongoing.

The meetings with service managers at which measures to be taken and the service impacts of same are being identified and agreed will feed into the service planning process.

Arrangements have been made to hold a meeting with staff representatives and the partnership committee after our Board meeting on the 24<sup>th</sup> March.

In framing our operational budgets and financial management plan for 2003 provision has been made for:

- The treatment of the 2002 deficit of €9.7m as a first charge on our 2003 budget
- No contingencies for the formerly demand led items of Superannuation and Community Drugs Schemes (GMS) on the basis that further reducing service activity or staffing levels to meet increases in expenditure that is beyond our control would be inappropriate.

In the event that the basis upon which the above report has been prepared requires to be altered a further report will be brought without delay to the Finance and Property Committee and the Board.

A meeting of the Finance and Property Committee and a special Board meeting will be arranged upon completion of the above process and the preparation of our Boards 2003 Service / Provider Plan.

Regular updates on progress in relation to implementation of the service / provider plan, spending and control of staffing numbers will be brought to the committee and our Board.

13<sup>th</sup> March 2003

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M Windle  
Chief Executive

**Northern Area Health Board (NAHB)**

**Report  
of the  
Internal Audit Unit**

**2 Year Period Ended 31<sup>st</sup> December 2002.**

**To The Finance and Property Meeting of the  
13<sup>th</sup> March, 2003**

**February 2003**

## 1.0 Introduction

The Institute of Internal Auditors defines Internal Auditing as “an independent, objective, assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process” (Institute of Internal Auditor’s, June 1999)

Internal Audit objectively reviews the existing controls and the management of risk across the Health Board. Consequently, Internal Audit is one of the components of the Board’s system of internal control and corporate governance procedures.

Management is responsible for ensuring adequate controls are in place and operating across all activities. Internal Audit provides an independent service to management by assessing and reporting on the adequacy of such controls.

## 2.0 Audit Methodology

The Internal Audit programme is determined by risk based audit needs assessment methodology.

## 3.0 Internal Audit Reports

The following reports were issued by Internal Audit in 2001 and 2002:

### 2001 NAHB Internal Audit Reports

There were 10 reports issued in 2001 relating specifically to locations within the NAHB. A breakdown of these reports is as follows:

No. of Reports	Topic	Location
3	2000 Annual Stores Stocktake	St. Brendan’s, St. Ita’s, JCMH
2	Break-ins	Connolly Norman House, Eccles Street
2	Petty Cash	St. Brendan’s, Five Residential Homes
1	Accruals	JCMH
1	Travel and Mobile Phone Costs	SWA Homeless and Travellers Unit
1	Financial Regulations	Community Hostels/Group Homes
<b>Total 10</b>		

Based on these 10 reports, a total of 44 issues were reported, resulting in 43 recommendations. Senior management have confirmed to internal audit and the audit committee that, as at the end of 2002, all 43 recommendations had been satisfactorily implemented.

### **2001 Regional Internal Audit Reports**

There were 3 regional reports issued in 2001 which also related to the NAHB. A breakdown of these reports is as follows:

<b>No. of Reports</b>	<b>Topic</b>
1	Nursing Home Function
1	Euro Changeover
1	Prompt Payments Review
<b>Total 3</b>	

Based on these 3 reports, a total of 44 issues were reported, resulting in 21 recommendations. Senior management have confirmed to audit and the audit committee that, as at the end of 2002, all 21 recommendations had been satisfactorily implemented.

### **2002 NAHB Internal Audit Reports**

Internal Audit issued 4 reports issued during 2002 as follows:

<b>No. of Reports</b>	<b>Topic</b>	<b>Location</b>
1	Overpayment of Agency Staff	St. Mary's
1	Medical Card Scheme – Over 70s	All Community Care locations
1	2001 Annual Stores Stocktake	St. Mary's Hospital
1	Break-in	Ballygall Road Health Centre
<b>Total 4</b>		

Based on these 4 reports, a total of 51 issues were reported, resulting in 51 recommendations. As at the end of 2002, recommendations contained in 3 reports (21 recommendations) have been fully implemented. With regard to the remaining report, 12 recommendations have been implemented as at 31 December 2002 while 11 were in progress and 7 had to be commenced.

### **2002 Audit Work in Progress**

As at 31 December 2002, there were 13 reports in progress.

#### **4.0 Internal Audit Plan 2003.**

The Internal Annual Audit Plan for 2003 was approved by the audit committee at its November 2002 meeting.

**M Windle**  
**Chief Executive**

**10<sup>th</sup> March, 2003.**

## **To Each Member of the Finance and Property Committee**

**The approval of the Finance & Property Committee is recommended to the acquisition of the lease on the property, details of which are set out hereunder.**

**The premises have been examined and found to be structurally sound, and the Board's Surveyor has indicated that the price represents good value under current market condition.**

**The current occupants, Experian, wish to move from the property in May 2003. They have made an offer to leave all office furniture together with a once off payment of 6 months rent i.e. €37,292.**

- 1. Property proposed for acquisition: 5<sup>th</sup> Floor,  
Park House,  
Dublin 7.**
- 2. Consideration: €75,584 per annum for 3716  
square feet of office space on  
the 5<sup>th</sup> floor.  
Service charge €19,956 pa.  
Rent review 01/01/2005.  
Lease expires on 31/12/2009.**
- 3. Proposed use for the property: Office accommodation for  
Childcare staff including  
Crisis Intervention Service.**
- 4. Special Conditions Subject to Board approval**
- 5. Source of Funding: Childcare Revenue funding.**
- 6. Planning Status: Planning permission not  
required**
- 7. Adaptation Costs: No adaptation costs**

# Northern Area Health Board

## Internal Audit Programme of Work 2003

In preparing this programme cognisance has been taken of:

- The need to prioritise areas of greatest risk
- Work carried out by Internal Audit in recent years
- Priority areas identified by the Comptroller and Auditor General.

I have categorised the programme of work into areas of high and medium priority as follows:

### **High Priority**

#### **Expenditure**

Supplementary Welfare Allowance  
Child Care  
Salaries – Paramedical  
Salaries – Nursing  
Salaries – Support Services  
Provision of Medicines  
Community Drugs Schemes  
Section 65 Grants

#### **Income**

Long Stay Income  
from DSFCA)

#### **Capital**

Capital Income & Expenditure

#### **Other**

Business Continuity Planning

### **Medium Priority Areas**

#### **Expenditure**

Superannuation (Salaries)  
Capitation Payments  
Home Help non-pay  
DTSS  
Aids & Appliances

#### **Income**

Other payroll Deductions (recoupments  
Agency/ Services income

#### **Other**

Patients Private Property  
Stocks & Stores  
Banks

In each case Internal Audit prepares a report for management, which deals with issues as identified and where appropriate, makes recommendations as to measures to enhance financial control and procedures generally. Progress on implementation of these recommendations is followed up by Internal Audit and monitored by the Audit committee.

**M Windle,**  
**Chief Executive.**

**10<sup>th</sup> March 2003**

