



BOARD MEETING

28 September 2015

(Draft) Minutes

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MINUTES OF PHSO BOARD

28 SEPTEMBER 2015

CHAIR:

Dame Julie Mellor DBE, the Ombudsman

EXECUTIVE MEMBERS:

Mick Martin, Managing Director and Deputy Ombudsman

Gill Kilpatrick, Executive Director of Finance and Governance

NON-EXECUTIVE MEMBERS:

Sir Jon Shortridge KCB

Dr. Jane Martin (via telephone)

Ruth Sawtell

Dr. Julia Tabreham

Helen Walley

IN ATTENDANCE:

Stephen Lotinga, Interim Executive Director of External Affairs and Strategy

Rebecca Marsh, Interim Executive Director of Operations and Investigations

Katherine Butler, Marketing and Communications Manager (item 3)

Brian Thompson, Interim Head of Finance (item 4)

Adam Hawksbee, Principle Private Secretary to the Chair (Observer)

Alex O'Donoghue, Corporate Governance Manager (minute-taker)

APOLOGIES:

Peter Freedman, Non-Executive Member

1. Chair's introduction

1.1 The Chair welcomed Stephen Lotinga, the new Interim Director of External Affairs and Strategy, to the Board.

1.2 It was agreed by the Board to defer consideration of the items on the PHSO staff survey results and Ombudsman reform.

2. Audit Committee Update

2.1 Sir Jon Shortridge, Chair of the Audit Committee, provided the Board with an

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overview of the Audit Committee's discussion. The Committee had a significant discussion in relation to the internal Audit report on cash management, the actions in place to improve matters, and the impact for the wider financial control framework.

- 2.2 The Committee examined the 2 qualifications to PHSO's 2015-2016 accounts. In particular, the Committee had examined the control weaknesses which led to the qualification of PHSO's resource account, and had sought to be assured that these issues, and the actions to remedy these serious issues, were properly reflected in the governance statement. The Audit Committee also sought assurance that the actions in place would significantly strengthen the financial control framework and prevent reoccurrence.
- 2.3 At the Audit Committee meeting the internal auditor KPMG was questioned as to why the Audit Committee were not alerted to these financial management issues earlier. It was stated that some issues had been raised with the Committee, but the management response was not sufficient to embed the changes necessary in a timely matter. Staff changes also exacerbated the issues.
- 2.4 The Committee felt that tone of the Governance Statement was much improved and had discussed a number of small changes with the National Audit Office. With these corrections, the Committee was happy to commend the accounts and the annual report to the Board.

3. 2014-15 Accounts and Annual Report

- 3.1 Summary of Board discussion regarding the Governance Statement and Accounts:
 - ET are confident that there are no other shocks regarding 2014-15 accounts, as the National Audit Office (NAO) have finished their audit and drafted their report.
 - A lot of long standing issues led to this situation - it was not just the consequence of interim staff, but also of improper financial procedures.
 - PHSO is committed to examining its financial practices and ensuring they are fit for purpose.
 - The Board confirmed that the proposed legislation in relation to Ombudsman reform does not impact the ongoing concern of PHSO.
- 3.2 The Governance Statement and Accounts were approved by the Board, subject to the changes requested by the Audit Committee.
- 3.3 Summary of Board discussion regarding the Annual Report:
 - The Board welcomed the latest version of the report and recognised the amount of work that had gone into the document. The Board made a number of specific comments, which Katherine Butler, Marketing and Communications Manager, will incorporate.
 - It was agreed that the report needed to be laid before Parliament by 10 November 2015.

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- It was agreed that timing was crucial and the report had to be ready as soon as possible.

3.4 The Annual Report was accepted in principle, with final approval to take place via correspondence in early October.

Action 1 Corporate Governance Manager to circulate draft Annual Report for comments.

4. Financial Strategy 2016/17 - 2019/20

4.1 The Board considered the proposed financial strategy for the organisation, which would form the basis for the submission to HM Treasury as part of the 2015 Comprehensive Spending Review (CSR). The strategy must navigate between delivering significantly increased value for money for the public purse, and delivering the investment in our service necessary to deliver more impact for more people.

4.2 Summary of Board discussion:

- The overall shape of the strategy was welcomed.
- The relationship between the submission to HM Treasury as part of CSR2015, and the business case for the Public Ombudsman Service (POS) was discussed. It was agreed that whilst they were two separate exercises, the majority of the savings within the business case for POS would be formed from our CSR2015 submission.
- Whilst the Board welcomed the shape of the strategy, in order to agree the detailed numbers, further information was required on the assumptions, calculations and the pace of the savings.
- High risks remain, particularly around delivery, organisational culture and staff engagement.
- The Board viewed the pace of delivery within the strategy may place the organisation at an unacceptable level of risk, and the Executive Team were asked to consider rephrasing and further mitigating risk measures.
- It was felt that more comparisons with other organisations that have been through this experience were needed - especially national regulators.

4.3 The financial strategy was broadly agreed. However, more information about the detailed numbers, assumptions, calculations and the pace of the savings was needed before that Board could agree to the report.

The meeting closed at 5:05PM