

would discuss the future of the Programme initially at the Board in September and then for decision in October

Internal audit recommendations

The Chair introduced a discussion on internal audit recommendations and how they were gripped to deliver substantive change and the desired outcomes, noting the need for a central overview of internal and external audit recommendations to ensure they were fully implemented. The Chair also noted the ultimate accountability of the responsible individuals to the Audit Committee for the implementation of audit recommendations and the coordination of the work of the Board Committees in following through recommendations.

The Director of Corporate Affairs advised on the utility of having a regular Committee Chairs only meeting to enable coordination of the work of the Board and its Committees; and using the Executive team meeting to own and progress internal audit recommendations; also noting that the Audit Committee planned at each of its meetings undertake a deeper review of progress with individual internal audits.

The Chief Financial Officer noted the importance of knitting together the assurance and outputs from each of the Committees. The Deputy Chief Financial Officer advised that the recommendations from internal audits were currently being overseen through different Committees and work-streams, including the consultant work-plans through the medical staffing group.

The Chair also noted the importance of holding to account for actions within the management structure and a focus on outcomes rather than simply delivering process change.

The Interim Chair suggested a simple grid would be useful to capture the issues and recommendations arising from the Board and its Committees and the associated responsibilities for delivery.

The Committee agreed that a framework would be developed for discussion by the Board to ensure coordinate Board and Committee oversight

Action: Chief Financial Officer and Director of Corporate Affairs

High-cost drugs expenditure

The Chair asked about the control of drug expenditure and the Chief Financial Officer advised that the Finance, Business and Investment Committee had received a report from the Chief Pharmacist in this regard, which focused on the spend on high-cost drugs, the additional controls required by NHS England and the work within the Trust to control drug costs.

Local Counter Fraud Specialist (LCFS) report to the Board

The Chair advised that the LCFS would provide a coordinated report to the Board on the range of LCFS work in October.

Agreement on Balances

The Chief Financial Officer advised that the year-end position with NHSE had been closed down last week. However outstanding issues remained with the CCGs. The Trust was confident in its position and meetings had been arranged with the CCGs to conclude the discussion. If necessary this might require oversight from NHSE and NHSI to resolve.

In response to a question from the Chair, the Chief Financial Officer further advised that the internal Contract Monitoring meeting internally was now meeting monthly and reviewing income and activity and it was planned to close down each Quarter with commissioners following conclusion of the Quarter rather than at the year-end which would focus on Quarter 4 only.

2, EXTERNAL AUDIT

2.1 Annual audit letter

The Director Internal Audit introduced the Annual Audit Letter advising that the Letter did not contain anything which had not previously been discussed at the Committee.

The Letter noted the challenging financial context locally and nationally including the scale of the STP long-term financial challenge which would impact on the Trust. The Letter also noted the uncertainty around the potential financial impact of the EC referendum.

In respect of the Audit fees, an additional fee was proposed and agreement had not yet been reached with the Trust. If agreement could not be secured, the PSA would be asked to arbitrate.

The Interim Chair asked about the impact of the Trust being placed on Special Measures on the work of external audit. The Director advised that in view of the financial position it was difficult to envisage that the value for money position would not be qualified in 2016/17.

The Director External Audit also advised that it was the intention that the bulk of the planning work for the 2016/17 audit would be completed before-Christmas with the intention of submitting the audit plan to the Audit Committee in December.

The Committee noted the Annual Audit Letter

2.2 Quality Accounts audit

The Director, External Audit advised the Committee that the Quality Accounts audit was a limited assurance in terms of the scope of the audit rather than its conclusion and that there was an unqualified conclusion on the Quality Accounts both in terms of compliance with the Quality Accounts regulations regarding the content of the Quality Account and the 2 indicators reviewed.

The Committee noted the Quality Accounts report which would be circulated to Members.

Action: Director of Corporate Affairs

2.3 Appointment of external auditors

The Chief Financial Officer advised that the Trust was required to appoint the external auditors by 31st December, on the advice of an auditor panel comprising the members of the Audit Committee.

In response to a question from the Chair, the Chief Financial Officer confirmed that there was no obligation to change the auditors. The report further set out the proposed procurement process, the outcome of which would require approval by the Board before the end of the year.

The Chair noted that the Board should consider whether it wished to change its external auditors while it dealt with its response to the Trust being placed in special measures. If so he noted the support of the Committee for the proposed approach. The composition of the auditor panel would be discussed further with the Interim Chair.

3. INTERNAL AUDIT

Internal audit plan

The Chair thanked Internal Audit for their flexibility in revising the Internal Audit Plan to take into account the outcome of the CQC inspection.

The Director, Internal Audit, introduced the revised plan noting that it had been discussed with Non-Executive and Executive Directors and reflected emerging risks arising from those discussions. The Committee was also advised that the proposed audit of Board governance would be replaced by an audit of financial improvement planning arrangements, because of the potential overlap with a Board Well-Led Review. The Chair further noted that the timing and shape of the Well-Led review would be determined by NHSI.

The Chief Financial Officer echoed his thanks for the flexibility of internal audit in revising the plan part-way through the year, while noting that the audit work would be focused on Quarter 3 and Quarter 4. The Director Internal Audit agreed that this would be challenging but that there was sufficient capacity to deliver the Plan.

The Chair noted that he had discussed the Plan with Kirstin Baker, Non-executive Director who had asked about the coverage of Equality and Diversity within the Plan. He also asked whether the days allocated to coverage of the 3Ts programme was sufficient.

The Chair asked about the scope of the financial improvement plan audit and the Associate Director, Internal Audit, advised that the audit would be in 2, with the focus on assurance regarding delivery and non-delivery of the Plan.

The Director, Internal Audit further noted he had discussed with the Chief Operating Officer IT governance and the procurement and management of 3rd party IT services. It was noted that the latter would be incorporated in the procurement audit and that IT governance would be taken forward by the newly appointed Chief Information Officer (CIO). The Director of Corporate Affairs further advised that the CIO would be constituting an IM&T Committee whose terms of reference would be submitted to the Finance, Business and Investment Committee in October.

3.2 Internal audit progress report

The Director, Internal Audit introduced the progress report noting that the focus of work in the recent period had been the revision of the Internal Audit Plan.

In response to a question from the Interim Chair, the Director, Internal Audit advised that Grant Thornton worked with a number of Trusts in Special Measures and that exiting Special Measures was a significant challenge requiring substantial leadership capacity. The interim Chair noted that he had discussed Special Measures with the Chair of a Trust which had exited Special Measures who would be invited to discuss that Trust's experience with the Board.

Action: Director of Corporate Affairs

The Director Internal Audit would also review with colleagues in Grant Thornton their experience of working with Trusts in Special Measures.

4. FINANCIAL CONTROL

4.1 Waivers report

The Chief Financial Officer advised the Committee that in accordance with its terms of reference and the Trust Standing Financial Instructions, the Committee received a regular report on waivers. The Chief Financial Officer noted that there was a rationale for each of the waivers; however the number of waivers had increased more recently, associated with the requirements of the CQC inspection and to address performance deficits in relation to RTT.

The Chair noted the high cost of the 3Ts Public Arts Strategy Waiver and its potential reputational risk and the Chief Financial Officer advised that this was an agreed component of the 3Ts programme; however better planning would reduce the requirement for some of the waivers approved in the recent period.

4.2 Independent financial review

The Deputy Chief Financial Officer introduced the report arising from the Independent Financial Review undertaken by Grant Thornton at the request of NHSI. The work had been undertaken in April and May and was in part superseded by developments since then. A number of recommendations had been made and it was proposed that the actions in response to those recommendations would be monitored by the Finance, Business and Investment Committee.

The Chair noted that there was a significant overlap with the CQC Improvement Plan and it would be important not to duplicate work being addressed elsewhere. The Chief Financial Officer agreed that the recommendations would be mapped against other Plans and accountable Officers and the relevant recommendations would be monitored through FBI.

Action: Chief Financial Officer and Director of Corporate Affairs

The Committee noted the report.

5. LOCAL COUNTER FRAUD SPECIALIST AND COMPLIANCE MANAGER

Local Counter Fraud Specialist Interim Report

The Local Counter Fraud Specialist & Compliance Manager introduced the interim report advising the Committee on work in relation to staff working whilst on sick leave; and criminal sanctions in respect of a patient claiming expenses to which they were not entitled, together with a patient claiming bogus car parking expenses which had not been incurred.

The Local Counter Fraud Specialist & Compliance Manager also advised the Committee of a case involving the theft of controlled drugs in the Emergency Department. Two staff members had been dismissed as a consequence and regulatory body action was pending.

The Interim Chairman asked how individual cases were highlighted as a deterrent and the Local Counter Fraud Specialist & Compliance Manager advised that he routinely used individual cases in fraud awareness work, but less so in general communications, which the Chief Financial Officer agreed to discuss with the Acting Director of Communications.

Action: Chief Financial Officer

The Deputy Chief Financial Officer asked if the loss of controlled drugs had been detected prior to the case and the Local Counter Fraud Specialist &

Compliance Manager advised that this was not the case. However he was working with the accountable officer for controlled drugs to progress the actions arising from the case.

6. PROGRESS REPORTS

6.1 Consultant work-plans

The Chair introduced the progress report on Consultant work-plans advising the Committee that this was the first of a programme of reports which would review in detail progress with internal audit recommendations to understand the action taken with a focus on substantive improvement in outcomes.

The Interim Transformation Delivery Manager advised that a medical workforce group led by the Deputy Medical Director had been set up in May, and the work of the group included the development of job planning. The internal audit report on Consultant work-plans had therefore been particularly helpful in focusing the work of the group. Previously, there had been disparate job planning guidance and some job plans had not been reviewed for years. The Clinical Directors had been new in post, and there had been limited corporate support to progress job planning.

A draft job planning policy had been developed and circulated for comments and was currently in discussion with JLNC and BMA pending final approval. The policy was framed around team-based job planning, based on the clinical needs of the service and founded on demand and capacity data. The policy would cap PAs at 12 with a requirement to evidence any PAs in excess of 10. It was noted that a cap at 10 PAs had been discussed but was not considered to be viable in relation to direct clinical activity.

The Interim Transformation Delivery Manager further advised that national terms and conditions provided the framework for the Trust job planning policy, although the policy was specific to the Trust. Other Trust policies had been reviewed and legal advice taken in the formulation of the policy.

The Interim Chair noted the complexity involved in developing and implementing the policy including the subjective interests and concerns involved, also noting the cap of 10 PAs on new recruits and the potential impact of this on broader job planning practice.

The Chair asked what the Trust's ultimate objective was in managing its medical workforce. The Interim Transformation Delivery Manager advised that the policy aimed to align job plans with demand and capacity, the needs of the service and the Trust business plan. The Chair further asked about bite and leverage to ensure the policy was implemented effectively and the Interim Transformation Delivery Manager noted that team job planning was critical and the involvement of directorate management in the process linked to business needs. The Committee was also advised about cultural barriers to effective job planning. This included historic grievances, the lack of

transparency in job planning, the absence of a standardised format or central repository for job plans.

The Committee discussed the engagement of Clinical Directors with job planning and the Director of Corporate Affairs suggested using the Board Confirm and Challenge meeting on 1st December for discussion with the Clinical Directors.

The Interim Chair noted that the overall objective was to improve productivity and efficiency and with the potential to realise savings.

The Chief Financial Officer advised that job planning in the Trust was a long-standing issue and under-developed compared to other Trusts and the new policy was a material step forward. The Committee discussed SPAs and the Interim Transformation Delivery Manager noted that only 1 SPA was now guaranteed. The Chief Financial Officer added that there was also a need to ensure the detail in the job plans was consistent with what Consultants were paid through payroll and the Deputy Chief Financial Officer added that it was critical to ensure the right staffing resource was aligned with activity and directorate delivery plans. The Chief Financial Officer further advised that there may be limited gains in the CIPs programme in 2016/17 but the dividend of more effective job planning would be realised in 2017/18.

In conclusion the Chair noted the report and welcomed the progress made, also noting the importance of Board agreement on what the Trust was trying to achieve through this process. The Chair further noted the importance of establishing way marks or outcomes to measure progress in the implementation of the policy. The Chair also noted the importance of honesty about the cultural barriers to implementation and buy-in from clinical directors. The other factors critical to implementation were Board support which would be expressed at the Confirm and Challenge meeting and adequate resources and support for the directorates.

7. KEY ISSUES AND RISKS TO REPORT TO THE BOARD

The Chair advised that the key issues arising from the meeting concerned the procurement of external audit services; the agreement of the revised Internal Audit plan; improved arrangements for the follow-up of audit recommendations and actions from Board Committees; the Committee deep dive discussion of Consultant work-plans, and the importance of Board support for its implementation.

8. REVIEW OF MEETING EFFECTIVENESS

The Chair noted that this was the first deep dive of an internal audit report at the Committee and this would be scheduled at each meeting. The Chair also noted the importance of the coordination of the work of the Audit Committee and the other Board Committees and following-through actions and recommendations consistently.

9. ANY OTHER BUSINESS

Shared services review

The Chief Financial Officer advised that Trusts had been encouraged to consider shared services for financial systems. The Trust was unusual in that all of its financial service were currently provided in-house and would be tested in the market and progressed through the appropriate Trust Forum.

The Chair asked about the dispute with CISCO and the Chief Financial Officer advised that the Trust had taken legal advice in respect of this dispute and was currently engaged in an exchange of legal correspondence with CISCO. The Trust was confident of its position and had also asked Internal Audit to review the governance of the procurement process involved.

DRAFT