

BIRMINGHAM EAST AND NORTH PCT

AUDIT COMMITTEE

Minutes of the extra meeting of the Audit Committee held on 4 June 2009 in the Boardroom at Waterlinks House at 9.45 am

Present Mark Ford (MF)– Non Executive Director
Richard Miner (RM) – Chairman
Brendan O’Brien (BOB) - Non Executive Director

In Attendance Mike Burns (MB) – Director of Finance
Paul Dudfield (PD) – Head of Internal Audit
Gill Edwards (GE) – External Audit
Preya Maini (PM) – External Audit
David Rigg (DR) – District Auditor
Jonathan Tringham (JT) – Director of Resources
Hilary Wood (HW) – Head of Corporate Services

BEN Apologies Action
09/16 No apologies were received

BEN Annual Governance Report
09/17 The key messages were on page 4 of the report which showed that the District Auditor had given an unqualified opinion, that the financial statements were free from material error, the statement of internal control was consistent with his knowledge, and that adequate arrangements had been made to secure value for money. DR stated that this was the only PCT of the four for which he was responsible that had achieved VFM.

Page 5 listed some considerations for which an action plan, appendix 5, had been approved and agreed by Officers.

It was clarified that the adjustments were not materially significant, and would increase the surplus by £30,000.

The tighter timescales for closure had caused some additional work for auditors, principally in relation to Specialised Services. It was also considered that staff did not always understand what information was wanted. MB and GE had agreed that David Hughes would look at the process to identify what could be done to make improvements for next year, which would be incorporated into the action plan.

The action plan would be continually monitored through the Tracking report.

There was a question raised about the Statement of Internal Control and whether a Serious Untoward Incident mentioned in the Annual Report should have been included. JT agreed to investigate whether the issue had been raised as a SUI. JT

A number of presentational issues in the report were noted and it was confirmed that these were part of the original template and would be corrected before the final report was signed by the District Auditor. A final copy would be sent to MB for agreement prior to it being signed. MB

Letter of Representation

This had been prepared based on the template, the only material change

being that the Chairman of the Audit Committee would be the other signatory rather than the Director of Finance.

The Audit Committee therefore:

Approved the financial statements
 Noted the adjustments to the financial statements and agreed to adjust the errors
 Approved the letter of representation
 Agreed that the action plan would be monitored through the Tracking report.

BEN Statement of Internal Control
 09/18 This had been discussed at a previous Audit Committee, and updated to reflect the changes. As previously mentioned JT would investigate whether a SUI should have been included.

JT
 JT

JT would discuss the SIC with the Chief Executive prior to her signing it.

The Audit Committee therefore:

Accepted the Statement of Internal Control subject to the above.

BEN Head of Internal Audit's Opinion
 09/19 It was reported that the majority of the work had been completed by 31 March, although a small amount had been finalised during April. A large number of reports and recommendations had been discussed by the Audit Committee throughout the year.

As set out in Page 5 the Head of Internal Audit's overall opinion was that of significant assurance. Three areas were identified as limited assurance and action plans had been agreed with Officers and would be monitored through the Tracking report.

There was discussion around the increased number of limited assurances compared to last year and it was explained that as the PCT was becoming more effective in using IA to investigate areas of concern, there would be more instances of limited assurance. However action plans had been agreed and would be monitored to ensure that these areas would achieve significant or full assurance next year.

The Audit Committee therefore:

Approved the Head of Internal Audit's Opinion

BEN Any Other Business
 09/20 The Chairman thanked everyone for their attendance, he asked that the Committee's thanks be passed on to the Finance Team for their hard work. Thanks were also given to Internal and External Audit for all their efforts.

RM

The Chairman would prepare a short report on this meeting for the June Board.

The meeting closed at 10.30 am.

BEN Date of Next Meeting
 09/21 Thursday 2 July 2009 at 9.00 am in the Boardroom at Waterlinks

Chairman's signature

Date

BIRMINGHAM EAST AND NORTH PCT

AUDIT COMMITTEE

Minutes of the extra meeting of the Audit Committee held on 22 April 2009 in the Boardroom at Waterlinks House at 9.00 am

Present Mark Ford (MF)– Non Executive Director
Richard Miner (RM) – Chairman
Brendan O'Brien (BOB) - Non Executive Director

In Attendance Mike Burns (MB) – Director of Finance
Andrew Dalton (AD) – Senior Financial Accountant
Jonathan Tringham (JT) – Director of Resources
Ken Washington (KW) – Chief Financial Accountant
Hilary Wood (HW) – Head of Corporate Services

BEN 09/13 The purpose of this meeting was to approve the unaudited accounts and statement on internal control as delegated by the Board. Action

BEN 09/14 The timescale had been incredibly tight this year having been brought forward by a week and the finance team had worked tremendously hard over the Easter holiday to achieve this.

The summary review of the accounts highlighted the main issues and these were discussed in detail by the Committee.

The PCT had met its statutory financial duties and maintained spending within the revenue resources. The planned spend agreed with SHA for last year had been a surplus of £1,893k, and the surplus achieved was £1,892k.

Capital expenditure had been maintained within the limit achieving an underspend of £28k.

Cash remained within the allocated limit with an under drawing of £1,872k.

There were still issues with payment of NHS creditors against the better payment practice code which had been previously discussed by the Committee. JT would be contacting the DoH to suggest that the definition of a valid invoice should be from receipt of appropriate validation which would enable payments to be made within the 30 day deadline.

The Provider Arm achieved a surplus of £1,015k.

The balance sheet had moved by £6,979k. There was discussion about how the balance sheet could be more easily explained to the public.

The operating costs had increased by £231m mainly due to the addition of the West Midlands Ambulance Service contract to the WMSCT portfolio. The increase in Board and PEC members' costs was as a result of the inclusion of Executive Director costs which had previously been shown under

management expenditure. Consultancy costs of £2.6m had been included separately for the first time and included payments to Doctor Foster Intelligence, Vista, Partnerships UK and the Young Foundation.

There was discussion about the increase in management costs from £24 to £30 per head of population. This included a number of operational managers.

A supplementary report would be prepared giving a clear explanation which would be provided to anyone requesting a copy of the accounts. JT would ensure that the annual report also clarified the situation.

Two LIFT schemes were now operational, a further scheme would come on line in May.

Draft Statement on Internal Control. This had been updated from last year and included details of the Use of Resources process. The Committee approved the draft statement.

It was intended to submit the accounts to the DoH by the end of today. The audit was due to commence on 5 May and a lot of work would be done before that date to ensure the working papers were ready.

The Audit Committee approved the unaudited accounts for submission to the DoH and the Audit Commission as delegated by the Board.

The Chairman would give a verbal report on this decision to the Trust Board this afternoon.

BEN Date of Next Meeting
09/15 Extra meeting on Thursday 4 June at 9.00 am in the Boardroom at Waterlinks House.
Full meeting on 2 July at 9.00 am in the Boardroom at Waterlinks House

Chairman's signature

Date

NHS BIRMINGHAM EAST AND NORTH

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on 9 April 2009 in the Boardroom at Waterlinks House at 9.00 am

Present Mark Ford (MF)– Non Executive Director
Richard Miner (RM) – Chairman
Brendan O'Brien (BOB) - Non Executive Director

In Attendance Carol Brown (CB) – Counter Fraud
Gill Edwards (GE) – External Audit
Dave Rigg (DR) – External Audit/District Auditor
Mark Watkins (MW) – Internal Audit
Kendrick Washington (KW) – Chief Financial Accountant
Hilary Wood (HW) – Head of Corporate Services

BEN Apologies Action

09/01 Apologies were received from Rubina Chaudary, Mike Burns and Jonathan Tringham.

RM announced he had been formally appointed as Audit Chairman and the process was in hand to appoint another NED who may become a member of the Audit Committee.

GE to be sent the new NHS Birmingham East and North logo. HW

BEN Minutes of Previous Meeting

09/02 The minutes of the meeting held on 8 January 2009 were approved and signed by the Chairman.

BEN Matters Arising

09/03 08/04 – unresolved action JT
08/17 – unresolved action, RM to email Mike Burns asking for a completion date by end of June RM
08/33 IFRS – Draft report not yet passed to JT, GE to give verbal report
08/35 – Survey sent out last week, report to come to July meeting CB

BEN Report from External Audit

09/04 *Recommendation Tracking Report*

Because of the pressure of the work on UoR GE had been unable to send out chasing emails to Directors. As a consequence she had only had a response from Andy Donald on ebooking. A performance notice had been sent to HEFT about non-delivery on DBS.

It was felt that work had been done on these recommendations some of which were very strategic. A more formalised mechanism was required for obtaining responses. It was suggested that this should be a monthly agenda item for the Directors meetings, GE to discuss with JT. RM said he would also email JT to propose starting this process in June.

GE
RM

Audit Progress Report

All systems substantially completed, awaiting final review of contracts from IA. Significant reliance had been placed on IA for payroll, work on

GMS/PMS, cash in bank and general ledger. This should reduce the volume of testing on final accounts.

UoR was almost completed, indicative scores would be submitted by 17 April, draft scores had been shared with the Chief Executive. Work was underway to secure more supporting evidence. Final scores would be submitted in September once the final accounts process had been completed. The auditors across the West Midlands would be meeting in May to ensure consistency of scoring.

Care closer to home – following input from AD this would meet the March deadline.

High cost medical interventions – AD has signed off the action plan and work was almost completed.

CBSA – this was a review across the West Midlands that had not yet started, GE had requested an update from the Performance Specialist. GE

BOH – the report was with Richard Mendelsohn who was completing an action plan.

This work would inform the VFM aspect of the audit. GE would speak to the relevant Performance Specialists to ensure it was completed and copy RM into any emails. GE

Performance Assessment Framework

There had been little movement on this as input was required from the Recommendation report.

Gateway Report

The Gateway commissioning process was a key indicator for UoR and had been identified as best practice nationally. There should be early communication with staff and it was understood that there would be lunchbox seminars describing the Gateway process. It had been an agenda item on IG&P in relation to a tender exercise. There was discussion about the issue of VFM and return on investment. GE would discuss with AD how VFM would be evidenced and monitored. RM would discuss how the Gateway process was used with the Chairman of IG&P. GE
RM

Triennial Review of IA

This work had been undertaken following the changes of IA provision in order to enable EA to place reliance on its work. The report was welcomed by IA as it also provided the Audit Committee with assurance about the quality of their services.

IFRS Verbal Report

A draft RAG report based on the DoH return had been prepared, but not yet seen by JT, MB or KW. GE would send it to them after the meeting, with a copy to the NEDs. As with every other PCT with LIFT schemes the outcome was amber. There had been lengthy discussions about whether the LIFT leases were on or off the balance sheet. On behalf of BEN and HoB, Deloitte's had looked at one scheme from each and concluded they should be off balance sheet, however the advice had now changed. Although this would make a big difference to the operating costs and the look of the balance sheet, it would not put the overall financial position in jeopardy. GE

The DoH would not be issuing guidance on LIFT but would put a link to the Audit Commission document on its website.

In relation to other areas work would be required to be done on property, plant and equipment before the assessment in August as some concerns had been raised about the methodologies used.

KW/

KW and GE to meet to discuss the consequences of this on workload. A progress report would be given in July.

GE

GE would be meeting with JT, MB and KW to go through a number of issues before the final accounts process commenced.

GE

BEN Report from Internal Audit
09/05 *Strategic Plan April 2009-2012*

The assurance framework had been used to identify key risks to inform this plan, bearing in mind the requirements of EA in relation to the financial systems. Extra time had been included because of the change in payroll provider to McKesson's, and IA would be auditing this service. MB had included other risk areas which had been factored into 09/10. There was a contingency in the plan to manage risks that emerged throughout the year. RM confirmed that the modified, strategically focused risk register and assurance framework which was currently being worked on would therefore have an impact on the work of IA.

There was discussion about the necessity of scheduling the audits throughout the year to avoid pressures on the staff during the last quarter. The bulk of the finance testing work would be in the third quarter.

BO'B stated that he was the nominated NED for LSMS.

Audit Progress and Recommendation Tracking Report

Almost all the work had been completed and the assurance framework had been reviewed to inform the annual opinion. Since the last meeting PCT staff had been trained to input directly into the recommendation tracking report using the Team Central system. There were some outstanding issues which were felt to be related to staff getting used to the system. This had been discussed with MB and further work would be done after Easter.

General IT Control Review Report

A response had been received from BPCSSA on the 27 outstanding recommendations. 9 had now been completed, 13 were on going and 5 not yet started. A number of the on going items were complex and not easily resolved and a system should be developed to allow completion of the recommendations. There had been good progress and there would be a follow up exercise to give an independent view on the 27 recommendations and this would be presented to the July meeting.

MW

Final Reports

All of these reports provided a significant level of assurance. Although some of the reports showed significant overall assurance there were some material findings which required further improvement.

There was discussion about whether these could be moved to full assurance. MW reported that although it was unusual for full assurance to be given, by addressing the material issues identified on the tracking report some of these could potentially be achieved.

It was acknowledged that there had been a lot of progress since the merger, in particular over the last 12 months.

GE stressed the importance of journal controls to avoid the necessity of EA having to do a significant amount of testing at year end. KW confirmed that one of his staff was currently going through the journal register to ensure they had been signed off and properly authorised.

BEN Report from Local Counter Fraud Service
09/06 *Counter Fraud Annual Plan*

JT had approved the annual plan and agreed an increase in hours from 153 to 160 hours this year. It was hoped that these additional hours would enable a move to 'three' and it was agreed to hold a focus group to provide assistance in identifying the risks to the organisation. Two days had been allocated to this exercise.

Counter Fraud Update

The plan had been achieved, this gave a summary of the work undertaken during the period, there would be a further update this month, with a number of final closure reports.

Final Compound Indicator Assessment 2007/8

All the actions had now been completed.

Closure Reports

These were accepted

Penalty Charge Process

This had previously been managed through PPA, it was now the responsibility of the PCTs but had not yet been put in place. A business case was being prepared and it would then be implemented.

BEN Audit Committee Work Programme for 2009/10

09/07 HW to email last year's work programme for RM to review so that it could be agreed at the July meeting. HW

BEN Assurance Framework

09/08 Would be on the agenda for the July meeting.

BEN Update on Progress for Accounts and Audit Completion

09/10 Work was currently to timetable. A soft closure of the ledger was scheduled tonight so that work could be done over the Easter weekend. JT and MB would look at the draft reports next week prior to the meeting on 22 April. RM requested a presentation of any issues to this meeting.

BEN Any Other Business

09/11 *Timetable of Audit Work*

RM said that audit work must be scheduled to avoid the pressures being experienced this year by staff. UoR had been very stressful for everyone. GE confirmed that for 09/10 she would ensure the performance work would be completed as early as possible.

Draft Revised Accounting Policies for IFRS Compliance

The Audit Committee discussed these draft policies. Amendments would be made and the final version would be presented to the next meeting.

A separate meeting with IA and EA and the Audit Committee would be arranged.

BEN Date of Next Meeting

09/12 Thursday 2 July 2009 at 9.00 am in the Boardroom at Waterlinks House.

Chairman's signature

Date