

AUDIT COMMITTEE

PRESCRIPTION PRICING AUTHORITY : 10 JUNE 2004

ITEM No. 11

CONFIRMED MINUTES OF THE AUDIT COMMITTEE

TO NOTE

Confirmed minutes of the Audit Committee held on

11 March 2004

PRESCRIPTION PRICING AUTHORITY

AUDIT COMMITTEE

Minutes of Meeting held on Thursday 11 March 2004

Present: Mr Martin Bennett (Chairman)
Mr Kieron Murphy (Authority Member)
Dr Jim Stockwell (Authority Member) from item 17/04 onwards

In Attendance: Mr John Smith (Director of Finance)
Mr Clive Johnson (Deputy Director of Finance)
Mr Steve Nicklin (Audit Commission)
Mr Kevin Suttie (National Audit Office)
Mr Richard Bottomley (KPMG)
Mr David Moorhouse (KPMG)
Mr Luke Eason (KPMG)

Also Present: Mrs Lesley Simpson (Minutes)

11/04 APOLOGIES FOR ABSENCE

Apologies were received from Dr M Ali (Authority Member) and Mr Andy North (KPMG), Luke Eason (KPMG) attended in Mr North's place. Dr Jim Stockwell was unavoidably detained from attending the first part of the meeting, and was present from item 17/04 onwards.

12/04 MINUTES OF PREVIOUS MEETING – 15 January 2004

The minutes of the meeting held on 15 January 2004 were agreed as a correct record.

13/04 MATTERS ARISING

09/04 Any other business

As agreed at the previous meeting copies of the Agenda and Papers for this meeting were circulated to the remaining members of the Authority for information.

14/04 INTERNAL AUDIT – PROGRESS REPORT

Mr Moorhouse summarised the main areas of the progress report. Eighteen reports have been finalised, five reports issued in draft and work is underway on a further six reviews. It is expected that the revised plan will be completed by the end of March.

Changes to the PPA business agenda during the year had resulted in amendments to the plan and delaying one or two audits until next year. Revisions to the plan have allowed a carry forward of 54 days to next year's plan.

The outstanding PPA Website audit report has now been finalised. Mr Bennett commented that it was pleasing to see that more reports were now been cleared according to the protocol dates.

Mr Murphy asked whether it was usual to carry forward audit days to the following year. Mr Moorhouse replied that this was acceptable practice with an organisation such as the PPA where significant changes were occurring. Mr Smith commented that it was beneficial to the Authority to have extra banked audit days for the coming year in light of the Authority's business plan and the significant developments that will take place.

15/04 INTERNAL AUDIT – PLAN 2004/2005

Mr Moorhouse explained that discussions had taken place with all Directors and the draft audit plan compiled as a result of those discussions. The Management Board agreed the plan on 1 March 2004.

A risk based approach has been taken with the plan focusing on the strategic risks outlined in the PPA's corporate risk register. The plan is expected to take 530 staff days of audit time which is in line with the current year's plan, although as previously discussed an extra 54 days will be carried forward from this year's plan. Additionally, 45 audit days have been identified for work to support managed services provided by the Authority. Any additional areas for work identified throughout the year will be discussed initially with Mr Smith and then taken to the Management Board for agreement.

Mr Bennett asked about possible impacts to the organisation of new pharmacy contracts and the oxygen service review and whether these areas would need to be audited. Mr Smith replied that Mr Moorhouse would be kept informed of the position with both projects and the audit requirement would be determined in the event that significant progress was made.

Mr Murphy commented that the plan covered all the main areas, although clarification of the managed service audits was sought. Mr Moorhouse explained that the audits would cover controls in place by the PPA but any significant issues raised would be passed to Mr Smith who would then convey them to the relevant body.

Mr Murphy asked what the process for amending the plan was. Mr Smith confirmed that any changes were discussed at the Audit Contract Review meetings held prior to Audit Committee meetings and are subsequently agreed by Management Board.

Mr Murphy asked for clarification on the purpose of the year end procedure review. Mr Moorhouse replied that this audit was a result of an External Audit recommendation regarding the close down procedures for the year end.

Mr Bennett asked Mr Nicklin and Mr Suttie if, in their opinion, there were omissions from the plan from an External Audit perspective. Mr Nicklin and Mr Suttie both agreed that the plan was comprehensive covering all expected areas. Mr Nicklin suggested that Internal Audit could follow up on the performance areas highlighted in the last Audit Commission Annual Audit Letter as these areas would no longer be included in the External Audit plan.

The Audit Committee approved the plan.

16/04 EXTERNAL AUDIT – PLAN 2003/2004

The change in External Audit arrangements has resulted in an amendment in the External Audit Plan. The Audit Committee had previously agreed an eighteen month plan covering 2002/2004 and that plan has formed the basis of the new plan covering 2003/2004. The main difference to the plan is the exclusion of the Value For Money audits which would result in a reduction in the fee charged.

The Audit Committee approved the plan.

17/04 EXTERNAL AUDIT – QUALIFICATION ISSUE

The Audit Committee again expressed concern over the qualification of accounts issue. The way forward was discussed in some detail and it was agreed that, initially, Mr Suttie, Mr Nicklin and Mr Smith would hold a preliminary meeting as soon as possible to discuss a possible draft letter to send to the Department of Health. The Chairman pointed out that time is short and this matter needs resolving particularly in view of the fact that, this year, the accounts would be laid before Parliament. He asked that a progress report be circulated to Audit Committee members prior to the next Authority meeting in April.

Action: Mr Smith/Mr Suttie/Mr Nicklin

18/04 NAO – LAYING OF 2003/2004 SPECIAL HEALTH AUTHORITY ACCOUNTS BEFORE PARLIAMENT

A letter outlining the administrative procedures for the accounts was tabled at the meeting for information. It was agreed that publication of the Annual Report would continue to be provided by the September deadline and would not be laid before Parliament with the accounts in July.

19/04 CONTROLS ASSURANCE – PROGRESS REPORT

Mr Smith confirmed that work was progressing towards the year end Statement of Internal Control. The Audit Committee accepted the report.

20/04 LOSSES AND SPECIAL PAYMENTS

Mr Johnson gave a brief explanation for the item on the losses and special payments report. The Audit Committee accepted the report.

21/04 SCHEDULE OF MEETINGS

Mr Smith informed the committee that the schedule for meetings this year has had to be changed to coincide with the new arrangements for the annual accounts. It was therefore agreed that a schedule be drawn up for the rest of the year indicating the items to be discussed at each meeting.

Mr Bennett asked that a meeting schedule be drawn up for a full twelve months ahead detailing items to be discussed at each meeting. Mr Bennett also suggested that time be allocated for the Audit Committee to reflect on whether they were fulfilling their role as defined in the Terms of Reference.

Action: Mr Smith

22/04 ANY OTHER BUSINESS

Mr Bennett raised the issue of whether the Authority should have a designated Vice-Chair. Mr Smith confirmed that the matter was under consideration by the Authority Chair.

23/04 DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee would take place on Thursday 13 May 2004 at 9.15am in the Mezzanine Floor Meeting Room, Bridge House.

SIGNED:.....

MARTIN BENNETT
CHAIRMAN

DATED:.....