

## **FINANCE AND ADMINISTRATIVE SERVICES**

PRESCRIPTION PRICING AUTHORITY : 10 JULY 2003      **ITEM No. 13**

### **AUDIT COMMITTEE ANNUAL REPORT**

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In the financial year 2002/03, the Prescription Pricing Authority Audit Committee consisted of the following members:

Dr M Ali	(Member of the Audit Committee)
Mr M Bennett	(Chairman of the Audit Committee)
Mr M Ramsden	(Member of the Audit Committee until 30 September 2002)
Dr J Stockwell	(Member of the Audit Committee)

At 31 March there was one Committee member vacancy.

In addition, there was regular attendance from the following:

Director of Finance  
District Audit  
Internal Audit

The Audit Committee met 4 times during the year and at these meetings internal controls and financial issues were discussed. Internal and External Audit regularly presented progress reports on the work that they had undertaken throughout the year.

The following matters of interest were discussed during the year.

#### **AUDIT PROTOCOL**

In order to formalise the reporting and performance criteria a revised Internal Audit protocol was agreed by the Committee. This places specific requirements on both auditors and the Authority staff to maintain timely responses to the programme of work contained in the Internal Audit plan.

#### **AUDIT COMMITTEE TERMS OF REFERENCE**

Following a successful training event in which a variety of matters were discussed, revised Audit Committee terms of reference were prepared and approved by the full Authority. These are based on the model suggested by the Healthcare Financial Management Association.

The most significant alteration to the previous terms and conditions related to the inclusion of a statement that Committee members would periodically meet with both External and Internal Auditors without any director present.

## **CORPORATE CONTROLS ASSURANCE AND RISK MANAGEMENT**

The Audit Committee continued to receive regular progress reports.

The most notable development was the creation of a corporate risk register, with consequent risk reduction actions, which was reviewed by the Committee. This was supplemented by a review of Directorate risk registers.

A Controls Assurance action plan for the year was reviewed by the Committee. This followed the receipt of the Annual Report on Controls Assurance activity undertaken during 2001/02.

Underpinning the controls assurance programme at officer level is the Risk Group, which comprises of representatives from each directorate, and which meets regularly to discuss progress made. It was agreed that, in order to provide the Audit Committee with assurance that the programme was being performed satisfactorily at officer level, a member of the Committee should attend Risk Group meetings. Dr Stockwell kindly agreed to fulfil this function for the Committee.

## **ANNUAL ACCOUNTS**

Members reviewed the Annual Financial Statements of the Authority for 2001/02 prior to adoption by the Authority. It was agreed that, when reviewing the 2002/03 accounts, Audit Committee members should be given the opportunity to make their comments and question the officers and auditors as appropriate prior to the formal submission to the Department of Health. An additional meeting will be held in July 2003 for this purpose, in order to comply with the strict timetable requirements for accounts submission. This would ensure that the Chairman and Chief Executive could draw comfort from the knowledge that an Audit Committee overview had taken place prior to signing their respective statements contained therein.

## **QUALIFICATION OF PHARMACEUTICAL ACCOUNTS**

In last year's Audit Committee Annual Report, attention was drawn to the long standing issue of the qualification of the Pharmaceutical Services Accounts. This relates to the estimated level of fraudulent transactions relating to prescription charges as reported by the Director of Counter Fraud Services. The Committee repeated its long held desire for a resolution to the matter.

The accounts were qualified for the third successive year, and there is every expectation that the qualification will apply to the 2002/03 accounts as well. However, there is hope that the issue may then end, primarily as a result of the creation of the new NHS Counter Fraud and Security Management Services Authority, who has taken over the responsibility for the checking of patient exemptions.

## **INTERNAL AUDIT**

KPMG undertook all Internal Audit work during 2002/03 under the terms of the five year contract which was in the second year of operation. At the start of the year, the Committee reviewed the Internal Audit plan for 2002/03. It also received an Annual Report on the internal audit activity during 2001/02, the first year of the operation of the new Internal Audit contract. Copies of reports containing Priority One recommendations were reviewed in full. Additionally, a regular progress report that summarised the current position of the planned reports was produced for each meeting.

## **EXTERNAL AUDIT**

The Authority continued to receive external audit services from District Audit which, during the year, was retitled Audit Commission, and which also altered their financial year to 1 April – 31 March to be coterminous with their audited bodies.

The external audit plan for the 17 months from November 2002 to March 2004 was received by the Committee and in December it reviewed the Audit Memorandum (in previous years entitled Management Letter).

During the year the Authority received a consultation document that outlined a proposal to move the responsibility for the external audit of Special Health Authorities (SHAs) from Audit Commission to the National Audit Office (NAO). No official outcome has yet been reported to this Authority, but other SHAs have been notified that this transfer will take place with effect from 1 April 2004, although the existing auditors may be asked to work on a contract basis for NAO at least for a short while thereafter.

## **CONCLUSION**

In my capacity as Audit Committee Chair, I am pleased to report that, on the basis of the reports received during the year and the discussions with officers and auditors, the Authority is financially stable and appears to be operating in a sound control environment.

**Martin Bennett**

**Chair**

**PPA Audit Committee**

**26 June 2003**