

WEST GLOUCESTERSHIRE PRIMARY CARE TRUST

Notes of the PCT Audit Committee Meeting held on Tuesday 24 January 2006 at 12.30 p.m. in the Boardroom, Unit 8, Highnam Business Centre

Present:	Ahmed Bham Derek Harbottle Anny Reid	Non Executive Director (Chair), Non Executive Director Non Executive Director
In Attendance:	Sallie Cheung Sally Flett Stephen Malyn Sarah Robinson Mike Theelke Brian Welch Denise Kemeys	Gloucestershire Counter Fraud Service Audit Commission Audit Commission Assistant Director (Corporate Development) WGPCT Director of Finance, WGPCT Internal Auditor, Deloitte and Touche Secretary, WGPCT

001/06 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mike Clarkson of Deloitte and Touche, and Amanda Fisk, WGPCT.

002/06 MINUTES OF THE MEETING HELD ON THURSDAY 6 OCTOBER 2005

The minutes of the meeting held on Thursday 6 October 2005 were agreed as a correct record, with the exception that Agenda Item 11 – Any Other Business – Audit Commission Contract should have read 'Internal Audit Contract'.

003/06 MATTERS ARISING

REPORTS FROM EXTERNAL AUDIT

Performance Management

Mike Theelke informed the Audit Committee that more work is being undertaken on the audit of emergency activity and that this has been outlined to the Board and is currently with the Chief Executive, Stephen Gollidge.

INTERNAL AUDIT REPORT

Progress

- Brian Welch reminded audit committee members that the deadline for implementation and signing of SLA's is March 2006. In response Mike Theelke explained that it is anticipated the SLA's will be in place for local providers, however there is some uncertainty as to whether the contracts for out of county providers will be in place by this same date.

- Derek Harbottle's request to receive details of Bank and Agency Staffing Expenditure will be carried forward to the next meeting.

Action: Amanda Fisk

ANY OTHER BUSINESS

Internal Audit Contract

The Internal Audit Contract is due to expire in March 2006. Mike Theelke confirmed that it has been agreed to extend this contract for one year before going out for tender, or extending further.

004/06 COUNTER FRAUD UPDATE

Plans 2005/06

Sallie Cheung tabled the paper summarising Local Counter Fraud Cases for Avon, Gloucestershire and Wiltshire Strategic Health Authority and the national summary.

Appendix 1 – Combined Figures for Activity Undertaken by LCFS in Gloucestershire

This paper served to indicate progress made with the action plan showing comparisons with the other five related areas in Gloucestershire.

A prescription pilot was set up to investigate fraudulent claims of exemption from prescription charges which to date has resulted in £1,200 having been recovered for West Gloucestershire Primary Care Trust. It is intended for this pilot to continue until March 2006, at which time it will be reviewed.

Sallie explained a premium deterrent stands at five times the amount payable for the prescription and these cases are pursued and where appropriate referred to a debt collection agency.

Sallie outlined the progress on two current cases being undertaken by the local counter fraud office. In discussion the concern was raised that the proportion of time being spent on being proactive in promoting an anti fraud culture could be increased. Sallie confirmed she would be spending more time on this whilst other officers within the LCFS would devote more time to investigations.

The Committee noted the contents of the report.

Sallie Cheung left the meeting.

005/06 REPORTS FROM EXTERNAL AUDIT

Progress Report

'Acute Hospital Portfolio – Ward Staffing Report' - is the only report outstanding due to current discussions between West Gloucestershire Primary Care Trust and the Audit Commission regarding the amendment of some of the wording. Steve Malyn confirmed that an agreement has now been reached and the report will be presented at the next meeting of the Audit Committee.

Action: Audit Commission

2004/2005 Charitable Funds Audit – the Audit Commission’s review has been completed with no significant matters arising that require the attention of the Audit Committee.

Audit Fee Update – Steve Malyn indicated that the Audit Fee may need to be revised following increased work due to the introduction of new International Standards on Auditing and these could impact on the 2005/2006 fees.

NPfIT – Derek Harbottle indicated his concerns relating to the implementation of the Electronic Staff Records (ESR) programme due in March 2006. Derek highlighted that implementation during this month, being the end of the tax year, would present a high risk to the production of payroll.

Steve Malyn confirmed that he was aware of the issue and that the comments from this Audit Committee replicated other comments that indicated organisations were nervous about the high error rate. He undertook to feedback these comments as it is a common concern.

Mike Theelke confirmed that he understood that some problems identified in the implementation of ESR by Devon health community had not yet been resolved. In responding to Ahmed Bham’s question on the actual risks Mike indicated that there was a risk of allowances being allocated to the wrong code and that there was a moderate risk of errors in reporting to the general ledger because of an incomplete feed. Ahmed also expressed his concerns to the Audit Committee regarding staff and his concerns that the additional impact of errors from this programme may compound anxieties relating to Agenda for Change. Ahmed emphasised that IT has a huge impact and the risks involved need to be taken into account and asked who would have the authority to defer the implementation of the programme beyond March 2006. Mike Theelke stated that it would have to be the decision of the six Chief Executives to defer the implementation of ESR as penalties would be imposed by the supplier if the decision was taken to defer implementation. Upon request Mike Theelke agreed to forward a copy of the ESR briefing paper to Steve Malyn. In response to Sally Flett’s enquiry as to whether it was intended to do parallel running on the new ESR system, Mike Theelke said he will look into this in more detail.

Action: Mike Theelke

Briefing Paper – Audit Commission National Report – Early Lessons from Payment by Results

Derek Harbottle agreed to take the questions highlighted at Appendix 1 of the Briefing Paper to the next Non-Executive Director’s Development Session.

Action: Derek Harbottle

The Committee noted the contents of the reports.

**006/06
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INTERNAL AUDIT PROGRESS REPORT AND FINAL INTERNAL AUDIT ANNUAL REPORT – LOCAL FEEDER SYSTEMS

This report summarises work that has been undertaken.

2 - Progress

- **Local Feeder Systems** – Brian Welch reported that as a result of newly introduced International Standards on Auditing the Internal Auditor's work on Local Feeder Systems has been revised.
Their work will produce two individual reports; one on operational adequacy of internal controls and the other on their effectiveness.
Brian confirmed the Internal Auditors have followed up on issues raised throughout 2005 and will produce a report that will be communicated to the Audit Committee late April 2006.

Action: Brian Welch

- **Commissioning (Assurance: System = Limited; Testing = Substantial)** – The Commissioning Report has been finalised.

With regard to financial monitoring, Derek Harbottle requested Brian Welch to check and report to the next Audit Committee meeting what tests are actually being carried out in relation to a specific statement Derek highlighted in the report. Brian agreed and in the interim Brian said he will e-mail the test programme to Derek.

Action: Brian Welch

To be carried forward to the next Audit Committee Meeting agenda.

- **Standards for Better Health (SfBH)** - Deloitte and Touche were able to give substantial assurance based on work undertaken. A standard template is being used and seven out of thirteen standards are being monitored to ensure the evidence is there for the Audit Committee's annual declaration.
- **Out of Hours (OoH)** - The performance of Out of Hours Systems is to be included in the annual report.
Mike Theelke informed the Committee the Audit Commission will look at performance of OoH and the Internal Audit will look at OoH systems.
- **Status of Audit Work 2005/2006** – Brian Welch informed members they will have a follow up report at the next Audit Committee Meeting.
Brian explained that due to the timeframes some of the work has yet to be completed.

Action: Brian Welch

Appendix 1 – Revised NHS Audit Committee Handbook October 2005 – Summary of Key Changes

Brian tabled the summary of key changes to the NHS Audit Committee handbook. Sarah Robinson explained that she was undertaking work with Derek and they had met to review key changes. The Audit Committee's terms of reference were being reviewed in consideration of the revised Handbook, but also taking into consideration the terms of reference and mandate of the Integrated Governance Committee. Denise Kemeys was requested to set up a meeting for Derek Harbottle and Sarah Robinson to discuss summary of key changes to the Audit Committee Handbook.

Sarah Robinson reported that she has forwarded a questionnaire to the Non-Executive Directors for their consideration. Derek Harbottle will arrange to meet with his fellow Non-Executive Directors to discuss prior to meeting with Internal Auditors and Management. Anny Reid agreed this would be appropriate.

Action: Derek Harbottle

The Committee noted contents of the reports.

008/06

CASH MANAGEMENT

Mike Theelke reminded the Committee that during autumn 2005 AGW had begun to plan on the basis that there might be a shortfall in the cash position at the financial year end. A number of contingencies have been worked on and at the last meeting of the Cash Management Group he attended, the position appeared to be improving.

Steve Malyn reminded the Committee about the knock on effect of delay in payment to non-NHS creditors increasing the risk of creditors being paid twice, and of the impact on small businesses. Mike confirmed that this was discussed at the Directors of Finance group and if delays in payment were necessary a de-minimis rule would be applied.

In response to Derek Harbottle, Mike Theelke informed members that to secure the cash limit control for 2006/2007, the measures in place at one year end carry across to the following year. It was acknowledged that whilst this is a short term measure at least West Gloucestershire Primary Care Trust still remain within its cash limit.

The Committee noted WGPCT's position with regards to cash management.

009/06

SELF ASSESSMENT FOR AUDITORS LOCAL EVALUATION (ALE)

Mike Theelke explained that this self assessment process is new and West Gloucestershire PCT has been asked to assess and offer evidence on internal controls against certain criteria.

Steve Malyn stated that in readiness for the 19 April Audit Committee Meeting the Audit Commission will be reviewing financial return and internal control.

Sally Flett assured members they have received the self assessments from each PCT and will be reviewing any further work required and will confirm the outcome at the West Gloucestershire PCT Audit Committee Meeting on 19 April 2006.

Steve Malyn emphasised the importance of these self assessments as they are included by the Healthcare Commission in their overall assessment of the PCT, combining with information from other sources (including Standards for Better Health).

In response to Derek Harbottle, Steve Malyn explained that this mid-year self assessment is being carried out because of the volume of work the Audit Commission need to undertake prior to the deadline of August 2006 of assessments on Financial Reporting and Financial Standing.

The Committee noted the process and progress of the Self Assessment for the Auditors Local Evaluation.

010/06 AUDIT COMMITTEE TERMS OF REFERENCE

This agenda item was discussed under the Internal Audit Progress Report (006/06).

011/06 UPDATE FROM INTEGRATED GOVERNANCE COMMITTEE MEETING

This paper is an update to the Audit Committee from the Integrated Governance Committee meeting held on 21 November 2005.

Members were reminded that the Integrated Governance Committee is a sub-committee of the Board and this paper was to bring any appropriate governance issues to the attention of the Audit Committee and to notify them of the on-going work of Integrated Governance.

- **Risk Strategy and Risk Register** - Sarah Robinson informed the Audit Committee that the Risk Register is being reviewed by the Operational Risk Group (ORG). It has been agreed that a meeting of the Operational Risk Group will be held during February to review the Risk Register.
- **NHSLA 1B** - Members were informed that West Gloucestershire PCT was not successful in achieving Level 1B, and there would be no further assessments until 2007/2008.

Sarah Robinson and Brian Welch will meet to discuss work required on SfBH to be undertaken during 2006.

Sarah Robinson informed the Committee that the SfBH final declaration is due by 4th May 2006.

Mike Theelke recommended the Integrated Governance Committee (IGC) meeting to be held on 30 January 2006, is informed that the Audit Committee Terms of Reference are being reviewed.

Action: Sarah Robinson

Ahmed Bham suggested that 'Risk Management Arrangements' are detailed in the Terms of Reference as a standard Integrated Governance Committee meeting agenda item.

The Committee noted the contents of the report.

012/06 ANY OTHER BUSINESS

It was agreed for hard copies of Audit Committee Meeting papers be sent to Non-Executive Directors, to arrive six days prior to each meeting.

013/06 DATE OF NEXT MEETING

The next meeting will be held on Wednesday 19 April 2006 at 3.00 p.m. in the Boardroom at Highnam Business Centre.