

**WESTMINSTER PRIMARY CARE TRUST**

**AUDIT COMMITTEE**

**DRAFT UNCONFIRMED MINUTES OF THE MEETING HELD ON 4 MARCH 2003**

**Members:** Rodney Brooke (Chair)  
Joe Hegarty  
Khan Huq  
Catherine Longworth  
Andrew Whitley

**In Attendance:** Jeff Deane  
Mike Haworth-Maden, District Audit  
Terry Blackman, District Audit  
Rachel Tilford – District Audit  
Denis Stephens – for Paul Gittus, Parkhill Audit  
Suki Pooni – Parkhill Audit  
Indira Shah – Parkhill Audit  
Sandy Coe – to minute

Those present introduced themselves.

**1. Apologies for Absence**

There were no apologies.

**2. Minutes of Last Audit Committee dated 3 December 2002**

Joe Hegarty stated that the grammar of the minutes could be improved in places. He referred to the second sentence on page 3 re the summary of Westminster PCT Opening Balances': "The Chair of the Audit Committee mentioned the land from W9, which may be used for low cost housing and raised a possibility of a joint user by the PCT" . Suki Pooni raised some points in the Progress Report on Counter Fraud Services April – October 2002. Point 5.6 line 8 should read PPV not PPA, 5.10 line 3 the reference should be postal service not Post Office. On the last page of the report the reference should be to NHS Counterfraud Service not "CFOS. Line 6 should read "CFOS can provide a service not "CFOS can provide the best service'. The minutes were then agreed as an accurate record.

### **3. Matters Arising from the Meeting held on 3 December 2002**

The Chair of the Audit Committee said a better system to capture action points should be devised. A short report on action taken could save having to go through the last meeting's minutes orally. This was agreed.

Jeff Deane said he had received the Riverside external audit management letter from the Audit Commission but it did not contain anything new. He had written thanking them and asking them to investigate and follow up on the annual report from the internal auditors, Arthur Andersen.

The Whistleblowing policy had not yet been dealt with but would be by March. Jeff Deane said that Human Resources were dealing with whistle blowing and Karen Broughton would be reporting on this to the Board. He asked if the Audit Committee were happy for HR to deal with this or should whistle blowing be dealt with separately. The Audit Committee agreed that the policy should be sent to Audit Committee members for comments prior to submission to the PCT Board in March.

It was too early for the St Mary's outpatients Referral Group to be reporting back at this stage and Jeff Deane would come back to the Audit Committee on this point.  
**Action: Jeff Deane**

It was also noted by members that Parkhill Audit are not pursuing benchmarking services actively.

The subject of the land in W9 owned by the London DHSC was debated at length. With the London Region being abolished this October there was some uncertainty about ownership of the asset. The Chair of the Audit Committee again said that joint use should be considered and Andrew Whitley said it was another reason to put ourselves forward as owners. Joe Hegarty said we need to co-ordinate this with Philip Hurst. Jeff Deane said it was still an asset in our books and he will determine whether or not it will remain on our books. He will also raise the possibility of joint use.  
**Action: Jeff Deane**

Jeff Deane will circulate details of the fixed asset balances transferred to the PCT from Riverside.  
**Action: Jeff Deane**

Jeff Deane raised the issue of capitalising the pre 1995 pension liabilities. A prior year adjustment of £9-10m will need to be put through the accounts this year although this will not impact on the financial position of the PCT. It is expected that next year all the regional liabilities will be taken off the PCT balance sheet and held by a central NHS body still to be determined. Next year old pension liabilities will be met by a cash levy which will not affect the resource limit.

The action plan for the Cross Cutting Study into Rehabilitation Services was raised. This is still in draft form as not all comments had been received from all the bodies involved. It should be on the agenda for the next Audit Committee meeting.

Referring to the Internal Audit Progress Report April – November 2002 Internal Audit were following up the point on weekly banking. Jeff Deane said that the specimen signature list was as up to date as possible.

Referring to point 8 - Shared Services Risk Assessment and Performance Information - Catherine Longworth asked if further action was required on Garside House, currently run by the Kensington and Chelsea PCT. Jeff Deane said that Westminster PCT would be taking over the running of the home in early 2003/4 and we will need to make an assessment when the PCT take it over. He felt it was more of a risk management issue than an Audit Committee one. Joe Hegarty felt we ought to speak to Joe Gannon re the issues. Jeff Deane said that he had spoken to Ann Duncan. Management action had been taken and the Audit Committee should not get the impression that things were not being dealt with. Joe Hegarty requested that the management team receive a report from Joe Gannon on the likely risks on transfer. Jeff Deane will take this issue back to the Management Team for both Garside House and the new Athlone House transfer.

**Action: Jeff Deane**

#### Internal Audit Tender 2003/4

Jeff Deane presented this oral update. He had attended the North West London Shared Services Project Board meeting at which a programme was agreed to assess the Trust's requirements. The project plan timetable was working to an October tender deadline this year. The contract would be advertised early next month. It had been agreed that each NHS body would have either Executive or Non-Executive representation for the tender process and Jeff Deane confirmed he was representing the PCT. The presence of Andrew Whitley would not be necessary.

#### Westminster PCT Opening Balances

Jeff Deane confirmed that the balances had all been loaded on to the North West London ledger and the exercise had now been completed.

#### **4. Internal Audit Progress Report April 2002 – 20 February 2003**

Indira Shah presented this report. She went through the Synopsis of Audit Activity point 2.1. A draft report on budgetary control will be issued shortly. Management of Human Resources/Payroll Feeder system is a North West London Shared Services arrangement. An exit meeting will be held on 10 March and the outcome will be brought to the next Audit Committee meeting. There has been a slight delay on the timetable for audit of Financial Services Feeder Systems. Most of the audits have been carried out by PS Services. It was

agreed that members would be content to see action plans rather than full reports. Jeff Deane felt that one internal audit service for both the PCT and the shared services would be a more efficient process. The report on FHS Responsibilities had been finalised. A report on Service Level Agreements would be brought to the next Audit Committee meeting.

The three individual reviews mentioned in point 2.5: General Application Controls, Installations Review and Email Systems are all in progress at the moment.

#### Point 4.1 FHS Responsibilities

The systems in place were adequate. There were a few weaknesses and they have been addressed. They will be followed up on the next audit visit. Catherine Longworth queried the term 'adequate controls' and Indira Shah said that in the NHS Audit Manual controls can only be described as adequate or not adequate. Referring to line 5 in the Executive Summary, Khan Huq asked about the attachment of supporting documentation. Indira Shah confirmed that the documentation had not been attached. Khan Huq queried the amount and Indira Shah will come back to the next Audit Committee meeting on this item.

**Action: Indira Shah**

Jeff Deane referred to Controls Assurance. He felt it was sensible to tie this in with the year-end accounts timetable. Indira Shah said it should be possible if all the information is available.

## **5. External Audit**

### Draft Plan

Mike Haworth-Maden presented this report. This will cover two years as the external auditors are aligning their audit year with our own for the first time. The Plan reacts to the risks facing the NHS at a time of organisational change. The fee across the two years will be £255,000 plus VAT. The Plan has been discussed in depth with the Chief Executive and the Director of Finance and Performance Management. Jeff Deane referred to the need for SAS 610 compliance which would affect our next meeting date planned for June.

SAS 610 requires auditors to report explicitly to the Audit Committee any significant adjustments prior to the Trust Board approving the accounts. The report needs to be done in advance to give an opportunity to make amendments as we see fit. The next Audit Committee would have to meet in the middle of July to meet this requirement.

Joe Hegarty asked about the fee which is 5% above the midpoint of the indicative fee band set out in the Commission's fees letter for a PCT of Westminster's size. Mike Haworth-Maden said that there was a tolerance of 30% around the indicative fee. Jeff Deane said he was relatively content that the fee was 5% above the norm. The key issue is to get the accounts closedown plan right.

Joe Hegarty asked if the audit was going beyond the basic overall check on accuracy and probity. Mike Haworth-Maden said that the role is looking at arrangements the PCT has established. Joe Hegarty said that Auditors should consider whether shared services are providing good value for money. Jeff Deane said that this was shared service's first year and this was not representative of a normal year. NW London shared services are restructuring the service. Once this was complete it would be sensible to come up with some benchmarks.

Andrew Whitley raised the issue of pooled budgets and Mike Haworth-Maden said he had not done any specific work on pooled budgets at present but was happy to discuss this issue with Jeff Deane. Joe Hegarty said that we look to Internal Audit to satisfy that the PCT have things under control but we look to External Audit to take a wider view as to whether the PCT are doing things the proper way or what can be done to rectify this. Mike Haworth-Maden was happy to be held accountable.

Jeff Deane said that the Audit Plan 2004/5 would need to take account of pooled budgets and the new GP contract. Mike Haworth-Maden said the audit plan was subject to ongoing review and linked to risk management issues if pooled budgets become high risk for the Trust they have flexibility to change the plan and re-prioritise if necessary. The Chair of the Audit Committee said if the new GP contract goes ahead the PCT must put in place adequate arrangements for its supervision. A risk management plan should be in place in June.

### NHS Plan

Rachel Tilford presented this report. All PCTs and Trusts were involved in the NHS plan. In assessing priority areas the PCT would be classed as either low or high risk or likely or unlikely to improve. The PCT is making very good progress. Four high risk indicators were highlighted on page 5 of the report. The appointment of a Cancer Lead has brought down the risk.

### Financial and Performance Management

Good systems are being put in place and will this will be re-visited later to see if further progress has been made.

### Data Quality Year 2 Review

Terry Blackman presented this report, which looked mainly at the new PCT's systems.

Khan Huq and Catherine Longworth raised the issue of the 5% sickness absence target. How did that compare with the national benchmark? Was it the norm? How did we measure it? What action was taken to ensure that it was met?

Joe Hegarty said sickness levels should be monitored routinely by managers at a local level and reports should be available from the Human Resources department. Jeff Deane said that sickness monitoring will be part of the performance report we are developing. The production of monthly statistics to managers has not happened as yet. Jeff Deane will take the issue to the Management Team to see when we can get information to go to the board. The Chair of the Audit Committee said we need regular performance management reports to include figures of sickness and action taken to reduce them. Khan Huq asked that the Audit Committee be given the national benchmark figure.

**Action: Jeff Deane**

Catherine Longworth asked about PRIMIS and its purpose. Rachel Tilford said it is Human Resources networking across primary care. Joe Hegarty raised the issue of primary care information development. Khan Huq said that the ethnic minority figures were appalling and had not been put in. Andrew Whitley queried reference costs and was anything being done about it as they were not in the report and were they a risk area. Jeff Deane confirmed that for the current year reference costs only apply to PMS Plus Pilots as they are still under development nationally.

## **7. Risk Management**

The Chair of the Audit Committee asked at what stage could this Audit Committee satisfy itself that a proper risk management policy is in place. Indra Shah said that Parkhill Audit deal with three core standards but risk management needs to be reviewed against the 21 published standards. Joe Hegarty said that the risk management committee will need to ensure that the 3 core standards are met for 2002/3. The Chair of the Audit Committee said the PCT will need to review the auditors' Report on Risk Management to see if all 21 standards have been looked at. Joe Hegarty queried if there is a conflict of interest with Parkhill Audit but Jeff Deane said that Parkhill only provide consultancy support and the PCT will need to do the detailed work.

## **8. Any Other Business**

### **Financial Shared Services**

Jeff Deane presented this report. The internal Audit reports had been received and there were a few recommendations but nothing of any great significance. We were close to signing the service level agreement. The only area of concern was that we were not receiving much performance information from them but they have promised to send this out to us.

The shared services unit was undergoing major reorganisation, with a May deadline for completion. There was concern about the move to 15 Marylebone Road during the final accounts process and the 2003/4 budget has not been signed off as yet.

Catherine Longworth asked about shared service issues in the context of the Bedford report. In particular, was payroll contracted out? Jeff Deane confirmed that benchmarking would start when restructuring was complete. He was concerned about the one-off financial consequences of reorganisation, which had not been included in the budget.

Mike Haworth-Maden said that this may now be on the Audit Commission agenda and he will report back to the next Audit Committee meeting with an update.

**Action: Mike Haworth-Maden**

**9. Dates of Meetings for 2003/4**

To be confirmed.

**10. Members Meet the Auditors**

At the end of the meeting the members of the Audit Committee had a private meeting with the auditors.

**WESTMINSTER PRIMARY CARE TRUST**

**Board Meeting: 25 March 2003**

**Agenda Item :            11.3**

**Title:                    AUDIT COMMITTEE DRAFT UNCONFIRMED MINUTES OF  
MEETING HELD ON 4 MARCH 2003**

**Lead:                    JEFF DEANE**

**Summary :**

The Audit Committee Meeting draft unconfirmed minutes are provided to the Board to note by the Director of Finance and Performance Management.

**Recommendation:**