

**AUDIT COMMITTEE MEETING**  
held on  
19 December 2008, Doctor Piper House

**CONFIRMED MINUTES**

**PRESENT**

John Flook	(Chair), Non-Executive Director, Darlington PCT
Brian Everett	Non-Executive Director, Darlington PCT
Linda Marks	Non-Executive Director, Darlington PCT
Sandra Pollard	Non-Executive Director, Darlington PCT

**IN ATTENDANCE**

Tom Hunt	Director of Finance and Corporate Services, Darlington PCT
Kelly Douglas	PriceWaterhouse Coopers
Janet Eilbeck	PriceWaterhouse Coopers
Jo Pilling	CDDPCT Finance Shared Services
John Whitehouse	DATAAC
Sue Jackson	(Minutes), Executive Assistant Darlington PCT

		Action
DAC/08/59	<b>Apologies for Absence</b>	
DAC/08/60	<b>Minutes of the Meeting held on 19 September 2008</b> <i>Approved as a true and accurate record.</i>	
DAC/08/61	<b>Matters Arising</b>  The Chair reminded members of the need for timely submission of meeting papers for inclusion on audit committee agendas to allow for early distribution of papers.  Page 2, Item DAC 08/46 – Reviewing SFI's – TH confirmed that standing financial instructions allow for electronic receipt of tenders.	
DAC/08/62	<b>Action Log</b>  Please see attached action log.	

DAC/08/63

## **External Audit Quarterly Progress Report**

### **ALE Progress Report**

*Kelly Douglas*

KD reported that in future the ALE Progress Report would be referred to as Use of Resource Assessment. She said that the new format would be based on three themes of managing resources, governing resources and managing finance and that there was ongoing debate as to which performance frameworks these would feed into.

JF expressed concern that the new themes were less specific than those previously considered in the ALE report.

Discussion included scoring/scales of assessment. JE confirmed that audit commission guidance was available around this.

KD said that the PCT development plans would respond to the recommendations in the report including improvements required to achieve the next level of scoring. She confirmed that regular meetings were held between PWC and the PCT to monitor progress.

KD reported that positive progress had been made to date. She said it was important to emphasise that evidence retained needed to be specific to Darlington and that shared documents should be clearly referenced to relate to either CDPCT or DPCT.

***The Audit Committee received and noted the above report.***

### **Information Governance Report**

*Janet Eilbeck*

JE said that considerable work had been undertaken around the Porter Review and that a detailed toolkit had been developed to cover the four stages of the Information Governance approach. She said that a workshop was planned to identify key data sets for the PCT to assess the level of risk and controls in place to mitigate such risk.

JE stated that early indications were that further work was required and that an additional level of information governance management needed to be included in the PCT structure below the existing Governance and Assurance Committee to provide assurance that this work was being carried out.

JE summarised the report and said that a detailed appendix had been produced detailing recommendations. She confirmed that the PCT had already responded to these.

	<p>TH confirmed that the above reports would be taken to the Governance and Assurance Committee. He also reported that the first meeting of the Information Governance Group had been held this week which included very broad membership including HR and communications and would raise the profile of Information Governance throughout the PCT. He confirmed that this group would report directly to the Governance and Assurance Committee. TH said that emails would be sent to all staff highlighting breaches/potential breaches of security and measures needed to address these.</p> <p><b><i>The Audit Committee received and noted the above report.</i></b></p>	
DAC/08/64	<p><b>Internal Audit and LCFS Half Year Summary</b> <i>John Whitehouse</i></p> <p><b>DATAAC Progress Report</b></p> <p>JW said that further work was required to deliver targets for the rest of the year.</p> <p>He outlined work in progress and reported that there were no issues to follow up. In particular he referred to issues around payroll payments to staff for work during unsocial hours which he said had changed under Agenda for Change but confirmed that staff were being paid correctly.</p> <p>He said that concern remains around the EROS purchase ordering system and said that the PCT needed to be aware of the risk involved in delaying the move to the CARDEA system. JP stated that CARDEA had gone 'live' and that initial problems had been overcome. She said however that there was a low level of usage of the system at present.</p> <p>JW also referred to recommendations around GP systems and said that the PCT needed to demonstrate how independent contractors were operating to include in the year-end PCT declaration under Standards for Better Health.</p> <p>JW summarised his report and said that there were no significant issues to bring to the attention of the audit committee and that there were no no-assurance items for the period.</p> <p>Discussion included the expanding role of internal audit including its impact on areas other than finance, where the PCT would also be required to give assurance that action was being taken to address any risk areas identified. TH confirmed that this would be reported to and dealt with by the governance and assurance committee.</p>	

	<p>JW reported that internal audit was currently reviewing its structure in response to the overall changing organisational structures. He said that a meeting had been arranged at the end of January 2009 to begin discussion. He said this would have implications for all organisations in providing continuous assurance for next year. JE said that the need for this change had been recognised across the country and work in other areas had already been carried out.</p> <p>JW assured members that extensive work continued to ensure a clear audit trail of work being undertaken by the PCT.</p> <p><b><i>The Audit Committee noted and approved recommendations contained in the report.</i></b></p> <p><b>LCFS Half Year Summary</b> <i>John Whitehouse</i></p> <p>JW said that this report was for information and reflects work underway. He reported that compound indicators for last year were at level 2 which was an improvement on the previous year. He said that a development plan was needed to maintain this level.</p> <p>In response to a question from the Chair regarding the raised profile of dental practices in the report, JW said that the level of information from practices was poor at present and that work was needed to address this.</p> <p>The Chair asked that a further report be submitted identifying the PCT position compared to that nationally to identify the level of risk.</p> <p><b><i>The Audit Committee received and noted the report.</i></b></p>	<p><b>JW</b></p>
<p>DAC/08/65</p>	<p><b>Protocol for liaison between internal and external auditors</b> <i>Kelly Douglas</i></p> <p>KD introduced the above document which outlined a proposed protocol to establish and clarify roles of external and internal audit which it was anticipated would be implemented next year.</p> <p><b><i>The Audit Committee noted and approved the contents of the report.</i></b></p>	
<p>DAC/08/66</p>	<p><b>Waiver of Standing Financial Instructions by Chief Executive</b> <i>Tom Hunt</i></p> <p>TH reported that three standing orders had been waived within the last quarter.</p> <p>10 October 2008 - £45k – arrangement of work supplying tenders and SLAs.</p>	

	<p>24 October 2008 - £40k – procurement of eleven hand-held PDAs.</p> <p>9 December 2008 - £31,000 + VAT bespoke workforce GRASP (specialist provider expertise).</p> <p><b><i>The Audit Committee noted the above report.</i></b></p>	
DAC/08/67	<p><b>IFRS Convergence Paper</b> <i>Mike Taylor</i></p> <p><b><i>The Audit Committee received and noted the current issues and key risks surrounding convergence to IFRS.</i></b></p>	
DAC'08/68	<p><b>10-Day Creditor Payments</b> <i>Jo Pilling</i></p> <p>JP reported that improvement in invoice processing was needed to meet the 10-day payment target. She said that education of budget holders was required to ensure all were processing invoices correctly.</p> <p>To facilitate this JP stated that two payment runs per week would be carried out to meet the 10-day target. She said that a standard invoice format would be forwarded to suppliers as from January 2009 with the information that invoices would not be processed until received in the correct format.</p> <p>She also said that in future invoices under £250 would be authorised without sending out for budget holder approval. JW confirmed that account controls were in place for these invoices.</p> <p>TH confirmed that this report had been taken to the SHA Director of Finance meetings and had been well received. He said that the PCT would be performance managed against this through board reports.</p> <p><b><i>The Audit Committee received and noted the above report.</i></b></p>	
DAC/08/69	<p><b>Aged Debts</b> <i>Jo Pilling (Paper for information)</i></p> <p>JP said that this report had been brought for information and gave details of aged debts which had been written off as agreed at the audit committee meeting held in December 2008.</p> <p>With regard to the wages overpayment of £19,643 to a single member of staff, JP confirmed that this was now being repaid at £100 per month. TH assured members that the finance department was working to pursue outstanding debts.</p>	

	<p>The Chair asked that audit committee concerns over the agreed level of repayment be noted.</p> <p><b><i>The Audit Committee received and noted the above report</i></b></p>	
DAC/08/70	<p><b>Early Closure of Accounts – Update</b> <i>Tom Hunt</i></p> <p>TH said that this update was for information to ensure members are aware of work underway regarding early closure of accounts and work underway with external auditors.</p> <p><b><i>The Audit Committee received and noted the above report.</i></b></p>	
DAC/08/71	<p><b>SFI Update</b> <i>Tom Hunt</i></p> <p>TH said that standing orders should be reviewed on a regular basis and that the attached report highlights amendments since December 2007. He said that the reference to the PEC remains unchanged.</p> <p>Discussion included information that budget holders can now authorise amounts upto £50k and that delegated authority had been given to County Durham PCT directors to process healthcare commission invoices on behalf of Darlington PCT.</p> <p>JE referred to page 5:12 of the report and said that this needed to indicate more explicitly that board approval was required for any amounts over £1m.</p> <p>TH said that the revised arrangements provided good budget management and assured members that the necessary financial controls were in place. He said that amendments incorporated a review of governance arrangements following the re-structure of PCTs.</p> <p>Further discussion included the requirement that responsibility for charitable funds should in future be returned to Darlington. The Chair suggested that TH raise this matter with the Director of Finance, County Durham PCT to obtain acknowledgement in principle at some point in the future.</p> <p><b><i>The Audit Committee received and noted the above report.</i></b></p>	
DAC/08/72	<p><b>Any Other Business</b></p> <p>JE reported that PWC was in dispute with the audit commission regarding work around equality. She said that following completion of phases 1 and 2, the company had decided not to participate in phase 3 and that accordingly no days had been billed in audit fees for this.</p>	

	<p>She said that the audit commission had now stipulated that the full programme should be completed and therefore PWC would have to carry out the extra day workshop and claim the required fees for this.</p> <p><b><i>The Audit Committee received and noted the above report.</i></b></p>	
	<p><b>Date and time of next meeting</b></p> <p>Friday 20 February 2009, 10.00am, The Boardroom, Doctor Piper House</p>	

A handwritten signature in black ink, appearing to be 'a/Had'.

4<sup>th</sup> March 2009

Confirmed