

**AUDIT COMMITTEE**

Minutes of the meeting held on Wednesday,  
the 17<sup>th</sup> September 2008  
9:30 – 11:30, room 409, Bryan House

Present	Audit Commission	Internal Audit
Maurice Smith David Wharfe Anne Parmley – attending for item 7 Dorothy Whitaker Julie Southworth Kathryn Maloney Mike Tate Peter Edwards Sam Wilde Karen Bliss	Tommy Rooney Mark Heap Sara Utlej	Sarah Blackwell Tony Cobain Tony Kelly Stuart Davidson
<p><u>In attendance:</u></p> <p>Peter Hesitraten                      Beverley Spencer                      Alan Tweddell                      Paul Turner for item 3.3                      Agnes Tuchorska (minutes)</p>		

**ACTION**

<b>1</b>	<p><b>Welcome and apologies for absence</b></p> <p>Maurice Smith welcomed all to the September meeting of the Audit Committee and asked the attendees for introductory round as there were several new members, invited guests and deputising persons present.</p> <p>Sam Wilde will be now representing the Community Healthcare as its Associate Director of Finance instead of Kate Fallon, Karen Bliss, as the Audit Chair for Provider Arm will be a standing member instead of Harry Holden, Tony Cobain will represent elements of the internal audit report relating to information and technology and Sarah Utlej will be representing the Audit Commission as the external audit Performance Lead.</p> <p>Apologies for absence at this meeting were received from Kate Ardern. Anne Parmley had informed that she would participate for item 7 only and was represented by Beverly Spencer.</p>	
<b>2</b>	<p><b>Minutes of the last meeting held on 18<sup>th</sup> June 2008</b></p>	

	<p>Agnes to amend Minutes:</p> <ul style="list-style-type: none"> <li>Estates, Point 3.4 paragraph four, last sentence, should read "John Ward and WWL are working to rectify"</li> <li>External Audit Point 5.1 paragraph 1, first part of second sentence should read "He advised that the LIFT action plan..."</li> </ul> <p>Other comments in this section:</p> <ul style="list-style-type: none"> <li>Maurice Smith asked Sam Wilde to provide a report on the transfer of legal title of five properties to ALW PCT to the Audit Committee regularly as a standing item, also as an item for the next meeting.</li> <li>David Wharfe suggested that minutes of the Audit Committee of Community Health Care should be on the agenda. Maurice Smith asked Karen Bliss to bring forward for the next meeting and treat it as a standing item.</li> </ul>	<p>Agnes</p> <p><b>Sam Wilde,</b> Agnes</p> <p><b>Karen Bliss</b> Agnes</p>
<p><b>3</b></p>	<p><b>Matters Arising</b></p> <p>Maurice Smith informed that he checked the progress on Action Points prior to the meeting and they are all actioned, cleared or followed up on today's agenda.</p> <ul style="list-style-type: none"> <li>With regards to 3.3 it will come back in June</li> <li>Point 5.4 paragraph 5: followed by Maurice Smith's question Tommy Rooney informed that Sarah Blackwell will meet with Julie Southworth to discuss the review</li> <li>Point 5.4 paragraph 6 as per information from Tommy Rooney (received after this Audit Committee in email on 19/09/08) this point was not discussed yet between Kate Ardern and Pat Johnson and Tommy Rooney will liaise with Kate Ardern.</li> </ul>	<p><b>Tommy Rooney/Dr Kate Ardern</b></p>
<p><b>3.1</b></p>	<p><b>Practice Based Commissioning Updated SMART Reports</b></p> <p>Julie Southworth presented and discussed the attached SMART plan table highlighting the progress that has been made in the particular recommendations. Julie Southworth explained that red colour means the changes that have been made. As for Recommendation 3 (Approval of commissioning plans) she informed that the commissioning plans will be submitted to the Board in October. Recommendation 5 (Use of efficiency savings) the policy was agreed and issued. The progress will escalate once the Framework for Securing External Support for Commissioners team starts operating within PCT. It will be especially helpful in Recommendation 6 (Information Exceptions). Recommendation 9 (Contestability) - Julie Southworth explained that in this respect we follow the national guidelines as there are no local arrangements regarding contestability.</p> <p>The Chair thanked JS for the very comprehensive table presentation and explanations and asked for the updated table on SMART Reports to be presented once more at the next meeting. Once it comes back in December for assurance, the matter will be then closed.</p> <p>Maurice Smith requested that both in SMART Reports and Out Of Hours Service Report an additional headline is added with each</p>	<p><b>Julie Southworth</b></p> <p><b>Julie</b></p>

	Recommendation: closed or ongoing.	Southworth
3.2	<p><b>Out of Hours (OOH) Action Plan Progress Report from Commissioning</b></p> <p>Julie Southworth presented draft Action Plan for OOH Service and discussed required actions. It had been agreed that the national standards will be met. The works are carried out very closely with the provider partners to assure that no further investment will be required. Point 5 (Service developments) position 3 – GP triage of patients in A&amp;E – this is under review as the facilities at the acute site would not be able to cope with so many extra patients attending, as the parking space is limited and waiting area small so this will need to be changed.</p> <p>Maurice Smith requested for more feedback on point 2 (Budget) especially that it shows underspend. The Chair requested the OOH Report to be kept on the Agenda for the next meeting for the Audit Committee to monitor.</p>	
3.3	<p><b>Update on Emergency Planning Capacity and capability on Business Continuity Management</b></p> <p><u>Emergency Planning</u>  <u>Major Incident Plan:</u>                      Paul Turner presented the Emergency Planning document, outlining the PCT Preparedness towards major incidents - response and recovery. This is covered by the discussed Major Incident Plan. It was last updated in October 2007 and is now in process of major revision. Other plans are also being developed currently:                      -PCT Severe Weather Plan (for cases of heat wave, floods, storms, drought, extreme cold) this plan shall be ready in a few months                      -PCT Influezna Pandemic Response Plan, with the aim to have a robust plan ready in place for December 2008.                      PCT is in contact with WWL and Community Healthcare which are also preparing their plan to ensure consistency.</p> <p><u>Communications:</u>                      As for communications resilience during major incidents, Paul Turner highlighted that PCT has three separate servers for Internet Protocol telephone network as well as its own power generator for cases of power failure. Apart from that the satellite telephones are in place (were tested with positive results) and radio capability which may seem simple but proved helpful and the only working solution during hurricane Katherine in the US.</p> <p><u>On Call System</u>                      The executive team in PCT takes turns for the On Call availability for response in case of incidents. Key contact details are included on the list. The Board's concern regarding lack of contingency in case the executive person On Call is unavailable (for example lack of network coverage, mobile phone failure) was now addressed and a system to contact an alternative executive was introduced.</p> <p><u>Training and exercise</u>                      This item is expanding and various sessions are carried out with staff and managers. Paul Turner also highlighted training sessions in conjunction with partner agencies represented on the Wigan Resilience Forum. Maurice Smith asked why the Exercise Maximus was postponed from September to January. Paul Turner replied that unfortunately out of 54 NHS organizations that had been asked to engage in the exercise only 28 responded. ALW PCT responded within 24h. However, Paul Turner</p>	

	<p>informed that Kate Ardern is planning to carry out an exercise in October nonetheless. Followed by question from Maurice Smith on date's confidentiality, Paul Turner responded that two executives are aware of the date.</p> <p><b><u>Business Continuity Management (BCM)</u></b> Paul Turner presented and discussed the Business Continuity Management document. It was primarily introduced as a section of Major Incident Plan however due to new guidelines and circumstances it needs to be developed and taken further. Paul Turner pointed out that he perceives BCM as a corporate responsibility (although related to emergency planning) rather than an emergency planning function. Progress is being made already, especially working with the Provider Arm, but for further developments a PCT Executive Champion is required to prompt BCM across the organization. Maurice Smith advised that he was not fully satisfied with the conclusions of that report and asked Paul Turner to discuss it in detail with Kate Ardern and identify clear steps to be taken. David Wharfe was asked to assure the process. Maurice requested Kate Ardern and David Wharfe to take this matter to SMT so as to appoint a champion. Maurice Smith requested that the Emergency Planning comes back on the Audit Committee Agenda in 6 months – after the Exercise Maximus.</p>	<p><b>Paul Turner/Kate Ardern/David Wharfe</b></p>
<p><b>4.1</b></p>	<p><b>EXTERNAL AUDIT</b></p> <p>Before the presentation of Report, Maurice Smith announced that this will be the last time that Tommy Rooney attends the Audit Committee as he is being replaced as the PCT's external Audit Manager in October. Tommy Rooney has been the PCT's Audit Manager for over five years and on behalf of the Audit Committee the Chair thanked him for his significant contributions. During the last five years there has been a substantial improvement in ALW PCT performance. Maurice Smith also welcomed Sara Utley to the Audit Committee as she will now represent Audit Commission as the external audit Performance Lead. Mark Heap informed the Committee that Tommy Rooney's successor, Peter Williams, will be present at the next Audit Committee.</p> <p><b>Progress Report</b> Tommy Rooney presented and discussed the Progress Report. The LIFT High level risk assessment action plan has been completed and incorporated into final report. Also the Fitness for Purpose: Community Foundation Trust Pilot is complete in terms of review of value for money and the review of financial management and internal control is currently in progress. The delay was due to the process of gathering the evidence, completing the self assessment and the need for the member of staff from the Audit Commission to complete final accounts audits. For the Health Inequalities and Community Safety Phase 1 reviews, a pan Greater Manchester reports are being drafted. The Chairman accepted the report and requested that the name "Greater Manchester" report should be used for future reference.</p>	
<p><b>4.2</b></p>	<p><b>Payment by Results Final Report</b></p>	

Tommy Rooney presented the Final 2007/08 PbR Report. The 2008/09 report will be presented at the next meeting of the Audit Committee. TR informed that the closure meeting had been held. The aim of this work is to assess the accuracy of clinical coding in the targeted areas and to support improvement in coding and associated arrangements. This report is issued by the Audit Commission to the Wrightington, Wigan and Leigh Hospital Trust as well. It can also be provided to other PCTs who commission from the acute trust.

The outcome from the 2007/08 review was positive and very good results were noted. Table 1 page 5 shows sample areas of audit. Tommy Rooney highlighted Table 2 on page 6 of the Report which presents main findings. There are very few concerns and the results are in top range of national average.

Referring to Table 2 on page 6 Maurice Smith expressed concern with the high percentage (42%) of Secondary procedures incorrect for Geriatric Medicine. MS wondered whether it means that 42% of patients in this health area are receiving wrong treatment. Maurice requested an explanatory note/email from Tommy Rooney on that subject. Mike Tate explained that the issue was one of data collection and interpretation rather than being a clinical issue. Data presented was the clinical coders' view of procedures undertaken rather than the actual clinical work undertaken.

**Tommy Rooney**

Email with response received from Tommy Rooney on 19/09/08



FW ALW PCT.msg

*(...) "Also, when we were discussing the Payment By Results report, you asked if there was any more detail on the point made on page 6, Table 2, which refers to 42% of secondary procedures for Geriatric Medicine being incorrect, specifically, if this has any clinical implications. I've discussed this with our central team who coordinate this work. I understand that this is an issue about data accuracy rather than clinical effectiveness or clinical issues. To be specific, in Geriatric Medicine 26 secondary procedures were checked, 15 were correct but the data recorded on 11 were wrong - 4 had a missing 4th character code (meaning that they were nearly right but not quite) and 7 had the secondary procedure omitted. The issue for the PCT overall with regard to the accuracy of clinical coding is that the codes need to be recorded accurately so that the PCT gets good quality information for activity planning and commissioning. More widely, the biggest impact of our work and on clinical effectiveness is around the quality of source documentation. Here auditors look at the quality of information that coders use, namely case notes. A lot of the recommendations we are making relate to the need for trusts to improve the quality of case notes. Obviously this has a big impact on the quality of patient care as improving case notes improves clinicians' understanding of patients' treatment. Please don't hesitate to raise any further queries and I'll take them up with our central team (...)"*

**4.3 Notification of ALE Score 2007/08**

	<p>Mark Heap presented the Notification of Auditors' Local Evaluation 2007/08, the overall score is 4 which means "Well above minimum requirements – performing strongly". Mark Heap advised that these scores cannot be publicised until the mid October and requested that this information stays within the Audit Committee. Maurice Smith advised that this information should be brought forward for the next meeting.</p>	
<p><b>4.4</b></p>	<p><b>Changing Organisational Cultures: Governance &amp; Ethics Report</b></p> <p>Tommy Rooney presented the report which included the results of a survey available to all PCT staff online, carried out in December 2007. The work involved survey and workshops to enable the PCT Staff, especially senior team and budget holders, to give their perceptions of the effectiveness of ALW PCT towards preventing and detecting fraud. The output of the survey is compared against the national database in Appendix 1 of the report and selected questions are considered in more detail within the report. The outcome from the workshops is presented in Appendix 2&amp;3. The overall results were positive but some work still needs to be done. Recommendations and action plan is presented in Appendix 4. These mainly suggest taking further fraud awareness training for managers and staff but also that the PCT consider the outcome of the survey and workshops and determine any other actions that are required.</p> <p>The Chair accepted the report and expressed his satisfaction that the results for ALW PCT are better than national average results. However, as it is a sensitive area further actions need to be taken and the recommendation in the form of action plan will be followed up. Maurice Smith asked to be especially conscious with regard to contracts.</p>	
<p><b>4.5</b></p>	<p><b>Report on the Commissioning of Provider Services review</b></p> <p>Tommy Rooney presented the results of the review. This audit was undertaken at ALW PCT and focused on the PCT as commissioner rather than as provider. The main themes and questions of the audit covered the following issues of commissioning: the strategic fit, configuration for provider services, finance and governance (managing business and governance risks), business and commissioning skills, effectiveness of VFM and health improvement delivery. The summary is presented on page 6 and it identifies the strengths of PCT in commissioning area: strategic vision, staff commitment, interim risk management, sound financial management and steps taken to strengthen the commissioning arrangements (in-house team and Framework for Securing External Support for Commissioners team). However point 12 page 6 outlines big questions that need to be addressed by PCT. PCT needs to define what contestability means in ALW context. PCT needs to develop and promote a healthcare market with plurality of provision. Another issue is balancing the competing responsibilities of nurturing the new Community Healthcare organisation whilst demonstrating contestability and using the market to maximise value for money. Recommendations were presented on page 7 point 13 as well as an action plan at Appendix 1. It is recommended that PCT develops methodology to demonstrate contestability with clear criteria for commissioning provider services. Also formalisation and documentation of how to balance the competition with Community Healthcare is needed.</p>	

	<p>Maurice Smith thanked for the diagnostics for PCT and recognized these issues as crucial to PCT and its further relationships with Community Healthcare and other partners.</p> <p>Mike Tate noted that an NHS procurement guide had been recently issued by DoH and would be circulated to PCT staff.</p>	
<b>5.1</b>	<p><b>INTERNAL AUDIT Progress Report</b></p> <p>Tony Cobain presented the first part of Progress Review regarding the Information Technology and Information Confidentiality. The results show that work on developing IT structure, providing structures for the new organizations is progress. Tony Cobain highlighted the importance of use of two core technologies: server virtualisation and active directory to provide appropriate network and information confidentiality.</p> <p>There is another issue for improvement to be taken into account at this early planning stage: service management and mobile data security (Blackberries).</p> <p>Alan Tweddell noted that the recommendations in taking the IT systems forward for the new organisations have now been accepted with an action plan put in place. The plan is updated monthly on the Performance Accelerator tool for monitoring purposes.</p> <p>Sarah Blackwell continued the presentation of the report. With regards to the Commissioning Arm of the PCT, a follow up review has been completed (see below for separate report). In addition Mersey Internal Audit Agency has supported the PCT with the Quality Outcomes Framework 5% Random Fraud check. With regards to PCT as a Provider several reviews of systems delegated to the Community Healthcare have been conducted and full detail has been provided to the Audit Committee in August. Some points were also noted as especially relevant to the Commissioning PCT: Appraisals/Personal Development Plan – there is a need for all NHS staff to have an appraisal annually in line with PCT policy and best practise. Also matters following the review of Electronic Staff Record and systems reviews were highlighted.</p> <p>Maurice Smith acknowledged the matter of Staff Appraisals as very significant. It is not only a HR matter but it should also lie within the Heads of Department responsibilities. Maurice Smith requested David Wharfe to take this matter to SMT for consideration.</p>	<b>David Wharfe</b>
<b>5.2</b>	<p><b>Follow up Review – Summary for the Audit Committee</b></p> <p>Sarah Blackwell presented the Follow up Review. The objective of this review was to provide an update on the progress of implementation of recommendations made during 2005/06, 2006/2007 &amp; 2007/08 and an analysis of the level of agreement with the recommendations made. The results indicate that PCT is improving its implementation record. Some results were agreed to be followed up in June at the request of the Audit Committee. Out Of Hours is also outstanding but it is reviewed by the Audit Committee and will come back on the next meeting. With regards to follow-up of IT matters, Alan Tweddell explained that the IT department is awaiting new software. It was also pointed out that the progress report had been completed at a point in time and therefore the PCT had cited that some additional recommendations had been progressed subsequently.</p>	
<b>5.3</b>	<p><b>Follow up Review – Detailed including Appendices</b></p>	

	<p>Sarah Blackwell advised that the submitted report is similar to the above, but in addition provides appendices that details progress made against all recommendations that are to be followed up.</p> <p>There were no comments from the Committee members.</p>	
6.1	<p><b>COUNTER FRAUD</b> <b>Counter Fraud Policy and Response Plan</b></p> <p>Stuart Davidson presented the report. It defines the policy and response plan for dealing with suspected incidents of Fraud and Corruption. The policy is designed to minimise loss to the PCT by deterring, preventing and detecting fraud and providing effective action against it. This Policy applies to all employees. Upon implementing this policy, managers must ensure that staff are treated fairly and within the provisions of the PCT's Equal Opportunities Policy. Attention should be paid to ensure that the policy is understood by all staff.</p> <p>Tommy Rooney had inquired about the amount of £1 – £2 billion mentioned on page 4 point 1.3 as an estimated fraud amount in NHS per year. Tommy Rooney asked for the origins of that data, and due to the unsatisfactory answer he expressed his concern about further using it. He had researched that prior to meeting in Audit Commission and did not find the source.</p> <p>Maurice Smith asked for that sentence to be taken out of the report. Agnes to arrange.</p>	<p><b>Stuart Davidson/ Agnes</b></p>
6.2	<p><b>National Fraud Initiative</b></p> <p>Stuart Davidson presented National Fraud Initiative (NFI) Briefing Note. The NFI exercise (sophisticated data matching exercise) will commence again in October 2008, subsequently PCT will receive instruction for the NFI 2008 and specific requirement of nominating Local Counter Fraud Specialist. The summary in the presented document outlines the main responsibilities of the senior responsible officer (Director of Finance) and the Key Contact (LCFS).</p>	
7.1	<p><b>RISK MANAGEMENT</b> <b>Standards For Better Health Position Statement</b></p> <p>Anne Parmley presented Standards for Better Health – Position statement Quarter 2. It is a key part of performance assessment by the Healthcare Commission. It is a live document which reflects the ongoing work undertaken across the organisation. Evidence supporting the statement of compliance can be found on the PCT "S" drive under Standards for Better Health. No questions were raised.</p>	
7.2	<p><b>Scheme of Delegation</b></p> <p>Anne Parmley presented the Scheme of Delegation 2008-09. The</p>	

	<p>organization is currently undergoing a period of re-organisation, which has resulted in a need to review the allocation of core and developmental standards supporting the Annual Healthcare declaration to the Healthcare Commission. The attached document identifies current lead directors and requests new nominations are made where relevant to cover the separation of provider services. No comments were raised.</p>	
<b>7.3</b>	<p><b>Corporate Objectives quarter 2</b></p> <p>Anne Parmley presented the Corporate Objectives &amp; Assurance Framework 2008/09 - Quarter 2. This document sets out the corporate Objectives for 2008/09 and identifies Quarter 2 assurances and gaps. This document is based on assumptions outlined two years ago by the Fitness for Purpose scheme. Once the World Class Commissioning is completed these will need to be revised. Also the Corporate Objectives q2 will be presented at the next Board meeting on the 24<sup>th</sup> September. No questions or comments were raised.</p>	
<b>7.4</b>	<p><b>Risk Register</b></p> <p>The Risk Register is a risk management tool that enables the organisation to clearly understand its comprehensive “risk profile”. It is a repository for all risk information; the repository is the hub of the organisation’s system for internal control. Anne Parmley presented the Corporate/Strategic Risk Register Quarter 2. No comments or questions were raised.</p>	
<b>8.1</b>	<p><b>CORPORATE OFFICE</b> <b>Waiving of Standing Orders</b></p> <p>In the absence of the Chief Executive, Peter Edwards presented the Items for Tender Waivers table and explained that each item is supported with documents which are not attached in this agenda but are available if needed.</p> <p>The Chairman brought the attention of the Committee to the level of commitment to the Healthy Food Business Awards scheme. This new scheme will be driven by a staff team of five employed by the Council who, with on-costs, will cost the PCT £1.1 million over a five year period. Its aim will be to persuade ‘food businesses’ in the area to apply for the Healthy Food Business Award with a view to changing the eating behaviour of residents. In such schemes, the links between inputs and outcomes i.e. the efficiency and effectiveness measures, such as reducing obesity and improving health, are notoriously difficult to track on a causal basis. The Audit Committee will watch this development with interest. Its business today, though, was to note the waiving of the standing order to award this significant contract, without competition, on the basis that ‘specialist expertise is required, and is only available from the Council’s Environmental Services Department’. However, as Chair, MS will raise this in his one page summary for the Board.</p>	<b>Maurice Smith</b>
<b>8.2</b>	<p><b>Capital Allocations</b></p> <p>David Wharfe updated the Audit Committee on the PCT approach to</p>	

	<p>capital spending. Attached for information was a letter received from Mark Ogden, NHS North West, Strategic Health Authority, with enclosed North West SHA's PCT Capital Policy. The main points are that an early notification of underspends or slippage will be managed collectively. However if PCTs delay the notification beyond month 6, the future year's allocations will be reduced by the 2008/09 underspend. This will be looked in depth at the meetings of SHA's capital, estates and finance teams with PCTs. The Director of Finance stated that it is a serious issue. Our PCT cannot afford to make a mistake here and thus all directors have to report back against funds that they had been assigned. If we don't spend allocated money – other PCTs can bid for it. MS asked the Auditors from Audit Commission for their observations and advice on that subject. As it is a matter of urgency Chairman requested a timely answer.</p>	<p><b>Mark Heap/Tommy Rooney</b></p>
<b>8.3</b>	<p><b>Losses &amp; Compensation Register</b></p> <p>Peter Edwards presented the Losses and Special Payment Register. The Committee noted the register as reported. This item will also be raised at the next Audit Committee meeting.</p>	
<b>9.1</b>	<p><b>ITEM FOR INFORMATION ONLY</b> <b>IFRS Update for Final Accounts 08/09</b> The Audit Committee noted as reported.</p>	
<b>9.2</b>	<p><b>Annual Audit Plan 2008/09</b> The Audit Committee noted as reported.</p>	
<b>10</b>	<p><b>ANY OTHER BUSINESS</b> No other business was raised.</p>	
<p><b>TIME AND DATE OF NEXT MEETING:</b></p> <p>Wednesday 10<sup>th</sup> December, 09:30am – 11:30am, Room 409, Bryan House</p>		