

AUDIT COMMITTEE

PRESCRIPTION PRICING AUTHORITY :
9 SEPTEMBER 2004

ITEM No. 11

CONFIRMED MINUTES OF THE AUDIT COMMITTEE

TO NOTE

Confirmed minutes of the Audit Committee held on

13 May 2004

PRESCRIPTION PRICING AUTHORITY

AUDIT COMMITTEE

Minutes of Meeting held on Thursday 13 May 2004

Present: Mr Martin Bennett (Chairman)
Dr Jim Stockwell (Authority Member)
Dr Mohammed Ali (Authority Member) from item 28/04 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 David Moorhouse (KPMG)
Mr Andy North (KPMG)

Also Present: Mrs Lesley Simpson (Minutes)

24/04 APOLOGIES FOR ABSENCE

Apologies were received from Mr K Murphy (Authority Member). Dr Mohammed Ali was unavoidably detained from attending the first part of the meeting, and was present from item 28/04 onwards.

25/04 MINUTES OF PREVIOUS MEETING – 11 March 2004

The minutes of the meeting held on 11 March 2004 were agreed as a correct record.

26/04 MATTERS ARISING

17/04 External Audit – Qualification Issue

Mr Smith informed the group that a detailed progress report on the work undertaken to resolve the qualification issue had been emailed to Mr Bennett.

The outcome of the work done is that the Pharmaceutical Accounts will be submitted as memorandum accounts. They will be included in the PCT summarised accounts and will be audited on this basis rather than as a separate set of accounts. The new Direction for the accounts has still not been received. Mr Smith will send an email to Norman Taylor highlighting the Audit Committee's concern that the accounts' timetable may not be met if the new Direction is not received by the end of May.

Action Mr Smith

Mr Bennett commented that the Audit Committee was extremely pleased with the progress made and thanked everyone for their hard work on this issue.

27/04 AUDIT COMMITTEE ANNUAL REPORT 2003/2004

Mr Smith explained that part of the Audit Committee's agreed remit was to produce an annual report to be tabled at an Authority meeting. Dr Stockwell requested additional wording under the heading Changes to External Audit Arrangements explaining that, unlike many other organisations, the PPA, as a Special Health Authority, do not have the power to appoint their own External Auditors. A revised report will be emailed to Audit Committee members for approval prior to submission to the next Authority meeting.

Action: Mr Smith/Mr Johnson

28/04 DRAFT ANNUAL ACCOUNTS 2003/2004

Mr Johnson tabled the draft accounts and apologised for their non-availability in advance. The accounts timetable for this year has been brought forward and final work is still under way. Owing to the limited time available in the meeting members were invited to email any comments by lunchtime Friday 14 May 2004 prior to the accounts being submitted to the auditors. Any comments received after this deadline could still be included, but Mr Nicklin requested that any additional comments be sent as early as possible to prevent the possibility of audit work having to be redone.

Pharmaceutical Accounts

Mr Johnson explained to the Committee that, as previously discussed, the new Direction for these accounts has not yet been received so the accounts have been produced using the old format. Mr Smith informed the group that the format for these accounts could change once the new Direction was received.

Mr Johnson summarised the quality assurance process applied to the accounts, to ensure that the figures in the accounts looked reasonable compared to last year's figures and what could be expected this year.

Dr Stockwell asked if any findings were passed to the Policy branch at the Department of Health. Mr Johnson confirmed that monthly monitoring returns were forwarded to the Department and that the Department regularly undertake statistical reviews but information is not specifically supplied to inform policy making.

The losses reported on page 9 of the accounts were made up from a limited number of lost prescription batches, where permission to pay a compensatory amount is given and losses associated with the increased charge in PPCs, where the lower price was continued for a limited time where a member of the public had already applied and sent in a cheque for the lower amount.

Main Accounts

Work is still being carried out on these accounts and there is a potential that changes will be made before submission to the auditors, although there are no fundamental changes expected.

The accounts this year have been restructured. The agencies now have separate balance sheets. Work is continuing on the balance sheets. Explanations of these changes are detailed in the notes to the accounts. The Main Accounts have also been subject to the same quality assurance process as the Pharmaceutical Accounts.

Minor amendments to the foreword will be undertaken prior to submission to the Auditors. Mr Nicklin asked whether reference to the accounts being laid before Parliament should be included in the foreword. Mr Suttie is to check whether this needs to be included.

Action: Mr Suttie

29/04 INTERNAL AUDIT – ANNUAL REPORT

Mr Moorhouse summarised the Internal Audit annual report concluding that the Authority's core systems were, in general, adequately designed for maintaining management control. Two areas were highlighted within the report of non-reliance but these related to non-core systems and did not affect the overall Head of Internal Audit opinion.

Dr Stockwell asked whether the high number of IT recommendations in progress rather than completed was a concern to Internal Audit. Mr North replied that he was not concerned by this as work was underway and some of the recommendations, particularly if they involved system changes, were being incorporated within the CIP project instead of being implemented as separate stand alone changes.

Dr Stockwell asked whether the report had been seen by the Chief Executive. Mr Smith confirmed that this report had been accepted by the Management Board.

Mr Bennett thanked Mr Moorhouse for a very comprehensive report.

30/04 INTERNAL AUDIT – LCFS ANNUAL REPORT

Mr Moorhouse summarised the LCFS Annual Report. The LCFS officer for KPMG is Mark Thompson and the LCFS PPA officer is Joan Spoor. Throughout the year work undertaken has included fraud awareness sessions, the production of a new anti-fraud policy and advice on a particular issue which arose during the year.

Mr Bennett thanked Mr Moorhouse for another comprehensive report.

31/04 EXTERNAL AUDIT – PROGRESS REPORT

Mr Nicklin outlined the current position with the external audit plan. Preliminary work on the final accounts has been carried out and the main work on the accounts will commence following submission of the accounts on 14 May 2004.

As discussed at an earlier meeting the VFM audits will no longer be carried out as part of the audit plan, although Mr Suttie commented that the PPA would have the opportunity to be involved in NAO policy audits carried out in the future.

Mr Smith informed the Committee that a team investigating Risk Management in the Public Sector had visited the PPA to examine the way in which we utilised risk management software.

32/04 EXTERNAL AUDIT – QUALIFICATION ISSUE

Already discussed earlier in the meeting.

33/04 CONTROLS ASSURANCE

Mr Smith explained that this report was also being discussed at the Authority meeting following this meeting. The Committee concentrated on the Statement of Internal Control. A suggestion was made that to support the paragraph on significant control issues a list should be drawn up highlighting losses and near misses and a brief explanation of why it has been decided that these do not pose any specific control issues. Mr Smith agreed that this could be added to the Management Board Quarterly Review process.

Action: Mr Smith

34/04 SCHEDULE OF MEETINGS

Mr Bennett asked that an item be added to the agenda for the October meeting for the Audit Committee to reflect on their role and terms of reference.

Action: Mr Smith

35/04 ANY OTHER BUSINESS

There was no other business discussed.

36/04 DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee will take place on Thursday 8 July 2004 at 9.15am in the Mezzanine Floor Meeting Room, Bridge House.