

AUDIT COMMITTEE

Minutes of the meeting held on: Wednesday 20 June 2007

Time: 9.30am – 11.30am

Venue: Room 409, Bryan House

Present	Audit Commission	Internal Audit
Maurice Smith (Chair) Kath Maloney David Wharfe Mike Tate Peter Edwards Eve Crabtree <u>In attendance:</u> Rona Cruickshank Linda Agnew (in attendance for Kate Fallon) Jan Bannister (in attendance for Anne Parmley – from Item 4.3) Lynda Richardson (minutes)	Tommy Rooney Tom Haslam Mick Waite	Keith Bowman Sarah Blackwell

ACTION

1.	Apologies and Welcome: Maurice Smith welcomed all to the June meeting of the Audit Sub Committee. Introductions were made by all present and in attendance around the table. Apologies for today's meeting were received from Harry Holden, Dorothy Whitaker and Anne Parmley.	
2.	Minutes of the meeting held on Thursday 29 March 2007: The Committee read through the minutes of the last meeting held on 29 March. The minutes were approved by the Committee as a true and accurate record of the meeting.	
3.	Matters Arising:	
3.1	<u>ISA260</u> : Tommy Rooney reported that a meeting had been arranged to involve those from the PCT charged with governance, to take place on 3 rd July.	
3.2	<u>Changing Organisational Cultures</u> : Anne Parmley was actioned at the last meeting to feed back to Tommy (via David Wharfe) on any issues	

	<p>which she felt may be worth picking up on following as a result of the Staff Survey. Maurice informed the Committee that a report on the Staff Survey had been submitted to the PCT Board. It was highlighted that the numbers listed of annual staff appraisals taking place were cause for concern, with the proportion at about 50% scale. It is expected that a response will be issued from relevant Directors. Maurice stated that the PCT felt disappointed with the appraisal numbers, particularly as the appraisal process was a conduit for other streams of work.</p>	
	<p>Maurice suggested that this was perhaps an area which the Audit Commission could undertake some work. Tommy Rooney agreed to give this further consideration.</p> <p>Tommy Rooney advised that he would be sharing the outcomes of work from Changing Organisational Cultures with David Wharfe.</p>	<p>Tommy Rooney</p>
<p>3.3</p>	<p><u>Data Quality 2004/05</u>: Mike Tate advised that he had now met with Paul Stephenson, Assistant Director of Finance at Wigan Council as tasked at the last meeting to progress outstanding actions in this area. Tom Haslam will be holding a meeting with Joanne King from the Local Authority and subsequently, a follow up report will be submitted to the next Audit Committee.</p>	<p>Tom Haslam</p>
<p>3.4</p>	<p><u>Connecting for Health Governance Report – Recommendation 15</u>: Following actions at the previous meeting, Keith Bowman advised that he had made enquiries concerning processes in place within other clusters across the North West. Tony Cobain, the Information Management and Technology link from Mersey Internal Audit had been involved in this work, but was unfortunately unavailable to attend today's Committee meeting to provide a further update. Tony had informed Keith that the Strategic Health Authority has advised that it is to undertake a review of governance arrangements for its programmes. Actions will be subsequently progressed and an update will then be able to be provided to the next Committee meeting via Tony Cobain.</p> <p>Following discussions at the last meeting concerning information which was required for inclusion in the risk register, there was an agreement that it would be a sensible way forward if all PCT organisations had the same detail and content within their risk register. Tom Haslam advised that he had raised this at Bolton PCT, who appeared keen to progress this and advised that they would initiate this within the North West area. Tom volunteered to facilitate in this.</p> <p>Keith Bowman queried whether this may encompass work being undertaken by the Strategic Health Authority and that duplication should be avoided in this area. Maurice requested that Tom Haslam should keep a dialogue ongoing in this matter. Keith Bowman requested that Tom should liaise with Mersey Internal Audit's lead, Tony Cobain.</p>	<p>Tony Cobain</p>
<p>3.5</p>	<p><u>Information Security Review</u>: Further to discussion at the previous meeting, Keith Bowman advised that a summary of key points had been compiled. Tony Cobain would be attending the next meeting of this Committee to provide an update on governance arrangements and other issues related to this work.</p>	<p>Tony Cobain</p>

<p>3.6</p> <p>3.7</p>	<p>Sarah Marshall provided a brief summary of points in relation to the Security Policy. A draft policy is being produced. Points listed included: back ups not being regularly tested, number of shared access issues around accountability, no asset registers. These messages will be taken through the relevant Directors.</p> <p><u>Corporate Governance Documents</u>: Peter Edwards advised that a new Corporate Governance Manual based on the DOH model was submitted to the May PCT Board. The differences between the old and new would be highlighted and brought back to the next meeting.</p> <p><u>Processing/Contractor Payments Function</u>: David Wharfe advised that this was now being taken forward by Jackie Forshaw and Julie Southworth.</p>	<p>Sarah Marshall</p> <p>Peter Edwards</p>
<p>4.</p> <p>4.1</p>	<p>External Audit:</p> <p><u>External Audit Progress Report:</u> Tommy Rooney presented this item to the Committee. This is a report regularly submitted to the Committee against the Audit Plan. Tommy provided an overview of information contained within the circulated document.</p> <p>Modernisation of Primary Care buildings (LIFT) – High level risk assessment: Tommy reported that Colin Sykes had held initial discussions with Rita Chapman and was to review relevant documentation. A meeting is to be set up with Peter Rowe and Rita Chapman, expected to take place at the beginning of July. David Wharfe raised concerns regarding Primary Care representation via LIFT and stated that this was not the best way forward in terms of structure and independence in decision making. Tommy clarified that this work included governance arrangements and looks at how the Primary Care Trust is represented through LIFT and how matters are reported back to the Board. It was agreed that David’s concerns should be fed into work prior to the meeting between Colin Sykes, Peter Rowe and Rita Chapman. David agreed to liaise with Peter Rowe to advise him of these issues and to request that Peter picks this up as part of discussions. Tommy Rooney agreed to ensure that this was covered as part of the interview.</p> <p>Auditors Local Evaluation: Work looking at Key Lines of Enquiry: two, four and five. The interim report had been drafted, Tommy would be reviewing this document prior to its issue week commencing 25 June. Key Lines of Enquiry one and three are to be covered as part of the financial accounts. Following this there will be a report on Audit Commission opinion.</p> <p>Accounts 2006/07: Deadline for Audit Opinion is 9 July. A meeting has been convened involving those charged with governance to take place on 5 July. Tommy advised that the audit had gone very well and there were no major concerns arising from this issue</p> <p>Practice Based Commissioning: Report is now drafted and will be reviewed. It is expected that this report will also be issued week</p>	<p>David Wharfe & Tommy Rooney</p>

	<p>statement as part of the main conclusions.</p> <p>David Wharfe raised that this report should be taken to a future meeting of the Senior Management Team in order to take forward recommendations. Peter Jenkinson should be invited to be in attendance at that meeting.</p> <p>Discussion took place with reference to recommendation 14 within the Action Plan at Appendix three: "Ensure that all staff have signed up to a confidentiality undertaking as part of their terms of service." The comments box then stated: "Requirement for all staff to sign off confidentiality agreement annually as part of Appraisal – to be agreed". Reference was made to earlier discussions at today's meeting concerning 50% appraisal figures and it was highlighted that if this comment was taken forward, there may be issues if tied in with the appraisal process, should the proportion of staff undergoing appraisal not increase.</p> <p><u>Children's Placement Report:</u> Tommy informed the meeting that this paper had been circulated largely for information, as this report would be submitted to Local Authorities, with the recommendation to contact their Primary Care Trust, therefore this was important to note. This is a report on Phase one work, Phase two is now underway. It was originally thought that there were no health issues related to this work, however, some health issues have now been identified.</p> <p>Tommy provided an overview of this work. The placements of looked after and special needs children by a local authority in external accommodation can be costly and research demonstrates that such placements may not always provide for the best outcomes for children. In addition, the demand for, and use of, such placements has proved a volatile area of activity, resulting in many local authorities having year on year overspending against budgeted expenditure. A number of Greater Manchester authorities consider this area as continuing to require improvement. In order to promote general learning and benefit the Audit Commission is providing one shared piece of work to this group in a cross cutting project.</p> <p>Maurice stated that the Primary Care Trust was actively looking at collaborative issues. Maurice informed the Committee that he held a seat on the Childrens, Young People and Families Group and also there had been a recent appointment at a senior level regarding joint commissioning issues, this post is based within the Local Authority, however, the post holder was appointed by the Primary Care Trust. A further statement was to be issued later today with reference to collaborative arrangements.</p>	<p>David Wharfe</p>
<p>4.3</p>	<p><u>Audit Plan - 2007/08:</u> Tommy Rooney presented this report to the Committee. This plan would set out work that the Audit Team proposed to undertake in relation to the 2007/08 accounts. This plan was based on the Audit Commission's risk based approach to audit planning which assesses: current national risks relevant to your local circumstances; the risks at the health economy and sub-economy level; and, Primary</p>	

Care Trust local risks. Discussions had taken place with management to determine the risks for the Primary Care Trust. As the Audit Commission have not yet completed the audit for 2006/07, the audit planning process for 2007/08, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Tommy informed the Committee that the plan does not cover Payment by Results which is subject to a separate fee. The total indicative fee for the audit work included in the Audit Plan for 2007/08 is £133,640 which compares with the planned fee of £118,500 for 2006/07. The fee for Payment by Results data quality assurance work will be £35,500. Tommy advised that a breakdown of fees could be located within the Audit Plan report at page 17.

The Audit Commission scale fee for Ashton Leigh and Wigan Primary Care Trust is £182,263. The proposed fee of £133,640 is 27% below the scale fee and is within the normal level of variation specified by the Commission. There are some specific actions listed on page 18 as to how the Primary Care Trust could look to reduce its audit fees. As part of this work overall risks are looked at.

A part of the work in determining fees is related to assessing of risks. The Audit Commission plan audit work to analyze areas of risks relevant to audit responsibilities and reflect this in the audit fees.

Tom Haslam advised the Committee that the main areas of risk that the Audit Commission identified for the Primary Care Trust to look at were in relation to separation of the Provider Arm which is also determined as a national risk. An initial risk assessment on use of resources was located within Appendix 1 of the document at page 13. The document identifies areas of Significant risk for the PCT, which in the main lie around the Foundation Trust Pilot. The auditors intend to carry out a shadow ALE Process on the Foundation Trust Pilot to ensure that financial systems are sufficiently robust. This would be outside of the mainstream Auditors Local Evaluation process. Further risks included significant continuing challenges across Greater Manchester on Health Inequalities, progress was now being made on the next phase of work. Ongoing risks remain around targeting resources, failure to meet PSA targets and partnership working. Maurice Smith stated that there needed to be a focus on the audit role with reference to Health Inequalities outcomes.

High crime levels were another identified risk. Despite recent falls, Greater Manchester is unlikely to meet challenging long-term crime reduction targets. There is a risk that current arrangements are not maximising joint working, use of resources or performance management arrangements. There is cross Local Authority/Primary Care Trust work where crime falls into health remits, for example in the specific tracer areas around mental health and substance misuse.

LIFT was also highlighted as a risk. LIFT partnerships are large and complex undertakings and as such are high risk. Tom Haslam advised that the Audit Commission would continue to hold a watching brief over

**Tommy
Rooney**

4.5	<p>LIFT developments. This is to assess the extent to which the management arrangements mitigate the project's risks.</p> <p>A list of planned outputs could be found at page 12 of the report, also detailing indicative dates for work.</p> <p>A number of assumptions had been made in setting the fee, which were located at page 18.</p> <p>Mike Tate referred to Appendix 2 and highlighted that the figures detailed were without VAT included.</p> <p>Mike also asked what reports and feedback the Primary Care Trust would receive from the Audit Commission in respect of the Payment by Results for the £35,000 fee, as a breakdown in this area would have been helpful. Mike asked if the report could be next year better presented by way of more explicit information on bottom line totals.</p> <p>Maurice Smith asked the Committee to approved the fees set out by the Audit Commission within the Audit Plan for 2007/08.</p> <p>The fees were approved by the Committee.</p> <p><u>Payment by Results Data Assurance Framework:</u></p> <p>Mick Waite provided an overview of this work to the Committee. The Payment by Results data assurance framework is a rolling programme of work which will be developed, managed and delivered by the Audit Commission following request by the Department of Health. The programme of work will begin in 2007/08, following successful piloting during 2005/06 at Trusts and Primary Care Trusts in two Strategic Health Authority areas. The primary objective of the assurance is to improve data quality standards and thereby increase confidence in the operation of Payment by Results. The assurance framework will be delivered as part of the Primary Care Trust audit in 2007/08 and will form part of the Primary Care Trusts local audit programme and fees. The core component of the assurance framework will be a programme of independent, external clinical coding audits at all NHS Acute Trusts across the country. This will be performed by experienced NHS Connecting for Health registered clinical coders.</p> <p>National benchmarking information, being developed jointly by the Audit Commission and NHS Information Centre for Health and Social Care will be used to target the audits both to areas of common national interest or themes and to areas where national information suggests that a Trust is behaving differently from others or over time.</p> <p>A provisional schedule has been drawn up for the delivery of the coding audit programme. Trusts will be notified in advance of the start of the audit process. This process will begin with the issue of targeted benchmarking reports and a clinical coding questionnaire six weeks prior to the onsite audit by a clinical coding auditor.</p> <p>All of the outcomes and information from the assurance framework will be shared with Primary Care Trusts and Acute Trusts. Coding auditors</p>
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	<p>will share information and discuss findings with coding and information staff before leaving the Acute Trust. A report will then follow, summarising the findings and conclusions of the audit, which may include issues and implications which require wider discussion by finance and information staff. While the report will be produced by the Primary Care Trust, it will also be shared with the Acute Trust in order that the implications of any findings can be fully discussed, understood and taken forward.</p> <p>The Audit Commission will provide briefings throughout this work to provide regular information and advise on any emerging issues from both the coding audits and benchmark indicators. This work will assist in targeting risk areas for clinical coding and will drive data quality standards up and raise the profile. Benchmarking reports will be provided at the start of the process and throughout. A fee of £35,000 has been agreed with the Department of Health, and will be charged to Primary Care Trusts as outlined within the document "Work Programme and Scale of Fees 2007/08". Methodology for the work has also been agreed and had been designed by an expert reference group.</p> <p>The national themes which are proposed for review are cardiology, orthopaedics and paediatric medicine. These themes have been identified following consultation with services: Cardiology has been selected as it is associated with a number of high cost Healthcare Resource Groups and is activity undertaken at most Acute Trust. Orthopaedics has high cost, high volume Healthcare Resource Groups and paediatric medicine is proposed for Trusts with specialist units where activity is likely to be significant.</p> <p>A number of concerns were raised concerning this work in that it may have a long term detriment on how organisations are assessed.</p>	
<p>5.</p> <p>5.1</p>	<p>Internal Audit</p> <p><u>Internal Audit Progress Report – Quarter 1:</u> Keith Bowman advised that from work to date, there were no specific issues of significance to bring to the attention of the Committee.</p> <p>Sarah Blackwell highlighted the following items from the circulated report on works completed/reports issued:</p> <p>Electronic Staff Record – Project Initiation Review: Due to go live in February 2008. The Mersey Internal Audit Objective in this area was to evaluate and comment on the arrangements established by Ashton Leigh and Wigan Primary Care Trust for the initiation of the Electronic Staff Record programme. Mersey Internal Audit will continue to provide support to the Primary Care Trust throughout the implementation of Electronic Staff Record. The next phase of work is in relation to the development of "process maps".</p> <p>Risk Maturity Review: Mersey Internal Audit have looked at best practice in this area in order to provide the Primary Care Trust with an assessment of risk maturity of the organisation and to inform audit strategy and approach. Interviews have taken place to ascertain the views of the Primary Care Trust officers and Non-Executive Director</p>	

	<p>with specific responsibility in the area of risk management. A full risk assessment will take place in October 2007 as agreed with Anne Parmley. A report will be brought back to a future meeting of this Committee.</p> <p>Dental Contract Monitoring: First phase of this work is now complete. Pro forma analytical review is to be completed on a monthly/annual review basis. A pilot is expected to be undertaken with regards to a roll out of the practice review.</p> <p>Locality Review: Fieldwork currently in progress. Findings will be reported to the next meeting of this Committee.</p>	
<p>6.</p> <p>6.1</p> <p>6.2</p> <p>6.3</p> <p>6.4</p> <p>6.5</p> <p>6.6</p> <p>6.7</p> <p>6.8</p> <p>6.9</p>	<p>Risk Management</p> <p><u>Corporate Objectives 07/08:</u> Jan Bannister advised that the version of this document circulated with today's agenda, contained a previous draft version and was not the final version which had been submitted to the PCT Board. Maurice requested that the final version should be circulated to all members of the Audit Committee for their information.</p> <p><u>Draft Statement on Internal Control:</u> Jan Bannister reported that this document was submitted to the SHA on 29 May. There has been no feedback or further guidance received on this to date.</p> <p><u>Standards for Better Health – Annual Declaration:</u> This document had been submitted to the May meeting of the PCT Board and had been approved. Jan advised that she would be following up on third party comments. One comment had been received around long term conditions which had been discussed with Eve Crabtree and fed back to the Public and Patient Involvement Forum.</p> <p><u>Standards for Better Health – Declaration Opinion – Mersey Internal Audit Agency:</u> Jan Bannister advised that there were some actions detailed within the document concerning updating on evidence. Jan has been liaising with relevant Directors to take forward.</p> <p><u>Fire Safety Committee Annual Report 06/07:</u> Item noted for information.</p> <p><u>Fire Action Plan from Mersey Internal Audit Agency:</u> Item noted for information.</p> <p><u>Risk Management Annual Report 06/07:</u> Item noted for information.</p> <p><u>Fire Safety Review – Internal Audit Progress Briefing Note:</u> Item noted for information</p> <p><u>Fire Service Level Agreement:</u> Item noted for information.</p>	<p>Jan Bannister</p>

7.	<p>Audit Committee Terms of Reference:</p> <p>Peter Edwards presented this item to the Committee. This document had been previously submitted to the PCT Board. Changes had been made by Tommy Rooney as highlighted within the document. The paragraph concerning membership still requires one change to be made regarding the appointment of the Chair by the Appointments Commission rather than the Board .</p>	
8.	<p>Draft Financial Accounts</p> <p>Peter Edwards presented this item to the Committee. This item will be submitted to the next PCT Board on 27 June. Peter advised that notes on detail around this item could be found with the accounts papers circulated within today's agenda. The accounts were being looked at jointly in conjunction with the Audit Commission as part of their accounts review. Tommy Rooney advised that there had been no problems identified thus far.</p>	
9.	<p>Waiving of Standing Orders</p> <p>Peter Edwards informed the Committee that there were no waiving of standing orders to report.</p>	
10	<p>Losses and Special Payments Register</p> <p>Peter Edwards advised that following the previous meeting of the Audit Committee, there were a further two losses to report around vandalism to clinics and excess regarding the LTPS scheme (insurance costs).</p>	
11	<p>Items for Information</p>	
11.1	<p><u>Director of Internal Audit Opinion:</u></p> <p>The draft version of this report was submitted to the previous meeting of the Audit Committee. Committee members were asked to note the final version, circulated with today's agenda for information.</p>	
12	<p>Any Other Business</p> <p>No further business was raised.</p> <p>Maurice Smith closed the June meeting of the Audit Committee at 11am.</p>	
13	<p>Date and Time of Next Meeting:</p> <p>Next meeting to take place on Wednesday 19 September 2007, 9.30am in Room 409, Bryan House.</p>	