

**Minutes of the West Gloucestershire Primary Care Trust Audit Committee
held on Thursday, 11th November 2004 at 2.00 p.m. in Meeting Room 2, Unit 8,
Highnam Business Centre**

Present: Derek Harbottle (Chair)
Shelina Jetha

In Attendance: Jackie Dodds – WGPCT
Sally Flett – Audit Commission
Stephen Malyn – Audit Commission
Mike Clarkson – Deloitte and Touche
Jenny Kirkby – WGPCT

1.0 APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Brian Welch, Sallie Cheung, Mel Crosby, Mark Hendry and Mike Theelke.

2.0 MINUTES OF THE MEETING HELD ON 6TH JULY 2004

2.1 The minutes of the meeting held on 6th July 2004 were agreed as a correct record.

3.0 MATTERS ARISING

3.1 Feedback on Failure of Financial Ledger System

Jackie Dodds reported that a new back up server had been commissioned in another building, so the ledger system can carry on functioning in the event of a system failure. Jackie advised that this was being commissioned at the moment. Jackie would bring a closure report on this from the next county DoFs meeting.

3.2 nGMS Contract

The nGMS contract is currently included in the audit plan. Derek Harbottle requested that Out of Hours be incorporated into the audit plan.

3.3 Annual Accounts 2003/04

Jackie Dodds reported that the revaluation of Lydney Hospital site would be reflected in this year's balance sheet. Mike Theelke had previously queried whether a full valuation of the second phase had been undertaken and Jackie Dodds would double check this. The DV has been asked to explain the figures to confirm that all of the internal changes have been into account.

3.4 Priority Numbering System

Sally Flett will discuss with Brian Welch how to best address the issue regarding the priority numbering system.

4.0 COUNTER FRAUD REPORT

4.1 Work Plan 2004/05

Jackie Dodds reported that more time was being spent on investigating cases and less time on prevention but this is largely dependant on the need to react to circumstances.

The committee asked if any fraud risk assessments were planned.

Jackie explained that the payroll review had highlighted some process issues which were being addressed.

4.2 Fraud Log

This item would be carried forward to the next meeting.

5.0 INTERNAL AUDIT PROGRESS REPORT

5.1 Mike Clarkson reported on the Internal Progress Report and highlighted the three key issues/areas to be taken into account during 2004/05; objectives, mapping and embedding. He highlighted the two draft reports on Local Feeder Systems and Sickness Absence Management. There is additionally a county-wide review of Procurement and this is currently in draft stage.

Mike reported that in terms of sickness management there are two priority 2 recommendations. One being attendance management, this has been distributed to all staff and secondly the definition of roles and responsibilities within HR. It was noted that there were no major issues regarding this.

5.2 Mike reported that Brian had been to a number of meetings on the Assurance Framework and that all governance arrangements within the PCT will need to be streamlined. Jackie informed the meeting that this review had already started.

5.3 Mike reported that a number of pieces of work will be carried out between now and January and highlighted that external audit would be picking up the work on Payment by Results. Work within the Shared Service is going well and final reports will be available as part of the January Committee.

5.4 Derek Harbottle asked where Out of Hours and QOF fitted into the status of the audit work and Mike explained that Sally would be discussing with Brian where this should slot in. It was reported that Control Assurance business had been pushed back and the dates would be adjusted. QOF audit would be included within the nGMS audit activity.

5.5 Jackie Dodds highlighted that it was helpful to have a date for each of the areas of audit work and for these to be circulated each time they are updated.

5.6 **Members noted the Internal Audit Progress Report.**

6.0 INTERNAL AUDIT UPATE ON GOVERNANCE REPORTS

6.1 Mike Clarkson reported on the briefing paper.

6.2 Mike presented an overview of the work likely to be required on the Assurance Framework. The Internal Audit team will work closely with the PCT in developing an integrated governance process.

- 6.3 Derek Harbottle would report back to the Board next week. An extended paragraph about the current state of Assurance Framework would be taken to the Board meeting in January.

Action: Mel Crosby

7.0 EXTERNAL AUDIT ANNUAL LETTER 2003/04

- 7.1 Steve Malyn reported on the draft Annual letter for 2003/04 and asked members to review for accuracy and interpretation.
- 7.2 Steve explained that the Annual letter was addressed to the Board. He reported that the PCT was regarded as a high performing PCT and this was reflected by the achievement of the 3 star rating but it was recognised that there were some risks and these related to the financial position and the high level of savings required to break even in 2004/05.
- 7.3 The Accounts in 2003/04 was in breach of a statutory requirement to meet operational financial balance because of a small deficit. Steve reported that they raised the need to provide improvements to working papers to support financial statements in order to make the final accounts process more efficient.
- 7.4 It was reported that close monitoring of the financial position to ensure breakeven is required with attention on meeting planned efficiency savings. The major impact on 2004/05 finances will be Payment by Results but the PCT appears to be making significant progress in managing patient referrals by GPs to hospitals.
- 7.5 It was reported that the PCT has generally satisfactory arrangements to secure economy, efficiency and effectiveness in the use of NHS resources and performance against NHS Plan targets. Progress has been made in the production of HRGs/reference costs.
- 7.6 Steve Malyn reported that it was important that the growth in prescribing costs was contained, without compromising patient care. The latest report to the Board shows an overspend of £58K at the end of August 2004 and is forecasting a £658K overspend against budget at the year end. He highlighted that the role of PCTs is to influence better prescribing and that cost effective prescribing advice is available to GPs.
- 7.7 Jackie Dodds reported that the Human Resources team are in place. This was established over a year ago.
- 7.8 Steve Malyn mentioned the Public Interest Report on financial standing in AGW – March 2003 there was concern about the financial position. He indicated that 2003/04 financial year the financial position stabilised – 2004/05 is starting to go the wrong way due to pressures of this year. The position currently feels to be more controlled and structured with good peer support and the sharing of good practice.

7.9 Members noted the Annual Letter 2003/04.

8.0 EXTERNAL AUDIT REPORTS

8.1 Final Accounts Report

Derek Harbottle asked about the progress under Analytical review, items R6 and R7.

Jackie Dodds reported that the finance department had restructured work within the dept. and provided more support to the financial accounts team. In addition a national exercise

is being undertaken to agree income and expenditure between organisations at month 9 in preparation for a change in the accounts' requirements for 2004/05.

8.2 **HR Shared Services Report**

The committee noted this report.

9.0 **EXTERNAL AUDIT PROGRESS REPORT**

Sally Flett reported on the following:-

Audit Plan – has been completed.

Funding Flows – there are two pieces of work and she has just agreed the project brief with Jackie Dodds.

Payment by Results – Board Members will shortly be in receipt of an on-line questionnaire survey.

Financial Management – currently looking at savings plans this is to be discussed with Jackie Dodds.

Demand Management – draft report is due out soon.

Acute Hospital Portfolio – initial feedback to take place next week.

Sally reported that all other work is due later in the year.

9.1 **Foundation Trust Contract Report**

Sally Flett reported on the main conclusions, that a significant amount of hard work has been carried out in preparation for the contracting with GHNHSFT and there is evidence that satisfactory arrangements have been developed. The key was Contract Monitoring which has developed and will be further improved during the year.

10.0 **AGW FINANCIAL STANDING 2004/05**

10.1 Steve Malyn reported on the Financial Standing letter which was sent to all AGW Trust and PCT Board Directors regarding the 2004/05 financial position in the AGW health community.

10.2 Steve Malyn reported that the letter follows an earlier letter requesting assurances about financial plans for 2004/05. At that time Boards gave assurances that plans to achieve financial balance would be in place by September 2004. Some NHS bodies had significant gaps.

10.3 Steve highlighted the purpose of the letter, which was to ask Boards to assure them that their organisation is doing all required to achieve financial balance and that the appropriate control mechanisms are in place.

10.4 Jackie Dodds would take the letter to the Board meeting and attach to the Finance Report.

10.5 **Members noted the Financial Standing letter.**

11.0 **RESPONSE TO BUDGETARY CONTROL REVIEW AT K&NW PCT**

11.1 Jackie Dodds tabled the paper the PCT's response to weaknesses identified in the Kennet & North Wiltshire Audit Report relating largely to budgetary control in 2003/04.

11.2 Jackie explained that on receiving the report back in August she thought about what controls were in place within West Gloucestershire and whether this could happen to us and what further action could be taken to prevent this from happening. This report had been taken to the County PCT CEs prior to the Audit Committee. It was agreed this was a helpful process.

11.3 **Members noted the Budgetary Control Report.**

12.0 SUMMARY OF AUDIT COMMISSION REPORT – PAYMENT BY RESULTS

12.1 Sally Flett wanted to raise awareness of the Payment by Results document and drew members' attention to the questions for PCTs on page 8.

12.2 **Members noted the Audit Commission Report – Payment by Results.**

13.0 SUMMARY OF AUDIT COMMISSION REPORT – ACHIEVING FIRST-CLASS FINANCIAL MANAGEMENT IN THE NHS

13.1 Sally Flett raised awareness of the document Achieving First-Class Financial Management in the NHS and highlighted the questions for Board Members.

13.2 **Members noted the Achieving First-Class Financial Management in the NHS and was agreed it was a helpful document.**

14.0 LOSSES & COMPENSATION SCHEDULE

14.1 Jackie Dodds reported on the current losses and compensation schedule.

14.2 **Members noted the schedule.**

15.0 PROCEDURES FOR WRITING OFF OUTSTANDING INVOICES

15.1 The Financial Accountant requested the committee to consider the procedures for writing off outstanding invoices.

15.2 A credit collection agency is administered on behalf of the PCT by the Finance Shared Services and it was highlighted that a list is submitted to the PCT of items which the credit collection agency have been unable to collect and for which court action is not regarded as value for money. Items are then submitted to the next Audit Committee for write off approval.

15.3 If efforts to collect a debt are unsuccessful Court Action would only be made if the debt is in the excess of £1,000 and that success is likely in order to avoid any incurring additional costs. Where appropriate items, with a value of up to £500 will be written off with the approval of the Director of Finance. Items in excess of £500 will be referred to the Audit Committee for approval for write off.

15.4 Jackie Dodds raised the list of invoices for write off and members asked for checks to be made on the BUPA invoice. Members were concerned that many small invoices could be written off which total had a large value. Jackie reminded the group that the total value for write-offs in a period is included in the losses and compensation schedule which is approved by the Audit Committee.

15.5 **Members approved the procedure for writing off outstanding invoices.**

16.0 DATE AND TIME OF NEXT MEETING

- 16.1 The next meeting would take place on Thursday, 6th January 2005 at 2.30 pm in the Boardroom, Unit 8, Highnam.
- 16.2 Jackie drew members' attention to the Christmas and New Year period and that papers would be sent out before Christmas.