

## **EASTERN REGIONAL HEALTH AUTHORITY**

### **Report of the Comptroller and Auditor General**

*This report has been prepared pursuant to Section 6 (4) of the Comptroller and Auditor General (Amendment) Act, 1993.*

The Eastern Regional Health Authority ("the ERHA"), the East Coast Area Health Board, the South Western Area Health Board and the Northern Area Health Board are each required to prepare annual financial statements and to submit them to me for audit on or before 1 April in the year following the year to which they relate. The ERHA is also required to prepare consolidated annual financial statements and to adopt them and submit them to me for audit on or before 15 April in the year following the year to which they relate. The annual financial statements of the area health boards form part of the consolidated annual financial statements of the ERHA.

The annual financial statements of the ERHA and the area health boards and the consolidated annual financial statements of the ERHA for the period 1 March 2000 to 31 December 2000 were adopted on the following dates:

- ERHA on 28 March 2001,
- South Western Area Health Board on 28 March 2001,
- East Coast Area Health Board on 30 March 2001,
- Northern Area Health Board on 29 March 2001, and
- ERHA consolidated financial statements on 11 April 2001,

and were submitted to me for audit. In the course of my audit it became clear that there were inconsistencies between the accounts of the individual area health boards and both the ERHA's accounts and the consolidated accounts.

The inconsistencies arose from the fact that the allocation shown in the ERHA's financial statements as made by the ERHA to each of the area health boards did not agree with the corresponding figures shown in the financial statements of the area health boards. Section 10 of the Health (Eastern Regional Health Authority) Act, 1999 requires the ERHA to make an arrangement with each area health board for the provision of services. The section requires that such an arrangement must include, among other things, a written agreement, to be renewed annually, between the ERHA and each area health board specifying the services to be provided and the funds to be made available therefor. No such agreement was entered into during the ten month period to 31 December 2000. It appeared to me that if such an arrangement had been entered into, the inconsistencies between the accounts would not have arisen.

I raised this matter with the Chief Executive of the ERHA. In reply he stated that the ERHA inherited all contracts of the former Eastern Health Board. One such “contract” was the 2000 Service Plan between the Department of Health and Children and the former Eastern Health Board. The ERHA continued to administer it for the remainder of 2000. For this reason no mid-year Section 10 arrangements were drawn up with the area health boards. He informed me that the ERHA confirmed final 2000 allocations to all service providers (including the area health boards) in December 2000 and that these allocations took account of revisions for the year. However, during 2000 extensive work was required to agree transfers of various services and associated budgets between the boards. The allocations did not take account of these transfers, which were agreed between the boards. It was these transfers of services and associated budgets that led to the inconsistencies between the accounts and which made it difficult on audit to establish clearly the income attributable to each area health board.

While the Chief Executive accepted that the inconsistencies were not resolved to my satisfaction until October 2002, he indicated that the area health boards as a group were aware of their substantive budgets for the services being provided by them under the 2000 Service Plan soon after the establishment of the Authority. The Chief Executive also pointed out that there were considerable difficulties encountered in 2000 due to the ERHA being established two months into a financial year, as well as the requirement to split the accounting operations of the former Eastern Health Board into three individual boards. These difficulties were unique to the start up and would not be a feature of future accounts.

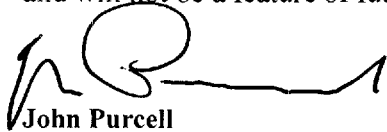
A second area of difficulty related to accounting for transactions between the area health boards and the Eastern Regional Health Authority. As the audit progressed, it became clear that area health boards were not agreed as to whether all inter-board balances shown in the financial statements represented amounts owing between boards. Reference to the difficulties experienced by the area boards was made in the original accounts adopted by the South Western Area Health Board and the Northern Area Health Board which included notes which stated that

“Inter-Board transfers are accounted for by way of inter-company transactions across the Area Health Boards and the Authority. The operation of the inter-company accounts is complex and technical and a steep learning curve has been encountered. Further enhancements have been identified as required to satisfactorily deal with inter-company accounting and these will be addressed in the coming months. The inter-company accounts negate on consolidation.”

The kernel of the difficulty was that the inter-board balances in each area health board’s financial statements included not alone balances between area health boards which arose in the period 1 March 2000 to 31 December 2000 but also balances arising from transactions of the former Eastern Health Board which were attributed to the area health boards on their establishment. These earlier balances were not, in fact, assets or liabilities of the area health boards. Consequently, the area health boards undertook an exercise to isolate these earlier balances from the post 1 March 2000 inter-board balances.

Owing to the complexity of the accounting systems and the volume of transactions involved, this work by the area health boards continued throughout the audit of the 2000 financial statements. Inter-board transactions which occurred in the period from 1 March 2000 onwards were reconciled and settled periodically during this time. Final agreement on inter-board indebtedness was not reached until November 2002.

I am assured by the area health boards that these problems have now been resolved and will not be a feature of future accounts.

A handwritten signature in black ink, appearing to read 'John Purcell', with a large circular flourish at the end.

**John Purcell**  
**Comptroller and Auditor General**

**20 March 2003**