Trust Board meeting: Thursday 1 March 2012

TB2012.25

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| Board Lead(s) | Mr Mark Mansfield, Director of Finance and Procurement |
| Key purpose | Strategy | **Assurance** | Policy | Performance |
Summary

The Audit and Finance Committee, a sub-committee of the Board, meets every quarter. Its most recent meeting was held on 16 December 2011. The following key items were considered:

1. Mr Chris Goard has joined the Committee and will provide the link across to and with the Quality Committee.

2. A paper on NOC handover issues was considered and it was clear that a great deal had already been achieved and that plans were in place to address risks. A further report would be made to the next meeting, highlighting particularly plans to increase resources, particularly in terms of staffing.

3. The Committee received reports from internal audit and counter fraud services. It welcomed the active involvement of the Chief Executive in the delivery of recommendations and the reduction in the number that were ‘out of time’. The Committee asked that the number of ‘advisory’ reports be kept to a minimum.

4. The implementation of EPR was discussed and an update on the steps to be taken in terms of post implementation review and data quality and integrity issues would be sought for the next meeting. Counter fraud was asked to provide more information on the risks identified through discussions with the Executive team.

5. The Committee asked for updates from both internal audit and counter fraud on progress against the agreed plans.

6. The Committee noted the appointment of Ms Maria Grindley as the new Audit Engagement Lead by the Audit Commission. The report from the Audit Commission highlighted a) no need for a part year audit on the NOC’s accounts and b) the proactive work being done with the Finance team on the preparation for the year end accounts. This work was also being supported by internal audit.

7. The Committee review the updated Board Assurance Framework and Trust Risk Register. In addition, it considered a paper from the Director of Assurance, presented by the Chief Nurse, on the steps to be taken to improve both documents, and to enhance and embed the supporting risk and assurance processes across the Trust. The Committee approved the project plan and revised model for the Board Assurance Framework and agreed to receive the update BAF and Trust Risk Register at the next meeting.

8. The Committee noted the plans in place for the financial year end: key elements included a review of accounting policies, the need for additional work on restatements and donated assets (and potential impact on I & E) and the review of material estimates.

9. The Committee approved the Limits of Delegation Policy and noted that arrangements were now in place for the changes in banking arrangements for the OUH.
10. In the Finance section of the meeting, the Committee considered the provision of internal audit services, the restructuring of the Finance Department and the pending appointments, and received a briefing on the Operating Framework for 2012/2013 from the Department of Health. Members will recall this was also considered at the January Board meeting.

11. The Committee would be reviewing its work and terms of reference at the next meeting in line with good practice.

The Board is asked to receive the minutes.
Audit and Finance Committee

Minutes of the Audit and Finance Committee meeting held Friday 16 December 2011 at 09.30 am in the Board Room, the John Radcliffe Hospital.

Present  Mr Alisdair Cameron  AC
         Mrs Anne Tutt  AT  Non-executive Director
         Mr Chris Goard  CG  Non-executive Director

In attendance  Mr Mark Mansfield  MM  Director of Finance and Procurement
               Sir Jonathan Michael  JM  Chief Executive
               Mrs Elaine Strachan-Hall  ESH  Chief Nurse for items 65/11 and 66/11

Audit section only  Mrs Maria Grindley  MG  Audit Commission
                   Mr Michael Yeats  MY  Audit Commission
                   Mr A Lambourn  AL  Counter Fraud
                   Mr P Crabb  PC  CEAC

                    Mrs Megan Turmezei  MET  Associate Director of Governance
                    Mr Martin Bull  MB  Assistant Director of Finance

Apologies  Dame Fiona Caldicott  FC  Chairman
           Ms Eileen Walsh  EW  Director of Assurance

Declarations  There were no declarations

It was agreed that fewer items should be on the agenda and that an additional meeting should be arranged prior to the next formal meeting to consider the forward agenda and agenda planning. MM

Mr Goard was welcomed to his first meeting as a member of the Audit and Finance Committee.

AFC60/11 Minutes of the Audit Committee meeting held on 16 September 2011

The minutes were approved as a correct record subject to an amendment to AFC50/11 - 2nd bullet to read: Mrs Tutt was concerned that the same qualification would not be placed on the Trust with respect to the current financial year.

AFC61/11 Matters arising from the Minutes, work plan and action log

An updated action log would be provided for the next meeting.

AFC52/11 Annual Report – the updated draft was reviewed and agreed. This would be shared with the Board in due course. (see also below) MM

AFC62/11 NOC handover issues

The Committee received the report and noted the following points:

- Discussions on integration and merger of ledgers and other elements of the financial systems were underway and proceeding smoothly.
The arrangements in relation to the migration of risk registers were noted.

Mr Cameron asked whether the risks were higher than might be expected in relation to finance systems. Mr Mansfield confirmed that steps were being taken to address staffing resourcing issues but that plans were in place to both minimise the risk and to ensure smooth running of the financial systems.

The helpful handover check list was received and agreed to be very useful. A further update would be provided for the March meeting and it was noted that the FT Programme Board was also monitoring legacy issues.

Discussions on the funding of clinical fellows were underway in the context of sponsorship and prescribing and the review of policy in this area.

The Committee received the report and agreed that an update would be provided to the next meeting.

**AFC63/11 Internal Audit and Counter Fraud Reports**

The Committee considered the progress report from CEAC and the update from the Director of Finance on the outstanding recommendation on stock controls. It was noted that a formal policy would be brought to the Committee in March which would then allow its use for the year end stock take.

The Committee expressed its concern at the level of outstanding recommendations but noted that Sir Jonathan was actively following individual actions up with Executive Directors. Outstanding items were regularly circulated to Executive leads. With respect to the outstanding actions on private patients, Mr Mansfield agreed to take this up with Mr Brennan and report back to the Committee. He reported that a significant amount of work had already been done to improve the systems and processes in this area.

Mr Cameron also questioned how the designation of ‘Advisory’ was reached and he hoped that the number of such reports was reduced. It was noted that these were the subject of discussion between Mr Crabb, Ms Walsh and the relevant executive lead.

The Committee noted that the EPR implementation was proceeding well and it wished to congratulate the team. However, the Committee were also agreed that it would be important to seek assurances on matters such as data quality and integrity as an early part of the on-going audit and review processes. It was noted that post implementation reviews were already planned as indicated in the Board Assurance Framework. The matter would be raised with Mr Stevens.

The report from Counter fraud was reviewed and its contents noted. However, the Committee again stressed its wish that there was additional focus on risk areas and asked that a risk assessment be brought back for its review. Mr
Lambourn confirmed that work was continuing with executives on this and a report would be brought back.

Mrs Tutt asked that an update on the position in relation to the agreed plans for both counter fraud and internal audit be provided for review by the Committee. AL/PC

The Committee noted that the duplicate invoice issue (page 5) had been picked up and rectified quickly.

The reports were received.

AFC64/11 Audit Commission

The Committee noted formally the appointment of Ms Grindley as the Audit Manager for the Oxford University Hospitals NHSA Trust.

Ms Grindley explained that she intended to continue to work proactively with the Trust and to support the work of the Trust as it proceeded to FT status.

In discussion on the reports the following points were noted:

1. It was confirmed that there was no requirement for a part year audit in relation to the integration of the two organisations.

2. The proposed timetable for the review of the Quality Account, and its review as part of the year end process, was noted.

3. The Committee was clear that it would require an alert to any hint of a value for money qualification on the accounts. It was noted that the proactive work now being taken forward between the Audit Commission and the Trust was intended to ensure that plans for the year end were as robust as possible. In addition, it was suggested that further discussion on this might take place at the planned meeting in January

4. Mrs Tutt welcomed the approach outlined by Ms. Grindley and welcomed the sharing of good practice.

5. The Committee noted that work by internal audit on which the Audit Commission would place reliance was underway and on track.

6. Potential issues in relation to PFI were noted and it was recognised that this would be the subject of ongoing discussion within the Trust.

The Committee received the reports and approved the plan for the Annual Accounts process for 2011/2012.

AFC65/11 Board Assurance Framework and Risk Register update and next steps

Mrs Strachan-Hall presented the updated BAF and Risk Register and highlighted the proposed changes following review by both the Board and the Trust Management Executive. In discussion the following points were made:

1. It was important to distinguish between strategic and operational risks and that the BAF and TRR might not always map.

2. Further attention could perhaps be paid to the perspective taken and the materiality of risks. Sir Jonathan stressed the importance of identifying all
3. Mrs Tutt said that the key thing would be to gain assurance that the new processes were embedded across the organisation. Resource is needed to make sure that this can happen. In addition, she would wish to see the top levels risks together as a high level report to the Board.

4. Mr. Cameron supported the need for embedding and training but questioned whether half a day would be required. Sir Jonathan confirmed that he would be discussing this further with both Mrs Strachan-Hall and Ms. Walsh to ensure that the right systems and processes were put in place and that bureaucracy was avoided.

5. Mrs Tutt said that it might be sensible to have a rolling programme of in depth review by the Audit and Finance Committee of individual risks so that the Board could be assured that risks were being mitigated.

6. The roll of the NEDs in the review and challenge of risks would be crucial in ensuring the in depth knowledge required.

The Committee noted and agreed the removals from the BAF and the TRR as outlined in the paper. In addition, the Committee supported the proposals for the revision of the BAF and TRR and agreed to consider the updated versions at its next meeting in March.

AFC66/11 Board Assurance Framework and Risk Register – next steps

Taken as above.

AFC67/11 Preparation for the financial year end 2011/2012

Mr Mansfield introduced his paper which outlined the plans in place to prepare for the 2011/2012 year end. The following points were noted:

P3.2 the NOC accounts for the part year to 31 October will provide supporting evidence to the OUH accounts.

P4.2 Accounting policies for the two former trusts had been reviewed and a paper setting out the proposed policies will be brought to the Committee in March.

It was noted that the Accounting Manual had not yet been issued but further work was required on restatements and donated assets. The Audit and Finance Committee was aware of both issues. Donated assets resulted from a national change in policy and was likely to show in a worsened position in the I & E reserve. However, it was also noted that this restatement did not impact on the managerial duty. Mrs Tutt asked that the material estimates be reviewed and Mr Mansfield confirmed that this was already in hand and planned for both the interim accounts and the final accounts.

The Committee noted that the Accounts were due to be finalised by 9am on 11 June 2012. The additional Bank Holidays in early June were being taken into account in the planning process.
Mrs Tutt commented on a discussion at the Charitable Funds Audit Committee held on the previous day in relation to donated assets and the potential revenue challenge arising from the purchase of capital items through charitable funds. It was noted that discussions were being held on the importance of aligning the Section 11 Trustees’ objectives with the strategic objectives of the OUH. Sir Jonathan stressed that it was important for the OUH to approve requests for capital that were made to the Trustees rather than seek to control the decisions of the Trustees.

The Committee received the report outlining plans for the year end and noted that a further report would be brought to the March meeting together with the accounting policies to be used in delivering the Accounts.

**AFC68/11 Limits of Delegation Policy**

The policy was considered by the Committee and it was noted that ‘case law’ on controls and delegation limits was now being established within the policy for the Divisions. The processes for earned autonomy and general controls were being tightened.

The policy was approved.

**MM**

**AFC69/11 Provision of Banking Services**

The Committee noted the update on the provision of banking services and agreed the recommendation that four commercial bank accounts be closed and that the OUH bank accounts are solely associated with the Government Banking Services and that the GBS will be responsible for their periodic review and retendering.

**MM**

**AFC70/11 Provision of Payroll Services**

The Committee noted and agreed the plans for continuation of the current arrangements for payroll services (ex-ORH and NOC) to September 2012 and that the process has commenced for the procurement of a single payroll service to come into effect from that date.

**MM**

**AFC71/11 Single Tender Waiver Report and Losses and Special Payments**

The Single tender waiver and losses and special payment reports were noted.

**Private meeting**

A private meeting was held between the Committee, the Audit Commission and the Internal Auditors.

The meeting then reconvened in the absence of CEAC and the Audit Commission

**AFC72/11 Provision of Internal Audit Services**

The report was reviewed and further actions were agreed.

Mr Mansfield would bring a further report to the Committee in March.

**MM**

**AFC73/11 Finance structure and consultation**

Mr Mansfield reported that the merger had taken place successfully and the Finance Department had a new structure in place with a number of
appointments that had been made. A number of senior appointments remained outstanding but it was hoped that these would be appointed to following interviews in the coming week. A strong field was in place for the appointments which included the Assistant Director of Finance (Technical) with candidates from outside the NHS as well as from within. Divisional Directors had been actively involved in the appointment of the key posts within the Divisions.

The Committee welcomed the good progress that continued to be made in building the finance team.

AFC74/11 2012/2013 Planning

The Committee noted the Operating Framework for the NHS in 2012/2013 and the covering paper which highlighted ten particular issues for consideration and work in the coming weeks. The management team was now engaged in working through these issues and in the preparation of plans for the coming year in what remained a very difficult funding environment. The Committee noted that further discussions would take place on this over the coming weeks.

Mr Mansfield then briefed the Committee on the plans for budget setting and referred members to the paper that had been considered by the Trust Management Executive in late November. Work continued with all the Divisions and responsibility for agreeing viable plans remained with the Divisions. Savings targets had been allocated and it was recognised that Divisions needed to take opportunities to ensure that cross-Divisional savings plans could be delivered. Mr Mansfield reported that the Divisions had been meeting on 15/16 December to take forward their plans and to agree their approaches in support of the OUH’s financial plan for 2012/2013. The development of internal contracting arrangements would be crucial in taking this work forward.

The Committee considered potential barriers to success in delivering savings targets and internal contracting arrangements but noted that considerable progress had been made in the critical clinical support areas over the last few weeks and a real and strong appetite for internal contracting was being seems.

Mr Cameron said that it would be important to plan for over delivery on financial savings. The Committee also noted the requirements on reducing workforce and providing the SHA with sufficient information on this. It was agreed that this was a critical area in view of pay costs and the Committee asked whether benchmarking information might be available that would support the OUH’s work in this area. The Committee also noted the steps being taken to ensure the proper place of the BRC and its funds within the plan.

The Committee noted that the Board would consider the initial financial plans at its meeting on 12 January; this would be followed by more detailed discussions in February.

The Committee noted and supported the approach being taken but also suggested that it would be important to have a small balancing figure and that as much of the savings/CIP should be allocated with clear plans and
accountabilities as possible. The two approaches as set out in section 9, and the on-going work, were noted.

**AFC74/11 FT Update**

The Committee received the helpful report (The McKinsey Report for the DH) tabled which included useful data across a number of areas of interest.

**AFC75/11 Any other business**

A short further discussion took place on the Committee’s annual report and Mr Goard’s very helpful comments were noted. It was agreed that when the terms of reference were reviewed, it might be appropriate to amend the section (6.2.1) relating to the AFC’s role in relation to the Trust’s financial plan. It was felt that this was more properly the role of the Board itself. The terms of reference would be reviewed at the next meeting. MM

A further meeting would be arranged for the NEDs to meet with Mr Mansfield and Ms Walsh and review the work for the coming year and plans for developing the role of the Committee. MM

**AFC76/11 Dates of the next meetings**

Meetings for 2012 are as follows:
- Friday 16 March 2012 at 10.00 am
- Friday 4 May 2012 at 10.00 am (draft accounts)
- Friday 1 June 2012 at 10.00 am (final accounts pre Board)
- Friday 13 July 2012
- Friday 14 September 2012
- Friday 14 December 2012