

Audit Committee

Minutes of the Audit Committee meeting held on Wednesday 14 November at 3:30 pm in the Board Room at the John Radcliffe Hospital

Present	Mrs Anne Tutt	AT	In the Chair	
	Mr Alisdair Cameron	AC		Non-executive Director
	Mr Chris Goard	CG		Non-executive Director
In attendance	Dame Fiona Caldicott	FC	Trust Chairman	
	Mr Mark Mansfield	MM	Director of Finance and Procurement	
	Sir Jonathan Michael	JM	Chief Executive	
	Mr Richard Wheeler	RW	Deputy Director of Finance (Technical)	
	Mrs Clare Winch	CW	Head of Assurance	
	Ms Anne Dawson	AD	NHS South Central	
Audit	Mrs Maria Grindley	MG	Ernst & Young	
	Mr Michael Yeats	MY	Ernst & Young	
	Mr Andrew Bostock	AB	KPMG	
	Mr Daniel Haywood	DH	KPMG	
	Mr Mish Chauhan	MC	KPMG	
Minutes:	Mrs Helen Potton	HP	Interim Head of Corporate Governance	
Apologies	Ms Walsh	EW	Director of Assurance	

Declarations There were no declarations of interest

Mrs Tutt welcomed everyone to her first meeting as Chairman and introductions were made around the table.

AC63/12 Minutes of the Audit Committee meeting held on 14 September 2012

The minutes were approved as an accurate record of the meeting.

AC64/12 Matters Arising

There were no matters arising from the minutes.

AC65/12 Review of Action Log

Mr Mansfield took the committee through the actions log noting that all items were completed.

AC66/12 Chairman's Business

Mrs Tutt thanked Mr Cameron for his hard work as the Committee's former chairman.

AC67/12 Annual Cycle of Business

Mrs Potton presented this paper which incorporated the amendments requested by the Committee at their meeting on 14 September 2012. Mrs Tutt asked that a review of any accounting estimates should be included and Mr Mansfield suggested that this took place in May.

Action (HP):

Amend cycle to include a review of any accounting estimates in May.

The Committee agreed the Annual Cycle of Business with the amendment.

AC68/12 Board Assurance Framework (BAF) 2012/13 and Corporate Risk Register

Mrs Winch presented this paper which comprised an updated Board Assurance Framework and Corporate Risk Register including risk target scores, wider horizon scanning, initial thoughts around risk appetite and the deep dive timetable incorporating two principal risks per meeting with an opportunity in March to look both back and forward at the entire Board Assurance Framework document.

The Committee discussed the appropriate timings of business with Mr Cameron suggesting that the quality deep dive should be aligned to the cycle of business and take place in January and that this risk be swapped with the deep dive in relation to finance. Mr Mansfield advised that this should be considered in conjunction with the Quality Committee's timescales and aligned with internal audit's work. Mrs Grindley suggested that there was also value in changing the finance timing as this work could then be used as part of the value for money work in May.

Action (CW):

Determine the best time for the quality deep dive to take place, taking account of the Quality Committee timescales and other factors.

The Committee discussed risk appetite. The Board at its meeting earlier in the month had had initial discussions and requested more detail and comments from each committee prior to discussing it further in January.

Sir Jonathan noted the inherent risk in healthcare but that patient safety was fundamental, and quality was more subjective, with interdependencies on other objectives. Whilst this might attract a cautious approach, with a desire for limited impact on patients, there was a need to be realistic in the Board's assumptions as it was not possible to be perfect at everything.

Mr Cameron suggested that seeking to avoid failure to meet quality strategy goals was both unrealistic and unachievable and it was essential for the Trust to achieve what it says it can achieve. Sir Jonathan noted that they were challenging targets which might initially prove difficult to meet.

Mrs Tutt advised that the Trust would under no circumstances wish to break the law or breach CQC standards but would need to take measured risks in some areas, which Mr Goard noted could be across a broad range of items.

Mr Bostock commended the level of debate. He recommended approaching risk appetite by considering the target risk that the Trust felt comfortable with together with the resource required. He noted that it was all about balance. Mrs Tutt agreed, noting that it was about what was needed to move from A to B.

Mr Mansfield stressed the distinction between quality and safety with the economic argument against some quality indicators where the cost was potentially prohibitive.

The Committee then considered the area of financial sustainability which Mrs Tutt noted was a difficult concept as currently described. She suggested that it was essential for the Trust to be innovative with a combination of things required to achieve the bottom line which would mean that the appetite could not sit in the avoid category.

Mr Cameron suggested that it would be more appropriate for the Trust to be in the cautious category, citing the fact that the Trust does not currently seek to avoid agency costs as there were times when this was appropriate.

Sir Jonathan argued that the discussion should be around the financial plan and level of surplus, with Mr Mansfield commenting that a discussion was needed around transformation.

In respect of operational performance innovation was considered essential. Mrs Grindley said that she would have expected to see more in the seek category given her knowledge of the Trust. Sir Jonathan noted that the Trust needed to do things in a different way which would also help the local health economy. Mr Goard suggested that the Trust should be seeking more risk with external partnerships to enable it to grow.

Following the detailed discussion Mrs Winch confirmed that the results of these discussions would help in the final risk appetite statement to be presented to the Board.

Mrs Tutt then asked questions in relation to the rest of the paper presented and in particular asked why only quarter 1 data on page 12 figure 2 was included as levels of assurance. Mrs Winch confirmed that the next scheduled quarterly review would take place in December and this iteration would include updated information.

Mrs Tutt suggested that 20 pages of risk register was difficult to manage and that it was important to get it on to a one page, high level statement. Mrs Winch advised that the first attempt had been included at page 14 but that more narrative was required.

Mr Bostock stressed that it was important not to over engineer matters, with the key factor being driving the actions to manage risks with clear controls.

The Committee agreed the deep dive programme subject to the quality discussion taking place and noted changes made to the report.

AC69/12 Assurance Review – Debtors and Cash Control Environment

Mr Mansfield presented this review which set out the control environment in respect of debtors and cash control. This had been requested by the committee at their previous meeting. It was a long standing matter which had been subject to a deep dive by the Finance & Performance Committee.

There was a changing culture which should make the Trust leaner, sharper and fitter. Section 4 and 6 of the paper set out what the Trust was going to do by providing sustainable solutions.

Mr Cameron asked if at 3.3 there was an issue of credit notes not being matched and why at 3.8 it was an option to opt out of finance rather than better control. Mr Mansfield advised that there had been an issue regarding matching and in respect of 3.8 this had been developed at a time when ORH had looked to create a separate business with its own ledger which had since caused a number of problems.

The Committee discussed the situation with regard to overseas private patients which was a growing issue. Whilst it was noted that overseas patients were not being denied care because of funding issues it was important to recover monies where possible which required a better process with clear owners who had a realistic understanding of what could be recovered so that monies did not subsequently have to be written off. Mr Wheeler confirmed that he provided challenge to the divisions to enable this to happen. Whilst there was some evidence of a lack of sufficient challenge and over-optimism it had been difficult to identify the motive behind that optimism. Sir Jonathan suggested that there was a particular issue where an overseas patient was treated as an emergency but developed into a long term condition which needed to be identified.

Mr Goard asked if the report could track debtors and debtor days.

Action (MM):

Include tracked debtors and debtor days in future reports.

Action (MM):

Report on management of private patients for the next meeting

The Committee noted the report.

AC70/12 Internal Audit Progress Review

Mr Bostock introduced this paper which set out where Internal Audit were in terms of the audit plan presented at the last meeting with reports starting to come through at the next meeting.

He confirmed that there had been a number of terms of reference issues around data quality and IT risk assessments but that the plan would be delivered until the end of March and would pick up on the previous recommendations. He stated that going forward, updates would include reference to where recommendations had time lapsed. The team operated an internet tracking system of exception reporting which could escalate ownership to the executive team level.

Mr Cameron asked for the issues update to include how the Trust could be affected.

Mrs Tutt suggested that the committee needed assurance that it was sighting itself correctly and dealing with the most appropriate issues. Mr Bostock agreed to include a paragraph relating to this in his next report.

Action (AB):

Include a paragraph in report confirming that the Committee was dealing with the right issues and how national issues could affect the Trust in future reports.

Sir Jonathan asked what would happen if the Trust disagreed with a recommendation. Mr Bostock advised that prior to the issuing of a report a discussion would take place with the executive lead but that if it remained difficult it would be flagged to the Audit Committee Chair.

The Committee noted the paper.

AC71/12 Counter Fraud Progress Report

Mr Chauhan introduced this paper which highlighted the work that had been completed, and included a Fraud Awareness Week which would be taking place in January 2013.

Mr Cameron suggested that the programme dealt with the trivial end and was lacking in focus on the material risks, which was contrary to what the Committee had said in its tender documents in that it was keen to look at the important stuff that could damage reputation. Mr Bostock noted that there were certain things that had to be done to achieve this and agreed to provide a breakdown of the minimum that Counter Fraud was required to produce.

Mr Cameron suggested that the fraud week could tie in with some of the behaviour work building it into the Trust values – integrity not fraud.

The Committee noted the paper.

AC72/12 Proposed update to Standing Orders / Scheme of Delegation / Standing Financial Instructions

Mr Mansfield presented this paper which was an annual review of the Standing Orders, Scheme of Delegation and Standing Financial Instructions to bring them into line with the current practice.

The Committee agreed the changes and recommended them to the Board for approval.

AC73/12 Compliance Reports – review of Single Tenders and rejections

Mr Mansfield presented this paper which set out the total number of waivers for the year including 5 not seen before and one rejection. He advised that he would normally authorise in line with the Standing Orders save where they required Chief Executive sign off. He confirmed that he had authorised the majority of the waivers.

Mr Cameron noted the amount spent on outplacement support and asked if this was usual practice. Mr Mansfield advised that this was unusual and had been required

following changes in the senior management structure which had removed 46 senior managers.

Sir Jonathan asked if future iterations could be presented using a colour coding to differentiate the new waivers.

Action (MM):

To colour code future waivers and rejections paper highlighting new additions in future reports.

The Committee noted the paper.

AC74/12 Compliance Report – Losses and Special payments

Mr Mansfield presented this paper which dealt with losses and special payments made by the Trust during the first two quarters. Meetings took place on a weekly basis and write offs only happened where there was no ability to recover.

The Committee noted the paper.

AC75/12 Any Other Business

There was no other business

AC76/12 Date of next meeting

Wednesday 9 January 2013 at 3:00 pm