

Midland Health Board

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.

1. Drawdown of Capital Funding from the Department of Health and Children

In addition to the annual non-capital (revenue) allocation from the Department of Health and Children, the Midland Health Board is given funding for capital projects on a case-by-case basis.

The standard arrangements in place for the recoupment of capital expenditure involve the submission by Health Boards of a claim form to the Department's Hospital Planning Office. The notes at the foot of the form make it clear that only claims for approved expenditure in respect of matured liabilities should be submitted for payment.

As a general rule, the Midland Health Board operates on this basis. However, by end 1998, advances to the value of £3.5m under ten specific project headings had been received from the Department although only £2m had actually been spent.

The main advances were explained by the Midland Health Board as follows: -

1.1 *General Hospital Tullamore (Purchase of land) — Capital receipt £370,000; Expenditure £nil.*

Approvals were received from the Department of Health and Children on 14 August 1998 (£260,000) and 27 October 1998 (£110,000) for the purchase of land from Tullamore UDC for £370,000. The Health Board was advised that "every effort should be made to have this fully drawn down by the end of the year". The Board informed me that a drawdown claim was made to the Department on 16 December 1998 in respect of the purchase as the Board had approved the purchase and the local authority had agreed to proceed with the sale. Minor typographical errors in the contract wording necessitated a revision to the contract document between the two public bodies and the contract was not completed until July 1999. The first item of expenditure (a deposit of £37,000) was paid in mid 1999 and the balance was discharged in that year.

1.2 *Physical and Sensory Disabilities Services 1998 — Capital receipt £100,000; Expenditure £702*

Approval from the Department of Health and Children dated 14 August 1998 stated that "every effort should be made to ensure that the expenditure commitments for these projects will mature by the end of the year". The implementation of these projects did not proceed as quickly as the Board would have liked and had not been completed by December 1999. However, the Board assured me that the funding is still available for these projects and has not been used for other purposes.

1.3 *Mental Handicap Services 1998 — Capital receipt £250,000; Expenditure £nil*

Two of the projects referred to the purchase of respite houses in Longford/Westmeath (£100,000) and Offaly (£120,000). The approval from the Department of Health and

Children was received in November 1998 and it proved impossible to identify and finalise the purchase of these houses prior to year-end. These purchases have now been completed. The balance of £30,000 was approved for the upgrade of a house in Portlaoise which is currently being purchased and the funding is still available for this project.

1.4 GP Developments 1998 — Capital receipt £65,000; Expenditure £nil

The approval from the Department of Health and Children dated 21 October 1998 stated that the funds should be drawn down in the current year. The expenditure was incurred during 1999 and the balance on this project has been cleared.

1.5 Dental Services 1998 — Capital receipt £220,000; Expenditure 1998 £153,387

An allocation of £220,000 was received on 27 July 1998 which stated that it was imperative that this allocation was spent and claimed in 1998. Approximately £70,000 was unspent at year-end and these funds were expended during 1999 on the relevant projects.

1.6 Physical Disabled Centre, Mullingar — Capital receipt £110,000; Expenditure 1998 £nil

These funds were approved on 16 December 1997 for the Springfield Project in Westmeath which only commenced towards the end of 1999. The funds are still available for use on this project.

In its response to my inquiries, the Health Board stated that its policy in relation to capital funding is as set out in the Department's guideline, i.e. to claim for those liabilities which are fully matured. As a general comment, the Health Board pointed out that every effort is made to expend funds in the year in which the capital allocation is made but that circumstances will arise, from time to time, where this is not possible.

The Health Board acknowledged that it made claims in respect of some projects before the expenditure was fully matured. This situation arose towards the end of the financial year when it would have been the Board's view that the expenditure involved was likely to be incurred between the claim date and the end of 1998. In some cases, circumstances arose, outside of the Board's control, which meant that some of the expenditure was carried forward into 1999.

In addition, the Health Board considers that Department officials are anxious that claims are lodged before the end of the financial year in respect of fully matured liabilities. At the same time, the Board would be anxious not to forfeit capital funds. According to the Health Board, the question of improving the Board's cash position did not arise and that it had adequate cash in 1998, exclusive of the advanced capital funds, to meet its cash requirements.

In response to my inquiries the Department confirmed its rules governing the drawdown of capital funds and undertook to write to the Health Boards to reiterate the importance of claiming only for matured liabilities when drawing down capital funding. It also pointed out that the Department strives to approve the allocation of capital funds to agencies as quickly as possible. It is for this very reason that the Department makes it clear that the cash should be drawn down by the year end but in accordance with agreed procedures on completion of the claim form.

2. Out-Patient Charges - Longford/Westmeath General Hospital

Persons, other than medical card holders, their dependants and other specific categories, who attend the Accident and Emergency Department without having a letter of referral from their General Practitioner are liable for a statutory charge (£12 in 1996 & 1997; £20 in 1998) for their first visit for any episode of care. Any subsequent treatment during that episode is free of charge. In accordance with the Accounting Standards for Health Boards (Section 2.6.3), only the cash received in the year is included as income in the financial statements although full account of all outpatient charges must be kept by the Board.

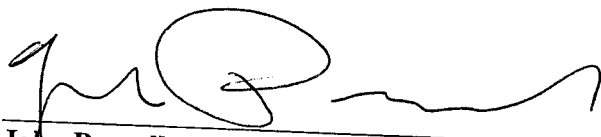
During the audit of the 1997 Annual Financial Statements, it was discovered that outpatients had not been billed by Longford / Westmeath General Hospital in the period July 1996 to December 1997. At that time, the Health Board informed my Office that invoices had not been issued due to staff shortages.

The hospital administration worked to improve its procedures in this area during 1998. However after billing all patients treated up to 19 May 1998 (totalling some £81,312), the hospital once again ceased billing patients and no invoices were issued up to the end of the year.

I was concerned that having succeeded in clearing the arrears in the issue of bills for outpatient charges the hospital should again lapse into not issuing the bills with all the attendant repercussions for non-collection.

In response to my inquiries, in the course of audit of the 1998 Annual Financial Statements, the Health Board stated that invoices were not issued in the period in question because of staff shortages at the hospital and gave assurances that all unbilled patients would be issued with an invoice for the period to December 1998.

At the end of December 1999, I was informed by the Health Board that outpatient billing was no more than two to three weeks in arrears in Longford / Westmeath General Hospital and that bills totalling £78,000 in respect of previously uninvoiced 1998 charges had been issued. Priority had been given to improving the entire billing process and a member of staff has been appointed with specific responsibility for billing. The introduction of a new financial system package during 1999 facilitated a review of the capture of charges in the hospital records. A process is now in place, which will ensure that late billing or non-billing of charges is highlighted, thus ensuring the problem will not recur.



John Purcell
Comptroller and Auditor General

7 February 2000