NHS

Prescription Pricing Authority

AUDIT COMMITTEE

PRESCRIPTION PRICING AUTHORITY : 10 JULY 2003 **ITEM NO.17**

CONFIRMED MINUTES OF THE AUDIT COMMITTEE

TO NOTE

Confirmed minutes of the Audit Committee held on

13 March 2003

PRESCRIPTION PRICING AUTHORITY

AUDIT COMMITTEE

Minutes of Meeting held on Thursday 13 March 2003

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

In Attendance: Mr Clive Johnson (Deputy Director of Finance)
Mr Jon Connolly (District Audit)
Mr David Moorhouse (KPMG)
Mr Richard Bottomley (KPMG)

Also Present: Mrs Lesley Simpson (Minutes)

01/03 APOLOGIES FOR ABSENCE

Apologies were received from Mr J Smith (PPA).

02/03 MINUTES OF PREVIOUS MEETING – 3 December 2002

The minutes of the meeting held on 3 December 2002 were accepted as a true record.

03/03 MATTERS ARISING

44/02 District Audit Interim Audit Memorandum

Mr Johnson has contacted the Department of Health regarding the current position relating to oxygen concentrators. There has been a revised submission to the Minister, who is considering the whole oxygen service. A decision should be known in the near future.

44/02 District Audit Report – Registers of Interests, Gifts and Hospitality

Mr Johnson informed the committee that a register and procedure were now in place for PPA officers. Additional wording will be used for the forms in respect of the members of the Authority. The members must decide whether any gifts or hospitality offered are as a result of their PPA employment or other interests. If guidance is required this can be obtained from the Chairman or Chief Executive. All members have received a pack of pro-formas.

45/02 Policy into Practice

Mr Connolly informed the Committee that the report had been issued to PPA officers for comment. Time constraints have prevented the report being finalised in time for this Audit Committee meeting. The report will be tabled at the meeting in June.

Action: Mr J Connolly

45/02 Review of HR Support

The report on the review of HR support has been issued to PPA officers for comment. The report will be presented at the Audit Committee meeting in June.

Action: Mr J Connolly

Mr Connolly commented that both of these audits had been deliberately delayed to accommodate changes which were being implemented in the areas being audited.

48/02 Controls Assurance/Risk Progress Report

Dr Stockwell attended the last risk group meeting. Dr Stockwell informed the committee that the processes being undertaken were well embedded and provided reassurance that the Authority has an effective risk management policy.

04/03 EXTERNAL AUDIT PLAN

Mr Connolly explained that District Audit no longer existed and was now part of the Audit Commission. Mr Connolly summarised the audit plan explaining that the change of the audit year in order to link with the NHS financial year had resulted in a plan which covered to March 2004. As systems have been implemented to reduce risks and reliance is placed on the work carried out by Internal Audit the amount of work carried out by External Audit has reduced which has been reflected in the reduced fee.

Mr Connolly reported that the Treasury had issued a consultation document outlining the transfer of audit responsibility for Special Health Authorities from the Audit Commission to NAO. The outcome of the consultation is not yet known but Mr Connolly confirmed that the progress of this transfer would be monitored throughout the year and reflected in the audit programme and fees.

Mr Connolly highlighted the main audit areas to be covered during the plan. Dr Stockwell asked whether the transfer of the Compliance Unit to NHS CFSMS would mean the 2003/04 Pharmaceutical Services Accounts would revert to an unqualified opinion. Mr Connolly replied that Mr Smith has been asked to produce a paper identifying the changes which will be used as a starting point to take this issue forward.

Action: Mr C Johnson

Dr Stockwell asked for confirmation that the work undertaken by Internal and External Audit was not duplicated. Mr Connolly confirmed that meetings were held with KPMG during the planning process to discuss which areas were to be covered. It is inevitable that areas of work overlap but these audits are to be carried out at different times during the year which allows for checks to be made on implemented changes as a result of the initial audit.

Dr Stockwell asked whether the PPA had had an opportunity to comment on the Treasury consultation document. Mr Johnson confirmed that a response to the initial document had been sent and a copy would be circulated to the Audit Committee.

Action: Mr C Johnson

Mr Bennett asked for a copy of the Audit Commission's publication 'Statement of Responsibilities of Auditors and Audited Bodies.

Action: Mr J Connolly

The plan was agreed.

05/03 <u>Internal Audit Plan</u>

Mr Moorhouse summarised the Internal Audit plan. The plan has been produced following discussions with Directors, Deputy Directors and Senior Managers where appropriate. The plan follows a risk based approach to audits as outlined in the new NHS Internal Audit Standards.

KPMG are reviewing the current KPIs and protocol. It is hoped that revising the KPIs and protocol will clearly define responsibility and speed up the turnaround of reports. The revised versions will be tabled at the April Authority meeting.

Action: Mr D Moorhouse

The number of days in the plan is the same as the previous year with an increase in the fee of around 2½ % (inflation). In addition to the quarterly Internal Audit progress reports the Annual Internal Audit report will be produced. This will be available for the next Audit Committee meeting to be held in June.

Action: Mr D Moorhouse

The plan was presented and agreed at the Management Board meeting with only one minor amendment.

Dr Stockwell asked whether the support received from PPA officers was enthusiastic. Mr Moorhouse confirmed that the majority of discussions were positive and feedback was taken on-board when devising the audit plan.

The plan was agreed.

06/03 Internal Audit Progress Report

Mr Moorhouse reported that generally good progress has been made throughout the year. Some problems have been experienced with delays agreeing audit scopes and in receiving PPA management responses for draft reports. Mr Moorhouse commented that the majority of these delays were with the IT department.

Since the distribution of the progress report three draft reports have been finalised, including report 02/01 UNIX continuity planning, which had been outstanding since July, responses have been received on a further six reports and one further draft report has been issued.

Audit Committee members expressed concern over the length of time taken to clear draft reports. It is hoped that this issue will be addressed by setting deadline dates for agreeing scopes and receiving responses to draft reports.

Mr Bennett will raise the Audit Committee's concerns over the delay in clearing draft reports at the Authority meeting. It was suggested that all reports for the current year be cleared by 12 May 2003.

Dr Stockwell raised a concern whether priority 1 and 2 recommendations would be outstanding on draft responses where no management response had been received. Mr Johnson confirmed that prior to draft reports being issued a discussion was held between management and KPMG highlighting problem areas raised during the audit. The priority 1 recommendations would be acted upon before the report was received.

The amended protocol is to be emailed to the Audit Committee members for approval prior to the next Authority meeting.

Action: Mr Moorhouse

07/03 CONTROLS ASSURANCE

The controls assurance progress report was presented to the Audit Committee detailing activities undertaken since the last Audit Committee meeting.

The corporate risk register has been agreed. The next stage is to promote the risk policy internally. For new staff this will form part of the staff induction. Work is currently underway on the self assessment process to ensure the deadline date is achieved.

Mr Johnson issued a revised version of the risk register. New networked software is being installed which will allow easier access to the risk registers.

08/03 LOSSES AND SPECIAL PAYMENTS

Following an explanation of the salary overpayments the Audit Committee agreed to the write-off of the losses and special payments listed in the report.

09/03 ANY OTHER BUSINESS

Mr Bennett asked for assurance that the problems with the end of year closedown would not occur this year. Mr Johnson confirmed that a well-planned procedure for closing down had been discussed and agreed with Mr Connolly.

10/03 DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee will take place on Thursday 12 June 2003 at 9.15am. The meeting will take place in the Mezzanine Floor at Bridge House.