

**QUALITY, FINANCE, AUDIT AND RISK  
COMMITTEE MEETING UPDATE – 3  
MARCH 2010**

**TO:** Chair and Members  
Canterbury District Health Board

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

**DATE:** 12 March 2010

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Report Status – For:      Decision            Noting            Information     

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## **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 3 March 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 30 March 2010, full minutes of the 3 March 2010 meeting will be provided to the Board at its 9 April 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 – 3 March 2010.

## **3. SUMMARY**

Detailed below is a summary report of the meeting of the Quality, Finance, Audit and Risk Committee (QFARC) meeting on 3 March 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**

Carolyn Gullery, General Manager, 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 significant aspects of the report which related to:

- The over-spend in community pharmacies for the month – noting it was too early to assume future trends and the concerns regarding the increasing use of TNF alpha drugs.
- Community laboratory services expenses were now trending down.
- Community referred imaging – this had been very responsive to the Canterbury Initiative with a reduction of some 40% per week in plain film x-rays.
- Clinical coding – it was expected that the backlog would now be cleared by the end of April 2010 – not June as originally expected.
- The Smoking Initiative had been revamped, with improved data collection, and an improvement against the Health Targets was expected by the end of the year.
- Other elective performances from the provider arm were generally on track and it was not considered that the Canterbury DHB was at risk of losing funding.

The report noted that the Canterbury DHB's expenditure against budget for services funded through external providers for the month of January 2010 was a favourable variance to budget of \$329k.

Within the Hospital and Specialist Service elective surgical inpatient delivery YTD January 2010 was above budget (468 CWD). Acute surgical inpatient delivery YTD was below budget (314 CWD). Medical inpatient case weighted discharges (CWDs) YTD were 693 CWD above budget.

Medical first specialist assessment (FSA) delivery YTD was 226 attendances above budget while surgical FSA delivery was 1,085 attendances above budget.

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

- The recent appointment of a temporary manager to an aged care facility rest home.
- The anticipated year end variance to budget for external providers – Ms Gullery advised this was expected to be in the vicinity of \$2m.
- The cardiac surgery initiative - it was noted that a review of the use of stents during the period of the H1N1 pandemic, when ICU beds had not been available, had been carried out by the Ministry of Health (MoH) and it was considered that these had been appropriate interventions. Negotiations were continuing with the MoH on the reduction of cardiac surgery target volumes for the 2009/10 year.
- The trend analysis of medical CWDs – it was requested that maternity CWDs not be included in this to allow a comparative trend analysis as their inclusion had distorted the trend.

The Committee noted the report.

### **Finance Update**

Eng Chew, General Manager, Finance spoke to the report for the month of January 2010, he drew attention to top the following:

- There had been a change in the method of provision for bad debts for overseas patients to better reflect the difficulty of collection.
- The financial results for cardiology for the year to date had been very pleasing and the treatment related cost for the month had also been favourable.
- Negotiations were still continuing with the MoH regarding recovery of costs associated with the H1N1 pandemic.
- In respect to paediatric oncology services supplied to the Capital and Coast DHB discussions were still continuing with that DHB and the MoH, however, the service was currently being provided at below cost. Concern was expressed at this position and the CEO advised that discussions were continuing.

The report noted that the consolidated Canterbury DHB financial result for the month of January 2010 was a deficit of \$0.547M, which was \$0.512M favourable against the budgeted deficit of \$1.059M. The CEO confirmed that overall the Canterbury DHB was on target to achieve its budget outcome of a \$9M deficit for the year.

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

- Revenue unfavourable by \$0.595M;
- Operating expenses favourable by \$0.693M; and
- Interest, capital charge, depreciation and other non operating revenue favourable by \$0.414M.

Major drivers for the results for the month were:

#### Revenue

Revenue was unfavourable mainly due to:

- Lower ACC revenue due to less spinal patients requiring services at Burwood and lower Clinical Training Agency (CTA) revenue.

#### Operating Expenditure

- Personnel costs favourable by \$0.192M;
- Treatment related costs favourable by \$0.782M;
- External provider costs unfavourable by \$0.597M; and

- Non treatment related costs favourable by \$0.316M.

#### Personnel costs

Personnel costs were favourable as the value of annual leave taken in December was higher than estimated in the previous month and hence the credit flowing into January. In addition, allowance was made for annual leave taken in January that will be reported in February.

Other Specific issues discussed by the Committee related to:

- The role of the Canterbury DHB as a tertiary provider of last resort. The Committee noted the financial implications of this if not fully funded and also the demands that this placed on Canterbury DHB resources.
- The difficulty of providing current paediatric oncology services in the current facilities. It was noted that a clinical team would be visiting the Nelson Marlborough DHB to discuss paediatric oncology services with that Board.
- The processes in place for billing overseas patients.

The Committee noted the favourable financial result for the month and related matters for the period ended 31 January 2010.

#### **INFORMATION ITEMS**

There were no information items received for this meeting.

#### **4. APPENDICES**

Appendix 1: Agenda – Quality, Finance, Audit and Risk Committee, 3 March 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, 3<sup>rd</sup> Floor, The Princess Margaret Hospital, Christchurch  
Wednesday 3 March 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**

*27 January 2010*

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

**MONITORING AND APPROVALS 1.15pm**

4. *Reported in the public excluded section of the meeting* Jan Nicholson 1.15pm – 1.35pm

*Corporate Quality & Risk  
Manager*

5. **Planning & Funding Update**

Carolyn Gullery

1.35pm – 2.00pm

*General Manager- Planning &  
Funding*

6. **Finance Update**

Eng Chew

2.00pm – 2.15pm

*General Manager- Finance*

7. *Reported in the public excluded section of the meeting*

Eng Chew

2.15pm – 2.45pm

**REPORTS 2.45pm**

8. *Reported in the public excluded section of the meeting* Jock Muir 2.45pm – 3.05pm

*Director Special Projects*

9. *Reported in the public excluded section of the meeting*

Carolyn Gullery

3.05pm – 3.25pm

*General Manager Planning and  
Funding*

**AFTERNOON TEA 3.25pm – 3.35pm**

10. *Reported in the public excluded section of the meeting* Carolyn Gullery 3.35pm – 3.55pm

11. *Reported in the public excluded section of the meeting*

Wayne Lawson

3.55pm – 4.10pm

*Construction and Property  
Manager*

12. *Reported in the public excluded section of the meeting*

Sai Choong Loo

4.10pm – 4.20pm

*Manager, Risk and Assurance*

13. *Reported in the public excluded section of the meeting*

Sai Choong Loo

4.20pm – 4.45pm

14. *Reported in the public excluded section of the meeting*

Murray Dickson

4.45pm – 5.00pm

## AGENDA

**Canterbury**

District Health Board

Te Pōari Hauora o Waitaha

15. *Reported in the public excluded section of the meeting*

Murray Dickson

5.00pm – 5.15pm

**ESTIMATED FINISH TIME**

**5.15pm**

### **NEXT MEETING**

**Date of Next Meeting:** Tuesday 30 March commencing at 1.00pm