NHS

Prescription Pricing Authority

AUDIT COMMITTEE

PRESCRIPTION PRICING AUTHORITY :
11 SEPTEMBER 2003

ITEM NO.14

CONFIRMED MINUTES OF THE AUDIT COMMITTEE

TO NOTE

Confirmed minutes of the Audit Committee held on

12 June 2003

PRESCRIPTION PRICING AUTHORITY

AUDIT COMMITTEE

Minutes of Meeting held on Thursday 12 June 2003

Present: Mr Martin Bennett (Chairman)
Dr Jim Stockwell (Authority Member)

In Attendance: Mr John Smith (Director of Finance)
Mr Clive Johnson (Deputy Director of Finance)
Mr Jon Connolly (Audit Commission)
Mr David Moorhouse (KPMG)
Mr Richard Bottomley (KPMG)
Mr Andrew North (KPMG)
Mr Geoff Norris (Audit Commission) (Items 11/03 – 14/03 only)

Also Present: Mrs Lesley Simpson (Minutes)

11/03 APOLOGIES FOR ABSENCE

Apologies were received from Dr Mohammed Ali (Authority Member).

12/03 MINUTES OF PREVIOUS MEETING – 13 March 2003

The minutes of the meeting held on 13 March 2003 were accepted as a true record.

13/03 MATTERS ARISING

04/03 External Audit Plan

Mr Bennett asked Mr Connolly whether the Audit Commission's publication 'Statement of Responsibilities of Auditors and Audited Bodies' had been circulated yet. Mr Connolly replied that he had a copy of the publication and would circulate it to Mr Bennett later.

05/03 Internal Audit Plan

Mr Bennett asked Mr Moorhouse whether any improvements had been made with the introduction of the revised protocol. Mr Moorhouse replied that the revised protocol had only been implemented since 1 April 2003 but he would provide the Committee with information at a later meeting.

Action: Mr Moorhouse

14/03 Audit Commission People Management Issues

Mr Norris was in attendance to discuss the Audit Commission People Management Issues report.

Mr Norris explained to the committee that this piece of work had been delayed to allow planned changes within the Human Resources directorate to be implemented prior to the audit.

The key areas raised during the audit were discussed. Mr Norris reported that some of the action points had already been implemented but others were work in progress and due to be completed by the end of this year.

Dr Stockwell commented that the report was a very comprehensive piece of work and provided reassurance that the Human Resources Directorate was moving in the right direction.

Dr Stockwell asked Mr Norris whether he thought there were any conflicts of priorities between the HR service provided to the PPA and the shared service parties. Mr Norris replied by questioning whether HR would be in their current position if work had not commenced with external agencies and suggested that this additional responsibility had been the driving force to move the HR directorate forward.

Dr Stockwell suggested that it would be appropriate to ensure the outstanding areas for action were included within the HR business plan. Mr Smith to confirm.

Action: Mr Smith

A follow up to this audit will be carried out in November to ensure that outstanding areas have been implemented.

Action: Mr Connolly

Mr Moorhouse commented that Internal Audit would be covering some of the HR areas during the course of the year and contingency days could be used if a particular need arose.

15/03 Internal Audit Annual Report

Mr Moorhouse informed the committee that the report summarised the work undertaken during the previous year. Work was carried out in accordance with NHS Internal Audit Standards and the KPMG Internal Audit Charter. Overall the PPA has adequate control systems in place with the exception of four areas highlighted in the report.

The Head of Internal Audit opinion uses the standard format provided by Department of Health. The opinion given to the PPA is the second best opinion available.

It was agreed that outstanding draft reports need to be finalised by the end of July.

Action: Mr Smith/Mr Moorhouse

Mr Moorhouse informed the committee that KPMG were addressing problem areas highlighted by the Internal Audit Service questionnaire issued to all directors.

Dr Stockwell commented that it was pleasing to see such a comprehensive audit programme completed and comfort could be taken from the level of assurance provided.

Dr Stockwell expressed concern that the four areas reported where risks were not adequately controlled were all IT areas. Dr Stockwell asked whether a common root cause was the problem in these areas. Mr North explained that it was difficult to define common causes for IT as the pace and complexity of these areas are constantly changing. Mr Bennett commented that, although the disaster recovery planning was one of the areas where it was felt that risk was not fully controlled, it was reassuring to know that a disaster recovery plan was in place.

Mr North commented that the mainframe replacement project should have been a formal project run under Prince2 methodology, but due to time constraints, it was undertaken more informally. Although in this instance the project was implemented successfully it could have had a different outcome. Mr Smith informed the committee that the mainframe replacement project had been submitted as a formal business case to the Department of Health and as such was subjected to the NHS risk matrix. A copy of which can be seen on the PPA website.

16/03 Annual Report of Counter Fraud Work

Mr Moorhouse summarised the report produced by Mr Mark Thompson, part of KPMG's forensic team, and Ms Joan Spoors, PPA. The report outlined the requirements and actions undertaken by the PPA. The fraud awareness training is scheduled to continue throughout this year.

Dr Stockwell asked what resource, in terms of man-days, was allocated to counter fraud work. Mr Moorhouse confirmed that ten days were allocated in the Internal Audit plan and Mr Smith confirmed that Ms Spoors spent about 10% of her time on counter fraud. Mr Moorhouse indicated that this was in line with time spent at other organisations. Mr Moorhouse informed the committee that this number of days would increase if an instance of fraud was suspected.

17/03 Audit Commission Progress Report

Mr Connolly summarised the first Audit Commission progress report. Mr Connolly informed the committee that the core process review and final accounts review report would be available for the next meeting in July. A definite date has yet to be arranged but Mr Connolly hopes to have the Annual Audit Letter completed for September.

Action: Mr Connolly

18/03 Audit Commission Policy into Practice

Mr Connolly explained that this audit did not commence until late in the audit year and it took some time to agree the report as it involved all of the Directors.

The audit was a follow up undertaken to examine progress made on each of the recommendations of the earlier Policy into Practice report. Mr Connolly reported that significant improvements had been made but some areas still needed additional work to be carried out. These areas would be picked up in audits to be carried out later in the year.

19/03 Controls Assurance

Mr Smith informed the committee that progress had been made this year and the PPA scored highly against the controls assurance standard. Work is planned on the two areas where the PPA scored lower.

Reviews of Directorate risk registers are under way and a review of the corporate risk register is to be undertaken.

The Statement of Internal Control 2002/2003 was attached as an appendix to this report. The wording of the statement has been agreed.

20/03 Final Accounts Qualification Issues

The report presented to the Audit Committee is a starting point for taking the qualification issue forward. Mr Connolly confirmed that the Audit Commission is actively looking at this issue and agreed that any new ideas would be welcome from KPMG on resolving the matter. He agreed to convene an early meeting with Mr Smith to progress the matter further.

Action: Mr Connolly

21/03 Losses and Compensation

The committee approved the write-off of the losses listed in the report.

22/03 Any other business

The draft Audit Committee Annual Report was issued to the committee. Mr Smith apologised for the report not being included with the agenda and asked that any comments be emailed to Mrs Simpson or himself by Friday 20 June 2003 in order for the report to be tabled at the July Authority meeting in accordance with the timetable.

23/03 Date and time of next meeting

The next meeting of the Audit Committee will take place on Thursday 10 July 2003 at 9.30am. The meeting will be held in the Mezzanine Floor Meeting Room, Bridge House