

**QUALITY, FINANCE, AUDIT AND RISK
COMMITTEE MEETING UPDATE – 27
JANUARY 2010**

TO: Chair and Members
Canterbury District Health Board

SOURCE: Chair, Quality, Finance, Audit and Risk Committee

DATE: 12 February 2010

Report Status – For: Decision Noting Information

1. ORIGIN OF THE REPORT

This update is provided to the Canterbury DHB Board as an interim report on the Quality, Finance, Audit and Risk Committee (QFARC) meeting on 27 January 2010 (other than items withheld in accordance with the New Zealand Public Health and Disability Act 2000 and the Official Information Act 1982).

Following confirmation of the minutes of that meeting at the next QFARC meeting on 3 March 2010, full minutes of the 27 January 2010 meeting will be provided to the Board at its 12 March 2010 meeting.

The Board should note that the functions of QFARC are to:

- *Monitor the overall financial performance and financial position of the Canterbury DHB (which incorporates the funder, hospital and specialist service and associated subsidiaries); and*
- *Review any additional budget requests above the Chief Executive's limit and make recommendations to the Board on these; and*
- *Monitor the financial separation of the funder and hospital and specialist service of the Canterbury DHB; and*
- *Monitor the financial and non-financial risks, of the Canterbury DHB both as funder and provider, including Major Property Projects (MPPs); and*
- *Monitor the clinical risks, of the Canterbury DHB and in particular:*
 - *review the annual Quality Strategic Plan and other quality plans as appropriate and assess activity connected with the plan;*
 - *review of quality and patient safety audit findings;*
 - *monitor the effectiveness of quality and risk policies and compliance with statutory responsibilities relating to quality and risk management through regular reviews of clinical risks and quality control including:*
 - *Risk practices and policies and the adequacy and effectiveness of systems controls.*
 - *Quality control activities*
 - *Root cause analysis reports*
 - *Infection control and prevention management*
 - *Safety and quality provisions for community service delivery contracts*
- *Ensure that key recommendations in external and internal quality/clinical risk reports are actioned by management.*
- *Support and promote the concept of "Quality" and patient safety across the organisation and at the Board.*
- *Oversee the effectiveness of management control of Canterbury DHB assets (and MPPs); and*
- *Monitor the effectiveness of the internal audit functions and review and approve the relevant audit plans and progress made by management in implementing recommendations that arise from both internal and external audits, including audits of non government providers ; and*
- *Make recommendations on approval of MPPs (with budgets exceeding \$1m); and*
- *Monitor the planning and construction process for MPPs; and*

- *Monitor the performance of MPPs against budget, programme and specifications and management's compliance with tendering, purchasing and probity policies; and*
- *Make recommendations on disposal of surplus land of the Canterbury DHB.*

It will also be a function of the Quality, Finance, Audit and Risk Committee to make recommendations to the Board:

- *On the robustness of the financial and risk components of the Canterbury DHB's District Annual Plan (DAP), Statement of Intent (SOI) and Strategic Plan; and*
- *On the Canterbury DHB's financial statements and disclosures; and*
- *On those finance-related policies which require Board approval, including delegation of authority policies.*

2. RECOMMENDATION

That the Board:

- i. notes the Quality, Finance, Risk and Audit Committee Meeting Update – 27 January 2010.

3. SUMMARY

Detailed below is a summary report of the meeting of the Quality, Finance, Audit and Risk Committee (QFARC) meeting on 27 January 2010 (other than for those items withheld in accordance with the New Zealand Public Health and Disability Act 2000 and the Official Information Act 1982 which are reported in the public excluded section of today's agenda). A copy of the agenda for that meeting is attached as Appendix 1.

Planning and Funding Update

Fiona Pimm, Project Facilitator, Planning and Funding, spoke to this report updating the Committee on key issues and performance from the Planning and Funding work projects.

She drew attention to the fact that while the Canterbury was ESPI compliant at an overall DHB level there was non-compliance at some speciality levels such as vascular surgery, which had now again become non-compliant in ESPI 2 (FSA waiting times) with an improvement of four patients required. IDF flow results as at the end of November 2009 were unfavourable but she advised that the December 2009 figures had since improved this position

The report noted that the Canterbury DHB's expenditure against budget for services funded through external providers for the month of December 2009 was an unfavourable variance to budget of \$386k year to date (YTD).

Within the Hospital and Specialist Service elective surgical inpatient delivery YTD December 2009 was above budget (334 CWD). Acute surgical inpatient delivery YTD was below budget (248 CWD). Medical inpatient case weighted discharges (CWDs) YTD were 479 CWD above budget. Medical first specialist assessment (FSA) delivery YTD was 205 attendances above budget while surgical FSA delivery was 1,295 attendances above budget.

Specific issues discussed by the Committee in relation to the report related to:

- The classification between acutes and electives - Ms Pimm advised that she did not think this was now an issue in terms of the data presented.
- The future impact of the Easter holiday period on elective surgery production (currently ahead of target volumes at at the end of December) – it was advised that it was expected that this

would decrease as a result of annual leave over the Easter period and would off-set the higher pre Christmas volumes.

- Clinical coding - it was noted that the interim clinical coding manager seconded from the MoH for six months had now commenced and was making significant progress. The current backlog of 16k cases was expected to be cleared by June 2010 and from the end of February 2010 about 97% of monthly cases were expected to be coded within three days of the month end. It was also intended to review clinical record handling to avoid multiple handling.
- Pharmaceutical cancer treatment costs - and Pharmacode price changes – it was confirmed that it was unlikely over-expenditure in this area would be recovered. Work was continuing to understand the reasons for this.
- Cardiac Surgery results – the Chairman explained that he had received a phone call from the Minister regarding the Canterbury DHB November 2009 results. Ms Pimm advised that the Canterbury DHB had written to the Ministry of Health (MoH) advising we expected to complete 316 cases against the MoH target of 342 for the year ended 30 June 2010. Based on the revised production plan it was not expected there would be any waiting list by the end of June 2010. A further update is to be provided at the next meeting on the final agreement reached with the Ministry of Health.
- Older Person's Health – the CEO provided an update on the assessment results for home support which were significantly different from those publicised in the media and which showed that a number of people had in fact had their help increased or kept at the same level.
- IDF results YTD to November 2009 – it was noted that the result YTD was unfavourable to the Canterbury DHB with inflows 52 case weights (CWD) less than budget and outflows 168 case weights over budget.
- Older Person's Health Audits - it was advised that there was likely to be more spot check audits with Healthcert doing more but less routine audits. A further update is to be brought to the next meeting and management was requested to differentiate in the report between MoH and DHB audits..

The Committee noted the report.

Finance Update

Eng Chew, General Manager, Finance spoke to the report for the month of December 2009 he drew attention to the high expenditure before Christmas, related to high inpatient activities and lower annual leave taken. This would, however, result in less catch-up pressure during future months. Medical Surgical divisions were now looking at planning for the Easter period.

The report noted that the consolidated Canterbury DHB financial result for the month of December 2009 was a deficit of \$1.244M, which was \$0.289M unfavourable against the budgeted deficit of \$0.955M.

The breakdown of the Canterbury DHB's unfavourable group variance was:

- Revenue favourable by \$0.379M;
- Operating expenses unfavourable by \$1.271M; and
- Interest, capital charge, depreciation and other non operating revenue favourable by \$0.603M.

Major drivers for the results for the month were:

Revenue

Revenue was favourable mainly due to:

- Higher Ministry of Health revenue, due to additional revenue recognised for the high provider arm surgical CWD delivered.

- Some \$0.145M of capital charge funding invoiced to the Ministry of Health for higher capital charge expenditure as a result of billing the Crown for costs relating to the Oral Health project.

Operating Expenditure

- Personnel costs unfavourable by \$0.662M;
- Treatment related costs unfavourable by \$0.224M;
- External provider costs unfavourable by \$0.570M; and
- Non treatment related costs favourable by \$0.185M.

Personnel costs

Unfavourable with high nursing, RMO and SMO costs. Due to the Christmas public holiday period payroll being processed in January, there were some under and over accruals for which corrections have been made at a corporate level.

Specific issues discussed by the Committee related to:

- Recognition of the donation towards the purchase of land for Tuarangi Home Ashburton- the General Manager, Finance explained the accounting processes involved which recorded the donation as revenue and the asset on the Canterbury DHB's Balance Sheet.
- The Chairman advised that he would shortly be meeting with Andy Burns, Director Audit NZ and it was advised that there had also been a small issue regarding missing cash at Ashburton Hospital.

The Committee noted the financial result and related matters for the period ended 31 December 2009 and that overall the Canterbury DHB was still on track to achieve its end of year budget.

INFORMATION ITEMS

The Committee also received information in respect to:

- Loans Report
- Facilities Master Plan Subcommittee – Oral Update
The Board Chairman provided an oral update on the informal Board meeting held on 27 January 2010 which had discussed the establishment of a Facilities Master Plan Committee. It was noted that a report would go to the Board seeking approval to the establishment of this Committee and its terms of reference (see the report included in the agenda for today's meeting).

4. APPENDICES

Appendix 1: Agenda – Quality, Finance, Audit and Risk Committee, 27 January 2010

Report prepared by: Peter Ballantyne, Chair, Quality, Finance, Audit and Risk Committee

QUALITY, FINANCE, AUDIT AND RISK COMMITTEE MEETING
to be held in the Board Room, 3rd Floor, The Princess Margaret Hospital, Christchurch
Wednesday 27 January 2010 commencing at 1.00pm

ADMINISTRATION 1.00pm

Apologies

1. **Interest Register**

Update Committee Interest Register and Declaration of Interest on items to be covered during the meeting.

2. **Confirmation of the Minutes of the Previous Committee Meeting**

17 December 2009

3. **Carried Forward/Action List Items**

MONITORING AND APPROVALS 1.15pm

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| 4. | <i>Reported in the public excluded agenda</i> | Jan Nicholson
<i>Corporate Quality & Risk
Manager</i> | <i>1.15pm – 1.35pm</i> |
| 5. | Planning & Funding Update | Carolyn Gullery
<i>General Manager- Planning &
Funding</i> | <i>1.35pm – 2.05pm</i> |
| 6. | Finance Update | Eng Chew
<i>General Manager- Finance</i> | <i>2.05pm – 2.40pm</i> |

REPORTS 2.40pm

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|----|---|----------------|------------------------|
| 7. | <i>Reported in the public excluded agenda</i> | Murray Dickson | <i>2.40pm – 3.00pm</i> |
| 8. | <i>Reported in the public excluded agenda</i> | Murray Dickson | <i>3.00pm – 3.15pm</i> |

ESTIMATED FINISH TIME 3.15pm

INFORMATION ITEMS

Loans Report

Facilities Master Plan Subcommittee – Oral Update

NEXT MEETING

Date of Next Meeting: Wednesday 3 March commencing at 1.00pm