

NHS BIRMINGHAM EAST AND NORTH

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on 21 October 2010 in the Boardroom at Waterlinks House at 9.00 am

Present Mark Ford (MF)– Chairman  
Mike Smith (MS) - Non Executive Director

In Attendance Javed Akhtar (JA) – External Audit  
Carol Brown (CB) – Counter Fraud  
Mike Burns (MB) – Director of Finance  
Gill Edwards (GE) – External Audit  
John Gregory (JG) – District Auditor  
Tim Ridout (TR) – Internal Audit  
Hilary Wood (HW) – Head of Corporate Services

BEN	Apologies	Action
10/26	Apologies were received from Brendan O'Brien, Jonathan Tringham and Paul Capener.	
BEN	Chairman's Comments	
10/27	The Chairman welcomed everyone to the meeting, in particular Gill Edwards on her return from maternity leave. He wished to put on record the Committee's thanks to the previous Chairman, Richard Miner for his sterling work and to wish him well for the future.	
BEN	Minutes of Previous Meeting	
10/28	The minutes of the meeting held on 8 July 2010 were approved and signed by the Chairman.	
BEN	Matters Arising	
10/29	10/04 Review of penalty charges – it was confirmed that SSA did not appear to have a system in operation to do this although it was a statutory requirement. MB would take this forward as an action.	MB
	10/06 IA Assurance framework – MF to contact Richard Miner to find out what progress had been made.	RM
	Recommendation tracking report, HV working practices – MS said he had not actioned this, however it was agreed that it was no longer relevant due to TCS and the employment of 11 extra HVs. To be removed as an action.	
	10/22 Counter Fraud annual report – MB/CB would have a discussion once the results of the staff survey had been received. To be removed as an action.	
	10/23 HoEFT's Audit Committee awareness of PbR audit – this was being raised through the contract management board. To be removed as an action.	
	10/24 Draft McKesson Report – there had been discussions between MB and	

TR to try and resolve the on going concerns. It was anticipated a final report would be presented to the January 11 meeting. South Birmingham Community would require reassurance about the transfer of staff on 1 December. It was confirmed that staff would remain on BEN payroll until February 11 at which time they would be transferred to the UHB payroll provider. There was a project team working on this and there would be a 'dry run' to ensure that everything was working effectively. Once the 1200 provider staff had moved across there would be significantly fewer staff on the McKesson payroll, however the number would not go below the minimum threshold in the contract.

10/25 Tender waiver – there were fewer waivers being received. MB had oversight of all non stock requisitions on a daily basis.

BEN Counter Fraud

10/30 Update April to September 10

There had been an increase in the number of cases relating to overseas visitors, with practices not applying the regulations, this was an education issue. Letters had been sent to the relevant patients and to the GPs informing them that the patient should be removed from their list and no longer have access to healthcare. Only one GP has so far refused to comply, which was within the rules as GPs have discretion about whether to treat patients, they are however obliged to inform providers that the patient is from overseas if they refer them to secondary care.

There was a current investigation into an allegation that a GP was issuing sick notes for school pupils to go on holiday.

It was reported that a case had recently gone to court over an individual who had no right to work in the UK but was actually working for the PCT. It transpired she had used forged paperwork. Sentencing was due on 29 October and it was likely the individual would receive a prison sentence.

#### Closure Reports

The exercise in relation to the inappropriate payment of overtime identified that this was error by managers, in particular incorrectly completing turnaround documents. It was the authorised signatory's responsibility to ensure the information was correct. £16,500 had been overpaid to 88 staff and action was underway to recover this money.

Where high numbers of overseas patients were registered at a particular address GPs had been informed and had removed them from their lists. In one instance 18 individuals were at the same address and the Borders Agency and the Anti-terrorism Branch had been notified.

A member of the Equipment Loans Store had been working as a driving instructor whilst off sick although this was in the evening and not when he would have been working at ELS. He had not declared this employment as required under standards of business conduct. This had been referred to HR. The individual no longer worked for the PCT. The next Counter Fraud Newsletter would remind staff of the regulations.

CB

In relation to faxing prescriptions no fraud was identified, although the pharmacist should not have issued medication until the original prescription was received. Margaret Savage would be writing to all pharmacists to remind them of this regulation.

BEN Report from External Audit  
10/31 Annual Audit Letter

This was the summary of work carried out in relation to the 2009/10 audit which showed good levels of performance. In relation to the financial position and risks associated with the implementation of the White Paper and TCS the situation was more difficult. There were significant risks around the financial situation with HoEFT.

A good level of performance on UoR had been maintained achieving a score of 2 for natural resources. Very few PCTs had achieved a 3. This work had established a baseline from which to work to achieve a 3 in future.

UoR had been completed for Specialised Commissioning Group this year and they were the only SCG to receive a level 3. The Chairman asked that the thanks of the Committee be extended to all involved. MF

There was a new approach to local VFM work which would be implemented over the next few months. There would be a smaller number of criteria concentrating on securing financial resilience and prioritising resources within tighter budgets. More guidance was expected and would be discussed with MB and colleagues. GE

There was discussion about the contract with HoEFT and the ability to control volumes. It was confirmed that the HoEFT contract was based on the national contract adapted for local circumstances. Demand management schemes were operating to ensure the contract was being adhered to, and the teams were working closely with GPs to look at referral rates and ensure their engagement in managing the activity levels.

IA had recently started an audit at HoEFT on the contract management process, a report would be presented to the January meeting. JG would investigate whether he could identify areas of good practice elsewhere. JG

Although a number of errors had been identified in the work on PbR which were concerning, these did not have a significant financial impact. Work was proceeding on trying to improve the quality of data being used and there was an improving picture nationally.

The main financial risks were the over performance on the HoEFT contract and the size of the cost improvement programme.

The Chief Executive had had the opportunity to comment on the AAL and it would be posted on the Audit Commission and PCT websites with copies being sent to all Board members.

The PCT was forecasting a surplus of £500k which was a challenge considering the HoEFT over performance was currently £13m, in addition there was the SHA top slice of £7.3m for the strategic change reserve. The return of the top slice had now been agreed subject to the approval of the SHA Board. A number of measures had been taken internally including reducing the BoH and HC@H contracts, significantly reducing the PRIME contract and giving notice to the Benefit scheme. The vacancy control panel continued to meet and there were tight controls of spending on training, seminars and hospitality. JT/MB were in discussion with the CEO over implementing a comprehensive spending review for next year.

Work was progressing to meet the management cost reductions, a number of staff had applied for the MAR scheme and it was anticipated that subject to SHA Board approval they would be imminently leaving the Trust.

The Chairman confirmed that the Board were totally supportive of all the measures in place, JT regularly attended their NED meetings to report on the financial position.

#### Audit Commission Update

As reported on 13 August the Audit Commission would be abolished, with the audit business transferring into the private sector, a management buyout or the setting up of a mutual organisation. It was confirmed that the latter was the preferred option although there were a number of big question marks including the lack of certainty about which direction communities and local government departments would be going. There was also no clarity about the audit arrangements for GP consortia.

In terms of existing clients it was business as usual, although there was the risk of people leaving which might have an impact.

#### Progress Report

The majority of areas had already been picked up in the report on the AAL. There were key changes in the local VFM work around financial resilience, and a report from the National Audit Office set out the expectations on its operation. An information governance guide had been developed by the Audit Commission and would be delivered through IA providers. The NHS accounts guide had recently been updated to reflect IFRS.

Thanks were given to JA and to the entire BEN finance team for all their hard work during the audit programme.

BEN Report from Internal Audit

10/32 Progress Report

Agreement had been reached with MB about rescheduling the work programme, with reduction in planned days with some audits either being removed or significantly reduced, and a concentration of resources into the second part of the year. Areas of challenge were the HoEFT contract, the overall financial position and review of financial management. Payroll and TCS were of particular concern and IA was co-ordinating the work with South Birmingham Audit Plan to provide assurance.

It was clarified that the reduction in the IT controls audit had been agreed as it was considered the risks involved had been identified and there was no useful purpose in doing the audit at the present time. There would be an audit once the problems were considered to have been rectified.

Pages 3-4 of the report set out the progress on specific areas of work. As previously mentioned the work was progressing to finalise the report on the payroll provider. It was in the PCTs interest to audit the payroll as far into the year as possible to provide assurance to EA, and this would be carried out in February/March.

The review of eprocurement would be concluded shortly. There had been some issues with training and the hierarchy settings which were resolved. The QIPP and contract management work was in progress.

The recommendation tracking was working well, although there had been some technical problems which had now been resolved.

Appendix 1 set out a summary of the audit plan, the work on SSA would be starting slightly earlier than in previous years. Information governance was an area which would be carried out by the IT Audit team.

It was confirmed that the Committee endorsed the IA plan.

#### Key Performance Indicators Report, 2009/10 Audit Programme

This new self assessment report set out the performance of IA for the year in a traffic light format. This would be worked on over time and comments on the report would be welcomed.

#### Follow up on SSA IT Controls

There had been some degree of improvement, previously only limited assurance had been given, this had moved to moderate because of progress on some of the agreed actions. There were two areas of high risk remaining, environmental protection and disaster recovery. There was a plan in place to establish a new infrastructure at a data centre by the end of October. There were still a number of concerns about the IT infrastructure provided by SSA to BEN and other clients.

The Chairman expressed concern that a lot of the areas had been known about in 2009 and nothing had been done, he was particularly worried about the major risk in relation to information governance which could result in a fine. An external organisation had provided an independent report and MB was asked to ensure there was a close link with IA. The Chairman was assured that all of the servers had been relocated to a data centre and that there was now more resilience and capacity.

MB

The report identified that 20 out of 29 actions had been implemented, whilst reflecting that two high risk priority areas were outstanding.

#### BHWP

This was a follow up to the review carried out in the last financial year which resulted in limited assurance. With the organisational changes in PCTs the focus on partnership working would change in the future. The follow up was still only limited assurance although recently additional resources had been put in place to improve the governance arrangements. An Assistant Director had been recruited which had resulted in significant progress which was now regularly updated on Team Central. BHWP were now following all of BEN policies and procedures.

BEN Any Other Business

10/33 Team Central Training

PC

This would be rearranged for a meeting next year

#### Independent meetings with EA and IA

The Chairman asked that the NEDs meet EA and IA for a few minutes on alternate dates following each meeting.

BEN Date of Next Meeting

10/34 Thursday 6 January 2011 at 9 am in the Boardroom at Waterlinks House.

There would be a short meeting with EA at the end of the meeting

Chairman's signature

Date