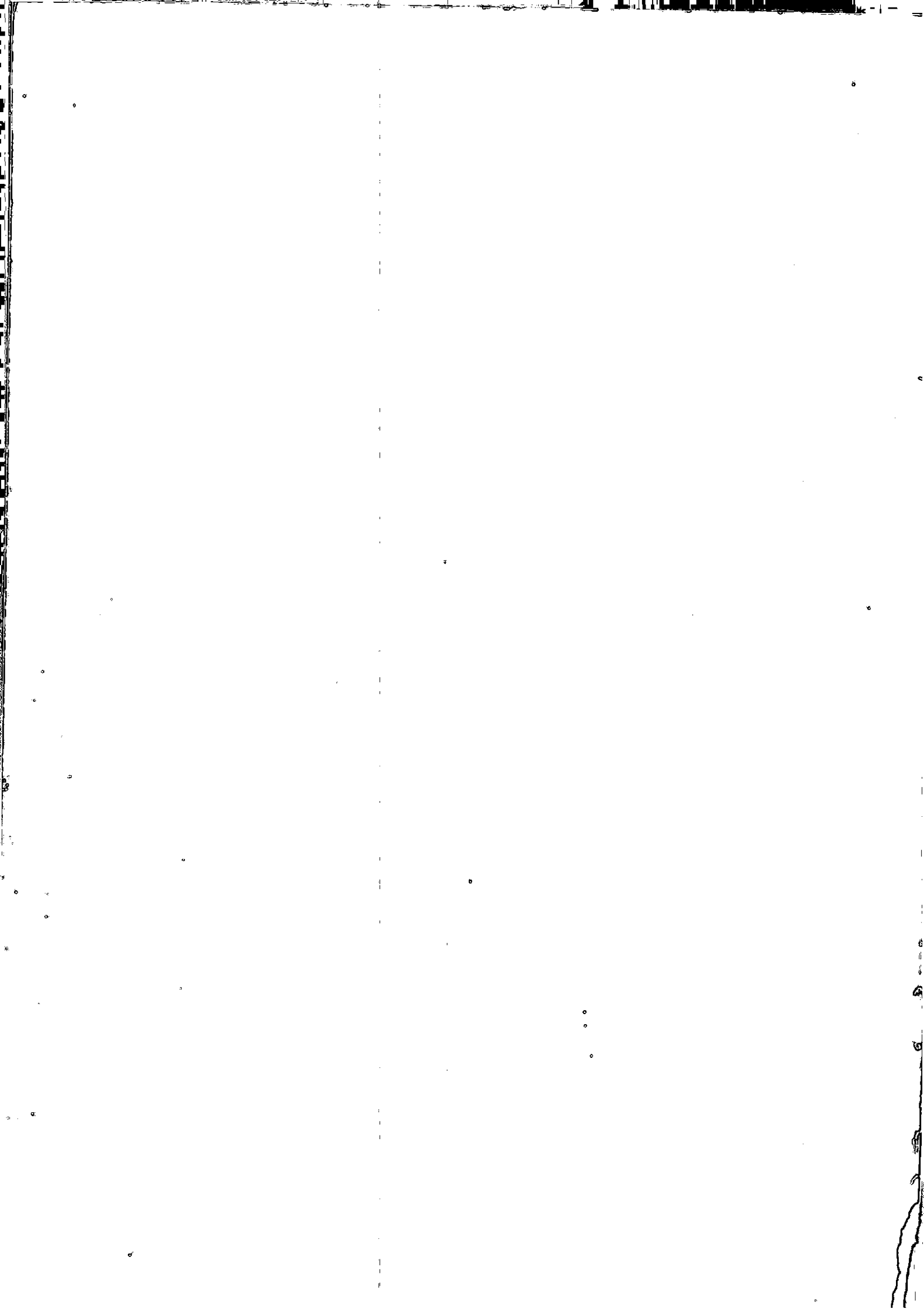


HEALTH SERVICE EMPLOYERS AGENCY

ANNUAL REPORT 2002



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CHAIRMAN'S FOREWORD

MR PAT HARVEY
CHAIRMAN



This sixth report of the Health Service Employers Agency covers the period 1 January 2002 to 31 December 2002.

The year saw the conclusion of the Review of the Agency's role and function as recommended by the Labour Relations Commission. The Review included consultations with all of the Agency's stakeholders and the Department of Health and Children. Its conclusions clarified the purpose of the HSEA and proposed a strategic way forward which included the establishment of a human resource

advisory committee which would be charged with developing a specific human resource agenda. This committee would be officially endorsed as having a lead role in progressing the human resource management agenda in the health service. The review concluded that the HSEA is the vehicle through which health service employers work together to develop HR policy and procedure as a more co-ordinated and strengthened approach to HR on behalf of the service as a whole will result in positive, constructive and efficient outcomes for all of its stakeholders. A significant *consideration in advancing the Agency's strategy* will include a clear understanding and commitment on the parts of its stakeholders of its lead role in industrial relations and human resource matters for the health service.

It was disappointing to witness the extent to which industrial action or threats of industrial action dominated the industrial relations landscape in the health service. It is incumbent on health service managers and unions to conduct their business in a manner that avoids disruption of patient care. Robust policies and procedures which minimise the likelihood of industrial action must be developed which include appropriate sanction in the event of breach of agreed procedure by either side.

The Agency played a lead role in the preparation of the Action Plan for People Management which was launched by the Minister for Health and Children in the latter part of the year. The Action Plan must be warmly welcomed as it seeks to identify many of the difficulties which have impacted upon people management in recent

years and address them by providing a blueprint for improving the management of people within the health service.

Advancing the partnership is another challenge facing management and unions. As a general rule the more we do things together, the better it is done and the greater the ownership of outcome. Considerable progress has been made in very many local situations and projects as well as at National Forum level. There is still a long way to travel. By its nature the philosophy demands that both management and unions walk before they run, that confidence building initiatives continue to be chalked up, and accordingly over time, as success

builds on success, a more and more ambitious agenda can be pursued with increasing momentum.

As Chairman I would like in particular to thank my colleague Board members for their guidance, support and indeed dedication to the Agency's mission over the year. In a particular way I want to convey my compliments and thanks to Mr Gerard Barry, Chief Executive and his excellent team for their professionalism, courtesy and the general manner in which they undertake what is a very difficult brief, demanding very high standards of performance and expertise. Of course the Agency can only be successful if it has the support and an effective rapport with the HR

functions throughout the Boards and many other agencies. It is entirely appropriate that I would make special mention of the Directors of HR and their teams for the very important and valuable part they play in the system. By any reasonable reckoning 2002 must be reflected upon as a successful year for all involved in HR while also acknowledging that there is much work yet to be done which we look forward to with enthusiasm.



Mr Pat Harvey

Chairman

REPORT FROM CHIEF EXECUTIVE

MR GERARD BARRY
CHIEF EXECUTIVE



A notable feature of the year under review was the extent to which industrial unrest dominated the industrial relations landscape in the health service. In the Intellectual Disability sector, assistant house parents and house parents engaged in a three-day strike in pursuit of pay increases of up to 27% which had been awarded to childcare workers in the residential and sensory disability sectors. The original pay agreement for child care workers arose from the deliberations of a Joint Committee, which was established on foot of a

recommendation in the *Report of the Expert Group on Various Health Professions* to deal with issues arising from recognition of the autonomy of the child care workers. The Joint Committee had recommended substantial pay increases in the context of professionalisation of the grade and the re-titling of Assistant House Parent and House Parent to child care worker and child care leader respectively. It further recommended that all new entrants must hold a recognised diploma in child care. The dispute which gave rise to the strike action arose from the fact that the pay increases only applied to those working in the residential child care and sensory disability sectors but did not extend to workers in the Intellectual Disability sector. The Agency rejected this claim on the basis that it would have to be considered in the context of

benchmarking whereas IMPACT contended that the issue was outstanding PCW business. This dispute also resulted in a knock-on claim by SIPTU on behalf of approximately 4,000 care assistants seeking restoration of their pay relationship with Assistant House Parents.

Parallel discussions with IMPACT and SIPTU convened under the auspices of the LRC ended in deadlock. The dispute was eventually resolved following the intervention of the Labour Court, which recommended that the matter be referred to the Joint Committee with a view to determining whether professionalisation should also apply to assistant houseparents and houseparents in the Intellectual Disability sector. With regard to care assistants the Court recommended

that SIPTU should await the outcome of the Joint Committee's recommendations. The Joint Committee supported the case for professionalisation and the Benchmarking Body subsequently endorsed the application of the pay increases to Assistant House Parents and House Parents. The issue of payment dates remained in dispute, however, and was referred to the Labour Court for adjudication at the end of the year.

The residential child care sector also experienced industrial unrest as IMPACT threatened industrial action on behalf of Resident Managers who alleged that their pay differential had been eroded in the wake of the April 2001 pay agreement for child care

workers. This issue was also referred to the Joint Committee which issued a set of proposals which provided for the amalgamation of the existing three-grade structure into one grade which was re-titled Social Care Manager.

The repercussive effects of the child care workers' 2001 pay agreement also extended to registered nurses in mental handicap (RNMHs) who voted overwhelmingly in favour of industrial action in pursuit of the restoration of the pay differential they previously enjoyed over Assistant House Parents prior to the Benchmarking Body's report. The INO contended that the new pay deal creates an anomaly as many of those currently employed at this grade do not hold a formal

qualification and report directly to nurses. The INO had proposed a re-grading to CNM1 or payment of an annual allowance. The INO accepted the HSEA's proposal to set up a joint working party to examine the issue and discussions on the terms of reference were underway by the end of the year.

Public health nurses voted in favour of industrial action due to their dissatisfaction with the Benchmarking Body's recommendation that they be awarded 3% less than the clinical nurse specialist, with whom they claim pay relativity. This dispute had its genesis in the Commission of Nursing Report which stated that public health nurses operated at the level of the clinical nurse specialist

REPORT FROM CHIEF EXECUTIVE

grade. The INO decided to defer industrial action pending confirmation from the National Council for the Professional Development of Nursing and Midwifery that public health nurses work at this level. Concession of this claim would seriously undermine the integrity of the Benchmarking Body's recommendations.

The INO engaged in a series of work-to-rules involving four hospitals in pursuit of enhanced on-call payments for theatre nurses. The claim arose from a Labour Court recommendation which issued in 1999 in part settlement of the nurses' pay dispute. This recommendation provided for local discussions on on-call payments in situations of inordinate on-call liability. The INO were effectively seeking national application of a deal brokered by the LRC for Waterford Regional Hospital. The INO accepted the HSEA's invitation to have all the claims referred on a composite basis to the LRC. Management proposed a new national theatre on-call rate which was put to ballot by the nursing unions at the end of the year.

Early in the year nurses employed in Accident and Emergency Departments around the country engaged in a work-to-rule in protest at what they perceived to be the excessive workload and overcrowding of patients. The dispute was resolved following acceptance of a set of proposals brokered by the LRC which provided for the establishment of a committee to develop and agree an admission and discharge policy in each A&E department, the establishment of a national working group to examine the role of the bed manager, development of proposals to improve liaison between hospital, community and primary care services and improved security measures including swipe cards and personal alarms. The LRC also proposed that a national A&E Nursing Staffing Structures Review Group be established to carry out an immediate examination of existing structures and staffing levels. In the interim, a number of upgradings were agreed for the bands 1-3 hospitals as had been recommended by the Report of the Commission on Nursing. Finally it was agreed to examine the issue of a compensation scheme for those injured at work but within the context of the wider health service.

The INO referred claims to the Labour Relations Commission for the introduction of a 35-hour week, improved shift premiums and the introduction of a Dublin weighting allowance. These claims originally formed part of the Nursing Alliance's submission to the Benchmarking Body, which did not make any recommendations on the matter. The Agency's position is that these claims are in breach of the stability clause of the Programme for Prosperity and Fairness, which provided that no cost-increasing claims other than those specified in the agreement could be made or processed during the lifetime of the agreement. Concession of these claims would have enormous repercussive costs for the health service and also across the entire public sector.

Non-Consultant Hospital Doctors (NCHDs) threatened a nationwide strike in a dispute over new rostering arrangements, which are required to reduce the working hours of doctors in line with the timescale laid down by the EU Working Time Directive. Local industrial action in Waterford Regional Hospital and Tullamore General Hospital was initiated

following attempts by local management to introduce new rosters in these hospitals. The IMO suspended its action following agreement to refer the matter to the Labour Relations Commission, with a target date of September 16th for completion of discussions. The IMO claims that while it is supportive of a reduction in working hours, the basic working week must remain Monday to Friday, 9am to 5pm. It contends that the proposed work rosters would have a negative impact on training and this matter should await the recommendations of the Task Force on Medical Staffing, which was due to publish its report by the end of the year.

*Picture (left to right)
John Collins, Dept. of Health & Children; Michael Lyons, CEO East Coast Area Health Board; Minister for Health & Children Micheál Martin TD; Gerard Barry, HSEA; Laraine Joyce, Office for Health Management and Matt Merrigan pictured at the launch of the People Management Action Plan.*



REPORT FROM CHIEF EXECUTIVE

Another aspect of this dispute is the doctors' concerns that the new rostering arrangements will reduce their overtime earnings. The application of the overtime rates, which was agreed under the June 2000 NCHD Agreement, has been the subject of a long-standing dispute with the IMO. The HSEA's position is that overtime rates only apply to hours worked in excess of the standard 39-hour week whereas the IMO insists that overtime should apply to any hours worked outside the core working hours of Monday to Friday, 9-5 regardless of the number of hours worked.

It was agreed that the overtime issue would be referred as a separate issue to the Labour Court. The scheduled Labour Court hearing was deferred at the request of the IMO amid strong criticism from the HSEA and remains unresolved. Six weeks of talks at the LRC on the issue of rosters and training ended in deadlock. The HSEA had proposed that local discussions should take place to examine the scope for reducing NCHD working hours, with an initial focus on hours worked outside 9-5, Monday to Friday. The HSEA also gave an undertaking that the assistance of the appropriate training colleges would be sought to address any concerns regarding the training content of proposed rosters.

The imminent publication of the Task Force Report on Medical Staffing does not obviate the need for both parties to continue with the ongoing process of reducing NCHD working hours, in accordance with the Working Time Directive and our obligations under the 1997 and 2000 NCHD Agreements. These measures included the appointment of Medical Manpower Managers, whose brief includes the reduction of NCHD working hours, and the recruitment of approximately 800 extra doctors. Despite these measures

Pictured at the launch of the People Management Action Plan are (left to right) Killian McGrane, Dept. of Health & Children; Laraine Joyce, Office for Health Management; Sile Fleming, ERHA and Martin McDonald, HSEA.

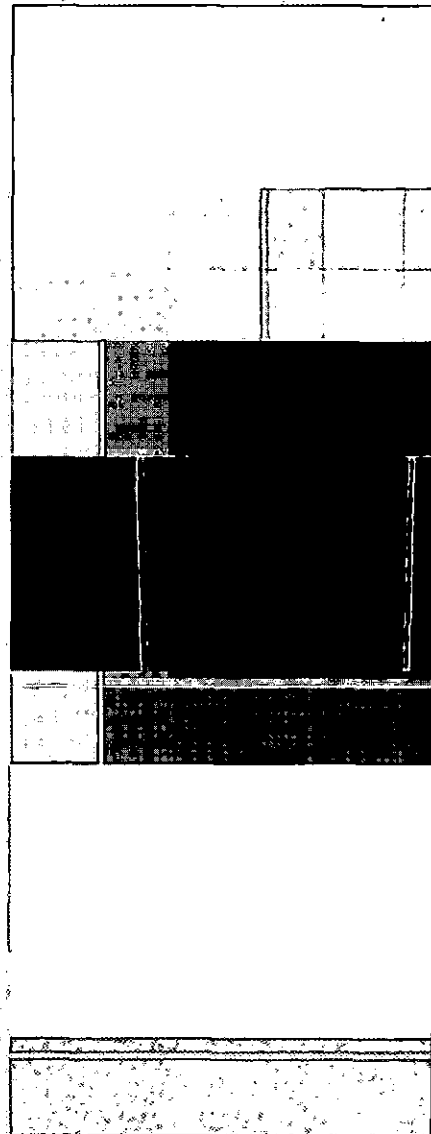


and the ongoing efforts of the medical manpower managers and local hospital management, the overtime hours worked by NCHDs has increased dramatically since the conclusion of the 2000 Agreement.

In December public health doctors voted overwhelmingly in favour of industrial action over what they perceive as a delay in implementing the terms of the Brennan Review Report, which was initially due to be completed by the end of 1996 and was published in April 2002. The report examined the provision of medical services involving public health doctors and the lack of a structured 'emergency/out of hours' system that is currently provided on an ad hoc basis. The main areas of contention relate to salary, grading structures and out-of-hours arrangements.

All of these issues are linked to the benchmarking report and the Health Strategy and meaningful negotiations cannot take place until there is clarity in relation to the future direction of both reports. These issues were referred to the Labour Relations Commission.

Significant changes continued to take place within nursing education with the commencement of the four-year nursing degree course in September. As part of the agreement with the third level sector and the nursing unions in the context of the change to degree status nurse tutors were given the option of transferring to the University or Institute of Technology with which their School of Nursing is affiliated. Those holding master's qualifications were appointed as lecturers while those pursuing the qualification are being seconded at present and, subject to attaining this qualification, will be appointed as lecturers at a later stage. Others have decided to avail of the option of remaining within the health service with their current employer and working in the Centres for Nurse Education, which are being developed nationally. The new Centres for Nurse Education will have a key function in relation to in-service education and professional development. The vast majority of nurse tutors opted to move to the higher education sector while only a minority exercised their option to avail of early retirement.



REPORT FROM CHIEF EXECUTIVE

The Minister for Health and Children agreed to the establishment of a Task Force to investigate the incidents of and the reasons for assaults on psychiatric nurses with a view to designing programmes aimed at assault prevention and also the feasibility of an appropriate compensation scheme. This Task Force was established in response to a claim by the PNA for the introduction of a special injuries compensation scheme similar to the system for Gardaí and prison officers. Its work was still in progress at the end of the year.

The Reports of the Service Review Group and the Expert Group on Medical Laboratory Technicians/Technologists were approved by the government and work is currently underway to develop an implementation framework which will link implementation of aspects of the two reports. The Service Review made a number of significant recommendations regarding changes in the way services are organised and delivered. Amongst its main recommendations were that all laboratories undertake an analysis of duties which could be undertaken by a new grade of laboratory assistants

to be introduced nationally and the establishment of pilot projects at individual hospital sites in relation to re-organising the response to increased workloads and demands for provision of extended services outside traditional hours. There will also be residual elements of the Expert Group report to be progressed such as introducing the laboratory manager grade and 'specialist' posts within laboratories. It is important that a linkage be maintained between both strands. The changes involved – uniform salary for medical scientists and biochemists, skill mix analysis with laboratories and the introduction of more laboratory assistants – reflect provisions in both the PPF and the Health Strategy in relation to optimum utilisation of staff resources and eliminating traditional barriers within the system.

The Report of the Public Service Benchmarking Body issued in July and recommended average pay increases of 9% and also changes in personnel practices. The awards sever all previous pay links and establish new absolute levels of pay which may not under any circumstances provide a basis for any

follow-on claims. Implementation of the pay awards, other than the 25% already committed from 1st December 2001, is conditional upon agreement on a modernisation programme for each sector and the establishment of a validation process to verify progress in this regard. The modernisation agenda for the health sector will be informed by the National Health Strategy, which sets out an ambitious programme of development and reform.

The Agency played a lead role in the development of the *Action Plan for People Management*. The Action Plan was produced following an extensive consultative process involving both management and staff representatives and was launched by the Minister for Health and Children in November. The Action Plan sought to identify many of the difficulties that have impacted upon people management in recent years and to address these by providing a blueprint for improving the management of people within the health service. The Action Plan concentrates on seven themes which are:

- Manage people effectively
- Improve the quality of working life
- Devise and implement best practice employment policies and procedures
- Develop the partnership approach further
- Invest in training, development and education
- Promote improved employee and industrial relations in the health sector
- Develop performance management

Catriona McConnellogue, Anna Killilea and Linda Hartsema from the HSEA pictured at the launch of the People Management Action Plan.



REPORT FROM CHIEF EXECUTIVE

It is recognised that these themes have a very high degree of interdependence and that while each theme is important in its own right, the overall benefit would be derived from the cumulative progress across all seven. The Agency has been assigned significant responsibilities in progressing the Action Plan.

Agreement was reached that the craft analogue pay review, under which the pay rates of public sector craftworkers are adjusted to reflect the average rate paid to craftworkers in an agreed list of 20 private sector and semi-state companies, would be conducted as a parallel process to the Public Service Benchmarking Body's deliberations. A comprehensive review of the pay and conditions of craftworkers in the public sector and comparator companies was carried out by independent consultants, Inbucon UK, and its findings formed the basis for discussions under the auspices of the LRC. Discussions on the review had ended in deadlock by the end of the year due to the unions' refusal to engage in meaningful discussions regarding the productivity/flexibility measures proposed by employers.

A parallel benchmarking process was also carried out for non-nursing staff who enjoy a pay relativity with craftworkers. A report was commissioned by Inbucon to review the grading structures, conditions of employment and working practices of non-nursing staff. Amongst its key recommendations was the introduction a maximum of four pay bands to replace the existing grading structures. Employers tabled a list of productivity measures to accompany whatever pay increase was agreed and the matter was referred to the Labour Court. No significant progress had been made by the end of the year.

A long-awaited initiative in relation to the development of the role of health care assistants resulted in the piloting of a training programme nationally. This programme was introduced on foot of recommendations in the Report of the Commission on Nursing which provided for increased use of care assistants and other non-nursing personnel in the performance of non-nursing tasks and the need to agree standard criteria for future entry into the grade, educational qualifications and training needs of existing staff. A training programme has been devised and validated by FETAC in order to

ensure a recognised national qualification for healthcare assistants. This course is designed around a number of core modules with additional specialist modules in areas such as theatre, maternity and intellectual disability. A number of agencies have agreed to run the training programme on a pilot basis.

A review of the 1999 Anti-Bullying Policy commenced in February. The review is being conducted on a partnership basis and comprises representatives from all the health service unions, a cross-section of employing authorities and IBEC. The scope of the review was extended to cover sexual harassment and harassment as prohibited under the Employment Equality Act, 1998 and to incorporate the provisions of the Codes of Practice which issued during the year on bullying and harassment. Significant progress was made in producing a draft policy by the end of the year and an application for funding to develop training programmes to support the implementation of the policy at local level was approved by the National Partnership Forum.

The Employer Advisory Service produced an innovative training programme entitled **HRM and the Operation of the Disciplinary Procedure**. The training programme places considerable emphasis on how disciplinary problems can be prevented through the proper operation of HR policies such as: induction, probation, performance review and counselling. The programme consists of a guideline document for line managers which was prepared by a HSEA working group, a video which features how to conduct a disciplinary hearing and a powerpoint presentation to facilitate training at local level. A CD-Rom containing all the elements of the programme was compiled and distributed to health care agencies. Staff from the Division also visited a number of agencies throughout the year to demonstrate the training package to HR personnel.

A HSEA Working Group, which includes representatives from the Health Boards, Voluntary Hospitals, the Intellectual Disability Sector and IBEC, is continuing its work on developing an equal opportunities/ accommodating diversity training pack. This initiative is receiving support from the Equality Authority

under the PPF Framework Agreement for the Development of Equal Opportunities at the Level of the Enterprise. The training pack will consist of a guideline document for line managers which is intended to be a practical and illustrative guide to the Employment Equality Act and a video which will focus on how best diversity can be accommodated in the workplace.

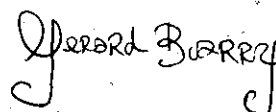
A guideline document on the provision of an occupational health, safety and welfare service was finalised. These guidelines were prepared on foot of a request by the Department of Health and Children to establish an expert Working Group with representatives from the Health and Safety Authority (HSA), health service management and trade unions to develop guidelines on the provision of occupational health, safety and welfare services for health care staff. The next stage will involve the preparation of an implementation plan which will include the development of performance indicators.

As part of the Code of Practice for NCHDs, a model contract of employment and a booklet giving a detailed account of the terms and conditions of employment of NCHDs

were finalised by the HSEA following consultation with the Irish Medical Organisation and have been circulated to all agencies. These documents have proven to be of invaluable assistance to personnel in HR and medical administration.

At the year's end, the Review of the Agency's Role & Function concluded. The Review Report will be presented to the Board early in the new year for its endorsement. Clarification of the role and purpose of the Agency will assist in developing a strategic way forward which best addresses many of the human resource issues facing the health service in the challenging years ahead.

In conclusion, I would like to express my appreciation to my Chairman and Board members for their wholehearted support of our activities during the year. I would also like to thank my colleagues in the Agency for their dedication and hard work in what was an extremely busy year.



Gerard Barry
Chief Executive

BOARD MEMBERS OF THE HSEA

AT 31/12/2002

Mr P. Harvey (<i>Chairman</i>)	Chief Executive Officer	North-Western Health Board
Mr John Collins	Director of Personnel Management & Development	Department of Health & Children
Mr William Beausang	Principal Officer	Department of Health & Children
Mr Martin Cowley	Chief Executive Officer	Mater Hospital
Ms Sheila Treacy	Industrial Relations/Human Resources Executive	IBEC
Mr Pat Donnelly	Chief Executive Officer	South-Western Area Health Board
Mr Stiofan de Burca	Chief Executive Officer	Mid-Western Health Board
Mr Michael Lyons	Chief Executive Officer	Adelaide & Meath Hospitals, incorporating National Children's Hospital
Mr Brian O'Donnell	Chief Executive Officer	Federation of Voluntary Bodies

STAFF MEMBERS OF THE HSEA

AT 31/12/2002

Chief Executive:

Mr Gerard Barry	Chief Executive
Ms Orla Tierney	P.A. to Chief Executive

Employer Advisory Division:

Ms Elva Gannon	Head of Employer Advisory Service
Dr John Dosu	Information/Research Executive
Ms Anna Killilea	Information/Research Executive
Ms Sonia Shortt	Information/Research Executive
Ms Catriona McConnellogue	Information/Research Officer

Industrial Relations Division:

Mr Brendan Mulligan	Head of Industrial Relations
Mr Gerry Bellew	Industrial Relations Executive
Mr Rory Costello	Industrial Relations Executive
Ms Gaye Dalton	Industrial Relations Executive
Mr John Delamere	Industrial Relations Executive
Mr Sé O'Connor	Industrial Relations Executive
Ms Ann Marie Ward	Industrial Relations Officer

Innovation/Change Management:

Mr Martin McDonald	Project Manager
Ms Elizabeth Kingston	National Co-ordinator for Clinical Placements
Ms Linda Hartsema	Secretarial Support

Administration:

Mr George Franklin	Secretary/Administration Manager
Ms Laura Spillane	Administrative Assistant
Ms Alice Healy	Head of Secretarial Services
Ms Marian Larkin	Secretarial Support
Ms Bernadette O'Sullivan	Secretarial Support
Ms Terri Penston	Telephonist/Receptionist

Support Services:

Mr Michael Penston	Maintenance Co-ordinator
Ms Marie Lawlor	Catering Assistant

HEALTH SERVICE EMPLOYERS AGENCY

FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2002

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COMPOSITION OF THE BOARD

AND OTHER INFORMATION

Board

Mr P Harvey (*Chairman*)
Mr W Beausang
Mr M Cowley
Mr S de Burca
Mr P Donnelly
Mr M Lyons
Mr B O'Donnell
Ms S Treacy

Chief Executive Mr G Barry

Banker Bank of Ireland
2 College Green
Dublin 2

Solicitor Roger Greene & Sons
14 City Gate
Lower Bridge Street
Dublin 8

Accountant Noone Casey
Registered Auditors and Accountants
54 Dame Street
Dublin 2

Auditor The Comptroller & Auditor General
Dublin Castle
Dublin 2

STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

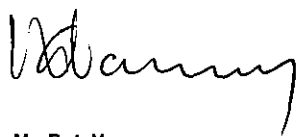
The Board is required by the Health Service Employers Agency (Establishment) Order, 1996 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Health Service Employers Agency and its income and expenditure for that year.

In preparing those statements, the Board is required to:

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

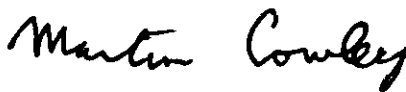
The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Health Service Employers Agency and to enable it to ensure that the financial statements comply with the Order. It is also responsible for safeguarding the assets of the Health Service Employers Agency and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board



Mr Pat Harvey

Chairman



Martin Cowley

Board Member

14 May 2003

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

FOR PRESENTATION TO THE HOUSES OF THE OIREACHTAS

I have audited the financial statements on pages 22 to 29 under Section 5 of the Comptroller and Auditor General (Amendment) Act, 1993.

RESPECTIVE RESPONSIBILITIES OF THE BOARD AND THE COMPTROLLER AND AUDITOR GENERAL

The accounting responsibilities of the members of the board are set out in the Statement of Board Members' Responsibilities on page 19. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me by the board and to report on them.

I review whether the statement on the system of internal financial control on page 21 reflects the Agency's compliance with applicable guidance on corporate governance and report any material instance where it does not so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements.

BASIS OF AUDIT OPINION

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with auditing standards issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation.

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

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary to provide me with sufficient evidence to give reasonable

assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In my opinion, proper books of account have been kept by the Health Service Employers Agency and the financial statements, which are in agreement with them and have been properly prepared in accordance with accounting policies laid down by the Minister for Health and Children, give a true and fair view of the state of affairs of the Health Service Employers Agency at 31 December 2002 and of its income and expenditure for the year then ended.



Gerard Smyth

*For and on the behalf of the
Comptroller and Auditor General*

5 August 2003

STATEMENT REGARDING CORPORATE GOVERNANCE

RESPONSIBILITY FOR THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. The Board of the Health Service Employers Agency acknowledge their responsibility for reviewing and ensuring the effectiveness of the Agency's system of internal financial controls.

2. The Board acknowledge that such a system of internal financial control can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that any material errors or irregularities are either prevented or would be detected in a timely manner.

KEY CONTROL PROCEDURES

Due to the small size of the Agency, it is not practical to have all duties clearly segregated.

The following is a description of key procedures, which have been put in place by the Board to provide effective internal financial control.

3. There is an established organisation structure with clearly defined lines of responsibility.

The system of internal financial control is based on a framework of regular management information and administrative procedures.

The CEO is responsible to the board for the operational management and control of the Agency's affairs including internal financial control. The CEO reports to the Board at their monthly meetings.

The Secretary/Administration Manager reports to the CEO on all matters relating to the Agency's financial affairs with particular reference to budget, cash flow management, procurement, capital appraisal, acquisition/disposal of assets, contracting, financial reporting/accounting and compliance with relevant legislation.

A Finance Committee was established in 1997 and meets regularly to oversee the financial affairs of the Agency and to make recommendations to the Board on the financial issues brought to the Board by the CEO.

4. There was no review carried out during the year on the effectiveness of the systems of internal financial control as required under the Code of Practice

for the Governance of State Bodies. However, on foot of the Minister's letter of 31st January 2002 the Board commissioned a special study of the requirements for the Agency so as to ensure compliance with the Code. This led to a draft Code being prepared for consideration by the Board. This draft was considered at the meeting on the 11th June 2003 and the Board decided to defer any decisions on the report until its September meeting in light of impending Government decisions on future structures in the Health Service.

In the meantime, it was agreed that the CEO should pursue the matter of sourcing an internal audit for the HSEA through contact with other Health Agencies. It was also agreed that the Finance Committee should be enlarged and should also function, for the time being as the Audit Committee recommended as an element of appropriate corporate governance arrangements.



Pat Harvey

Chairman

2nd July 2003

STATEMENT OF ACCOUNTING POLICIES

INTRODUCTION

The Health Service Employers Agency (HSEA) was established by the Minister for Health & Children under The Health Service Employers Agency (Establishment) Order, 1996 which came into effect on 15 July 1996.

The main functions of the Agency are:

- To promote value for money in pay cost management;
- To support and represent health service employers in the management of industrial relations;
- To develop appropriate research, education and information initiatives to assist personnel management.

(i) Basis of Accounting

The financial statements are prepared on an accruals basis under the historical cost convention in accordance with generally accepted accounting principles and subject to the exception noted in (iii) below comply with the financial reporting standards of the Accounting Standards Board.

(ii) Client Contribution Income

Client Contribution Income represents monies accruing to the Health Service Employers Agency from health service employers. The contribution of each employer is in proportion to the wholtime equivalent numbers of staff employed by them.

(iii) Superannuation

By direction of the Minister for Health and Children no provision has been made in respect of accrued benefits payable in future years under the Local Government Superannuation and Spouses' and Children's Schemes, as the liability is underwritten by the said Minister.

Contributions from employees who are members of the schemes are credited to the Income and Expenditure Account when received. Pension Payments (excluding death and marriage which are treated on an accruals basis) under the schemes are charged to the Income and Expenditure Account when paid.

(iv) Fixed Assets

Fixed Assets are included in the Accounts at cost less depreciation. The following rates and methods of depreciation apply:

	Rates	Method
Premises	2%	Straight Line
Fixtures & Fittings	10%	Straight Line
Office Equipment	25%	Reducing Balance

The depreciation, which is matched by an equivalent amortisation of the capitalisation account, is not charged against the Income and Expenditure account.

(v) Capital Income and Expenditure Account

Funding for all capital projects and the related expenditure is dealt with through the Capital income and Expenditure Account. The balance on this account represents the surplus/deficit of funding of capital projects.

(vi) Capitalisation Account

The Capitalisation Account represents the unamortised balance of funds applied for the purchase of fixed assets. The amortisation of this account is matched by depreciation and is not taken to the Income and Expenditure Account.

(vii) Capital Reserve

A Capital Reserve has been created, representing the unexpended balance of money received from the Department of Health and Children to enable the Agency complete a review and update its Information Technology systems.

(viii) Department of Health & Children – Grants

Grants from the Department of Health and Children other than grants for special projects are accounted for on an accruals basis.

(ix) Department of Health & Children/Health Services National Partnership Forum Projects/Deferred Income

Expenditure on special projects undertaken by the Health Service Employers Agency at the request of the Department of Health and Children is accounted for on an accruals basis. However, as these projects fall outside the normal activities of the Agency, the related income is only credited to the Account as required. The Deferred Income as analysed in Note 6 represents the unexpended monies received in respect of these special projects.

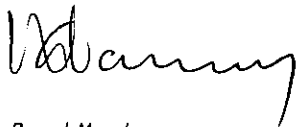
NON CAPITAL INCOME AND EXPENDITURE ACCOUNT

FOR YEAR ENDED 31 DECEMBER 2002

	2002 €	2001 €
Income		
Client Contributions	1,796,522	1,645,800
Department of Health & Children Client Subvention	190,461	190,461
DOHC/HSNPF Projects	293,130	487,696
Superannuation	68,021	50,703
Deposit Interest	11,866	18,386
HSNPF	-	25,395
Equality Authority	-	6,349
Special Projects	634,870	-
Transfer to Capital Income & Expenditure Account	(538,479)	(204,019)
	<u>2,456,391</u>	<u>2,220,771</u>
Expenditure		
Salaries, Wages & Superannuation	1,239,004	1,023,267
Travel, Subsistence & Meals	154,814	117,978
Printing, Stationery & Advertising	133,261	124,292
Postage & Telephone	70,063	50,704
Consultancy Fees	98,303	210,518
Conciliation & Other Fees	3,382	33,425
Audit Fees	7,000	5,250
Accountancy Fee	7,865	2,312
Rates & Insurance	72,570	59,984
Heat, Light & Cleaning	20,939	45,537
Caretaking, Security & Repairs	113,941	60,462
Bank Interest & Charges	53,629	80,674
Sundries	20,763	27,094
DOHC/HSNPF Projects	293,130	277,992
IT Strategy	123,639	-
	<u>2,412,303</u>	<u>2,119,489</u>
(Deficit)/Surplus during year	44,088	101,282
Balance at 1 January	387,593	286,311
Transfer to Capital Reserve	(379,950)	-
Balance at 31 December	<u>51,731</u>	<u>387,593</u>

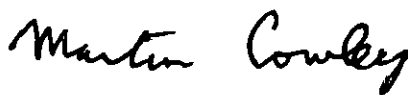
The Accounting Policies on pages 22 to 23 and the notes on pages 27 to 29 form part of these Financial Statements.

The Health Service Employers Agency had no other recognised gains or losses other than those dealt with in the Non-Capital and Capital Statements of Income and Expenditure.



Board Member

14 May 2003



Board Member

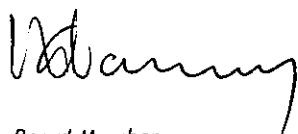
CAPITAL INCOME AND EXPENDITURE ACCOUNT

FOR YEAR ENDED 31 DECEMBER 2002

		2002 €	2001 €
Balance as at 1 January		(1,646,887)	(1,806,031)
Add: Income for year			
Loan Repayments funded from Revenue Income & Expenditure	182,704		
Fixed Asset Additions funded from Revenue Income & Expenditure	355,776		
		538,480	204,019
Less: Expenditure for year		(355,776)	(44,875)
		(1,464,183)	(1,646,887)

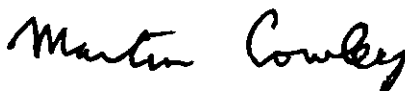
The accounting policies on pages 22 to 23 and the notes on pages 27 to 29 form part of these Financial Statements.

The Health Service Employers Agency has no recognised gains or losses other than those dealt with in the Non-Capital and Capital Statements of income and expenditure.



Board Member

14 May 2003



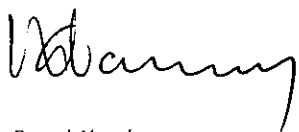
Board Member

BALANCE SHEET

AS AT 31 DECEMBER 2002

	Notes	2002 €	2001 €
Fixed Assets	(1)	3,692,020	3,486,342
Current Assets			
Debtors & Prepayments	(2)	96,466	60,369
Bank & Cash Balances		1,216,349	544,374
		1,312,815	604,743
Current Liabilities			
Creditors & Accruals		214,926	217,150
Bank Term Loan Repayable within 1 year	(3)	189,580	167,656
Deferred Income		666,205	-
		1,070,711	384,806
Net Current Assets		242,104	219,937
Net Assets		3,934,124	3,706,279
Financed by:			
Surplus (Deficit) on Non Capital Income & Expenditure		51,731	387,593
Capitalisation Account	(4)	3,692,020	3,486,342
Surplus (Deficit) on Capital Income & Expenditure		(1,464,183)	(1,646,888)
Bank Term Loan repayable within more than 1 year	(3)	1,274,606	1,479,232
Capital Reserve		379,950	-
		3,934,124	3,706,279

The accounting policies on pages 22 and 23 and the notes on pages 27 to 29 form part of these Financial Statements.



Board Member



Board Member

14 May 2003

NOTES TO THE ACCOUNTS

FOR YEAR ENDED 31 DECEMBER 2002

NOTE 1 FIXED ASSETS

	Land & Buildings Freehold €	Office Equipment €	Fixtures & Fittings €	Total €
Cost				
At 1 January 2002	3,649,278	221,115	186,460	4,056,853
Additions	217,246	132,783	5,747	355,776
At 31 December 2002	<u>3,866,524</u>	<u>353,898</u>	<u>192,207</u>	<u>4,412,629</u>
Depreciation				
At 1 January 2002	361,153	139,907	69,451	570,511
Charge for the year	77,330	53,547	19,221	150,098
At 31 December 2002	<u>438,483</u>	<u>193,454</u>	<u>88,672</u>	<u>720,609</u>
Net Book Values				
At 31 December 2002	<u>3,428,041</u>	<u>160,444</u>	<u>103,535</u>	<u>3,692,020</u>
At 31 December 2001	<u>3,288,125</u>	<u>81,208</u>	<u>117,009</u>	<u>3,486,342</u>

NOTE 2 DEBTORS AND PREPAYMENTS

	2002 €	2001 €
Debtors	96,389	14,462
Accrued Income	-	14,069
Bank interest accrued	77	76
Prepayments	-	31,762
	<u>96,466</u>	<u>60,369</u>

NOTE 3 BANK LOANS

A commercial mortgage was obtained to cover the acquisition cost of the Agency's premises.

The capital element of this loan is payable as follows:

	2002 €	2001 €
Within one year	189,580	167,656
In 2-5 years	758,321	670,625
5 years or more	516,285	808,607
	<u>1,464,186</u>	<u>1,646,888</u>

NOTES TO THE ACCOUNTS

FOR YEAR ENDED 31 DECEMBER 2002

NOTE 4 CAPITALISATION ACCOUNT

Balance as at 1 January
 Add: Additions to Fixed Assets
 Less: Amortisation in line with depreciation
 Less: Net book value of assets disposed of in year

2002 €	2001 €
3,486,342	3,561,069
355,776	44,875
(150,098)	(118,864)
-	(738)
3,692,020	3,486,342

NOTE 5 CONTINGENT LIABILITY

A future liability may arise as a result of an arbitration agreement between the Agency and the Local Government Management Services Board concerning the premises at Park House.

NOTE 6 PROJECTS/DEFERRED INCOME

	2001 Funding €	2001 Expenditure €	Balance at 1 Jan 2002 €	2002 Funding €	2002 Expenditure €	Balance at 31 Dec 2002 €
NNPC	57,138	(55,251)	1,887	85,000	(93,626)	(6,739)
NMDP	95,230	(109,299)	(14,069)	106,349	(26,604)	65,676
BNC	126,974	(69,198)	57,776	-	(51,386)	6,390
A & E Review	-	-	-	-	(17,797)	(17,797)
Profiling	-	-	-	25,000	(28,050)	(3,050)
Dignity at Work	-	-	-	150,000	(174)	149,826
Health Strategy Implementation	-	-	-	147,394	(75,495)	71,899
RCSS	-	-	-	200,000	-	200,000
PCSS	-	-	-	200,000	-	200,000
Total	279,342	(233,748)	45,594	913,743	(293,132)	666,205

NOTES TO THE ACCOUNTS

FOR YEAR ENDED 31 DECEMBER 2002

NOTE 6 PROJECTS/DEFERRED INCOME continued

NNPC – National Nurse Placement Co-ordinator

Involves co-ordinating the provision of clinical placements for nurses and midwives from abroad who have contracts of employment in the health sector in Ireland and who are required to undertake such placements prior to registration with An Bord Altranais. (DoHC funded).

NMDP – Nurse Management Development Programme

Established under the Steering Group on the Empowerment of Nurses and Midwives to set up management and personal development programmes for nurses and midwives (DoHC funded).

BNC – Parallel Benchmarking Exercise/Non Nursing and Craftworker Grades

(DoHC funded)

A & E Review

The security review of accident and emergency departments was carried out following the recent A & E dispute (DoHC funded).

Profiling – Profiling Care Assistants

The profiling exercise was conducted in the intellectual disability sector on foot of a Labour Court Recommendation to examine and make assessments of the issues and structures which obtain in the sector (DoHC funded).

Dignity at Work

Project to develop a Health Service wide policy and learning tools for line managers and supervisors (HSNPF funded).

Health Strategy Implementation

Funding to assist the Agency in meeting its responsibilities under the People Management Action Plan (Co funded by DoHC and the Equality Authority).

RCSS – Reconfiguring Clinical Support Services – Radiography Departments

Project developed in the context of the requirements arising from the National Health Strategy (HSNPF funded).

PCSS – Reconfiguring Clinical Support Services – Pathology Laboratories

Project developed in the context of the requirements arising from the National Health Strategy (HSNPF funded).

NOTE 7 APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board on 14 May 2003.



Health Service Employers Agency

**Health Service Employers Agency
63-64 Adelaide Road, Dublin 2**

Tel: 01 662 6966

Fax: 01 662 6977

Email: info@hsea.ie

Website: www.hsea.ie