

AUDIT COMMITTEE

PRESCRIPTION PRICING AUTHORITY :
12 FEBRUARY 2004

ITEM No.13

CONFIRMED MINUTES OF THE AUDIT COMMITTEE

TO NOTE

Confirmed minutes of the Audit Committee held on

11 September 2003

PRESCRIPTION PRICING AUTHORITY

AUDIT COMMITTEE

Minutes of Meeting held on Thursday 11 September 2003

Present: Mr Martin Bennett (Chairman)
Dr Mohammed Ali (Authority Member)
Mr Kieron Murphy (Authority Member)

In Attendance: Mr John Smith (Director of Finance)
Mr Michael Brodie (Head of Financial Services)
Mr Jon Connolly (Audit Commission)
Mr David Moorhouse (KPMG)
Mr Richard Bottomley (KPMG)

Also Present: Miss Andrea Hewitt (Minutes)

32/03 APOLOGIES FOR ABSENCE

Apologies were received from Dr Jim Stockwell (Authority Member), Ms Lynn Snowball (Audit Commission), Mr Andrew North (KPMG) and Mr Clive Johnson (Deputy Director of Finance). Mr Michael Brodie and Mr Kieron Murphy were introduced to the Committee.

33/03 MINUTES OF PREVIOUS MEETING – 10 July 2003

The minutes of the meeting held on 10 July 2003 were agreed with the following amendment made to page 4, paragraph 5. This now reads; “Mr Connolly confirmed that the audit was complete in the main and no other major issues needed to be brought to the attention of those charged with governance”.

34/03 MATTERS ARISING

There were no matters arising from the previous minutes.

35/03 FINAL ACCOUNTS 2002 - 2003

Mr Smith presented the report regarding the 2002/03 Annual Accounts. He explained that two days prior to the deadline for submission of Accounts to the Department of Health, the NHS Counter Fraud and Security Management service advised that they could not agree to the level of outstanding debt that the PPA transferred to them in respect of patient exemption charges. In order to effect an agreement, the Department of Health agreed to an extension to the deadline for submission from July 31 to August 7.

He explained that, after protracted discussions, it was agreed that the PPA would use its spare resource limit of £266k to write off the level of debtors to be transferred to a lower figure of £475k.

These changes still enabled the PPA to stay within its resource limit.

Mr Murphy enquired as to the lessons learnt by this exercise. Mr Smith replied that, since the NHS CFSMS is now a separate Special Health Authority, this would not occur again in future.

Mr Smith also advised that the Department of Health were satisfied by the manner in which the PPA had worked to resolve the problem and handle the situation.

36/03 AUDIT COMMISSION PROGRESS REPORT

Mr Connolly presented the Audit Commission Progress Report. He advised that the Annual Audit letter would be drafted by mid November. It was agreed there will be an Audit Committee meeting arranged for 11 December, at the PPA Sheffield office, unless an Authority meeting is scheduled for that day, when the venue will be Newcastle. The primary purpose is to review the Annual Audit Letter to Authority.

ACTION: MR SMITH

Mr Connolly commented on the difficulty of reporting on the ETP project given the nature of the project. Mr Smith explained the latest position of the project and explained how the PPA was developing a Capacity Improvement Project (CIP). There is a workshop arranged for next month with representatives from the NHS IT National Programme. Mr Smith will keep the Committee informed of progress.

ACTION: MR SMITH

37/03 AUDIT COMMISSION FINANCIAL ASPECTS OF CORPORATE GOVERNANCE

Mr Connolly explained that this is a very positive report for the PPA as all the basic controls are in place, noting with approval that issues raised over the last few years have been properly addressed. The only recommendation was that the Authority should continue to act to address additional costs from prescription growth to ensure they fall within the agreed additional funding. Mr Smith will continue to monitor this.

ACTION: MR SMITH

With reference to the review of the main accounting system, Mr Brodie advised that the finance system has been reconfigured in order to deal with the complexities arising from separate managed services, and that the Finance Department were now in the process of identifying opening balances for each separate body.

ACTION: MR BRODIE

Mr Connolly commented on the sound corporate governance arrangements in place and the comprehensive nature of SFI's/SO's and the scheme of delegation.

Mr Connolly commented favourably on the strength of the PPA's management system. He also said that the Authority's internal audit arrangements worked well and that KPMG are well placed to comply with the new risk based audit approach standards.

Mr Murphy congratulated the PPA on a very good report and enquired as to whether the PPA had appointed a post of Risk Manager. Mr Smith advised that primarily because the PPA has no clinical risk, this was not thought necessary and that risk management was deemed to be the responsibility of everyone, although the responsibility for co-ordinating the Authority's risk management programme was within the Finance Directorate.

38/03 AUDIT COMMISSION FREEDOM OF INFORMATION ACT

Mr Connolly advised that this report was prepared in response to a potential risk identified by the PPA's Chief Executive.

Mr Connolly explained that the only recommendation made by Audit Commission was that the Authority should consider the implications of the Privacy and Data Sharing report with specific reference to the public services charter and possible changes to the Publication Scheme.

Mr Smith informed the group that a Project Board has been active for about a year, and necessary structures are in place for dealing with this issue. Dr Ali enquired as to whether the PPA had received any approaches under the FOI Act yet for which Mr Smith advised that whilst the legislation will not be active until 1 January 2005 the PPA has systems in place to deal with existing requirements.

39/03 INTERNAL AUDIT PROGRESS REPORT

David Moorhouse advised that satisfactory progress had been made in accordance with the plan. All reports for 2002/03 have been completed apart from one, for which there was good reason for the delay and had been mutually agreed by the Authority and KPMG.

He further explained that 9 of 29 reviews for 2003/04 are under way and that draft reports would be prepared in line with agreed timescales. Richard Bottomley explained that PPA staff had recently attended a KPMG e-auction and that the applicability of such an approach would be considered by the PPA. He further explained the process of an e-auction.

40/03 CONTROLS ASSURANCE

Mr Smith reported to the group that there were no additional matters to report other than the progress contained in the report.

41/03 ANY OTHER BUSINESS

Dr Ali, asked whether consideration had been given to an audit of the progress made by the PPA with regard to the Race Relations Act 2002.

It was agreed that this could be incorporated in the audit plan from the contingency days contained in the plan.

ACTION: MR MOORHOUSE

Mr Smith advised that he has received a copy of a letter sent to Mr Nick Scholte, stating that a decision has been made that the National Audit Office are taking over responsibility for external audit from the Audit Commission from 1st October 2003. Mr Connolly explained that he has not yet been able to ascertain how the transitional arrangements will work. However, it is likely that the takeover will be staggered over the next few years. Mr Smith and Mr Connolly will continue to liase on the issue, and report back to the Committee on progress made.

ACTION: MR SMITH/MR CONNOLLY

Mr Bennett brought to the members' attention information concerning the KPMG Audit Committee Institute, which members are free to join if they so wished.

42/03 DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee will take place Thursday 11 December 2003 at PPA Sheffield offices at 11.00am (unless notified otherwise).