

Brent Teaching PCT 2006/07 Annual Audit Letter



PricewaterhouseCoopers LLP
80 Strand
London WC2R 0AF
Telephone +44 (0) 20 7583 5000
Facsimile +44 (0) 20 7804 1003
www.pwc.com/uk

Members of the Board
Brent Teaching PCT
Wembley Centre for Health and Care
116 Chaplin Road
Wembley HA0 4UZ

11 September 2007

Ladies and Gentlemen

We are pleased to present our Annual Audit Letter summarising the results of our 2006/07 audit for presentation at the Board on 20 September.

Yours faithfully

PricewaterhouseCoopers LLP
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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2005 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Introduction

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2006/07 audit work we have undertaken at Brent Teaching Primary Care Trust (the "PCT") that is accessible for the Board and other interested stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit opinion for 2006/07 financial statements, incorporating the conclusion on Use of Resources; and
- Report to those charged with Governance (ISA (UK&I) 260).

The matters reported here are those that we consider are most significant for the PCT and a summary of the key recommendations that we have made can be found in Appendix A.

Scope of work

Our audit work is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The PCT is responsible for preparing and publishing its financial statements, including the statement on internal control. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements and the PCT's statement on internal control;
- forming a conclusion on the arrangements that the audited body has in place to secure economy, efficiency and effectiveness in its use

of resources; and

- undertaking any other work specified by the Audit Commission.

Our 2006/07 audit work has been undertaken in accordance with the Audit Plan that we issued in May 2006, as updated in our document presented to PCT management in May 2007.

Executive summary

The most significant findings from our audit are as follows:

Financial outturn 2006/07

The PCT reported a deficit of £25,074k in its 2006/07 accounts. This significant deficit is due to a number of factors, the most notable of which is £13,100k of expenditure relating to the settlement of prior year liabilities (which we have discussed in detail in the main report). There was also a £11,981k reduction in revenue resource limit as required by the StHA for 2006/07 which the PCT failed to mitigate through adequate efficiency measures, both income and expenditure related.

There are also a number of one-off items in the accounts in respect of, for example, property impairments and gains on disposals, redundancy and other costs related to the turnaround programme. The underlying recurrent position is therefore difficult to ascertain directly from the accounts, but the ongoing financial challenges in the local health economy, along with the requirement to repay the 2006/07 deficit, will place continuing and significant financial pressures on the PCT in the years ahead.

The emergence of this significant deficit in 2006/07 revealed weaknesses in the PCT's governance processes and its financial controls. There have been considerable changes in senior postholders in the year, with changes in Chief Executive (and again just after the year end), Director of Finance and Chair. This new management team has been working to address these weaknesses as a matter of urgency and to turn round the financial position of the PCT. These actions continue.

The Strategic Health Authority (StHA) and the PCT have commissioned an independent review of the governance, financial management and reporting arrangements of the PCT in the period to Autumn 2006. This is currently underway. This is expected to report publicly in the near future.

We are awaiting the outcome of this review, at which point we will then decide whether to issue a Public Interest Report in relation to these or related matters. We have therefore left open our certificate on the accounts until this is resolved.

2007/08 Financial performance to date and future financial plans for turnaround

The approved PCT operating plan for 2007/08 includes turnaround savings totalling £25m.

Achieving this plan would result in the PCT reporting a breakeven position in 2007/08. Included in this breakeven position is the PCT repaying £7m of its historic deficit. A timescale for repayment of the balance of the deficit from 2006/07 has not yet been agreed with NHS London.

The PCT reported a deficit of £986k for the first 4 months of the year to July 2007. This was £278k worse than the plan above envisaged at this point in the year.

The PCT has also recently reviewed all areas of expenditure to update its forecast of the likely year end outturn for 2007/08. This showed a best estimate of a £2m deficit at the year end when comparing actual performance to that as laid out in the Turnaround plan.

The PCT is actively focusing on financial performance and turnaround plans, but faces very significant challenges to deliver firstly the £25m of savings in 2007/08 as well as additional savings to recover the balance of the 2006/07 deficit in future years.

Governance and internal controls

As noted earlier, the emergence of the deficit in 2006/07 revealed significant weaknesses in both controls and governance arrangements in the PCT. The new management team has improved these areas considerably in the latter half of the year, with the appointment of new executives and non-executives to strengthen the management

team, and the introduction of tighter controls in key areas. Much still remains to be done however, culturally and procedurally, to complete this process to improve financial management and internal controls across the PCT.

Continuing Care

Brent PCT has historically had one of the highest levels of expenditure on continuing care in the country. This area was therefore highlighted for examination as part of the turnaround plan which aimed at identifying savings to enable the PCT to eliminate its deficit. During the second half of 2006/07 the PCT undertook a review of certain continuing care clients to determine whether they still met eligibility criteria. Of the 350 cases reviewed the PCT assessed that over 70% did not. As a result the PCT informed the relevant local authorities, LB Brent and 20 others, that the Councils would need to take over responsibility for their respective clients.

The gross debtor relating to these clients included in the accounts for 2006/07 was £3.2m. In a full year, if these cases are passed successfully to the Councils, the PCT expect that this action will save the PCT over £9m.

There are, however, complex legal issues surrounding this transfer of funding responsibility. The Councils are therefore disputing the transfer of these liabilities and negotiations are ongoing. The legal issues are different for each different client group, and some of these have not been legally tested previously, hence there is no clear precedent on the outcome. There is an understandable reluctance on the part of the PCT and the local authorities involved to take these issues to law and the PCT is working to reach resolution through negotiation.

Dependent on the method of settlement of these cases, and on the final, formal legal view when this is determined, there is a risk that certain of the payments made and being made to individuals now assessed as not qualifying to be funded by the PCT could be determined to be irregular. However, we understand that the PCT is now in negotiations with all the Councils affected and that the PCT's view is that the risk of these payments being considered to be irregular has been significantly reduced.

The resolution of this issue could clearly have a very substantial impact on the financial outturn for the PCT in 2007/08 and beyond.

Management capacity and restructuring

The PCT has highlighted capacity issues associated with the ongoing high level of interim managers and uncertainty due to restructuring as significant risks. We would concur with this. The PCT's continued turnaround is critically dependent on having the necessary experienced and skilled senior staff to drive through the changes necessary. At present the PCT continues to rely very heavily on interim postholders in a number of senior positions and does not have considerable supporting strength in depth in other areas, such as finance.

The PCT is vigorously pursuing this agenda. We understand that a new permanent Chief Executive has been appointed, starting in October, and that interviews for a number of senior positions are planned for later in September. The PCT is therefore hoping that the full Executive team will be in appointed (if not yet in post) by October 2007.

The PCT is also undertaking a very significant internal restructuring, across the PCT, planned for the Autumn. This is an important step in addressing skills and resource gaps, but could lead to increased upheaval in the short term as staff change roles or new staff are recruited.

As the PCT recognise, it is important that these changes do not slow or divert the turnaround plans and control improvements.

It is vital that the PCT manages the process of appointing full time staff to these positions with extreme care, to ensure that improvements are not lost or delayed through inadequate management capacity or handover.

Audit findings

Financial standing

The PCT reported a deficit of £25,074k in its 2006/07 accounts. This significant deficit is due to a number of factors, the most notable of which is £13,100k of expenditure relating to the settlement of prior year liabilities (which we have discussed in detail below). There was also a £11,981k reduction in revenue resource limit as required by the StHA for 2006/07 which the PCT failed to mitigate through adequate efficiency measures, both income and expenditure related.

There are also a number of one-off items in the accounts in respect of, for example, property impairments and gains on disposals, redundancy and other costs related to the turnaround programme, and a significant liability in relation to amounts due from the local Borough Councils. The underlying recurrent position is therefore difficult to ascertain directly from the accounts, but the ongoing financial challenges in the local health economy, along with the requirement to repay this year's deficit, will place continuing and significant financial pressures on the PCT.

The PCT is in voluntary turnaround and has had a Turnaround plan and supporting team in place since November 2006. The PCT voluntarily entered turnaround, and has secured StHA approval for its plan. Based on this plan the PCT is expecting to reach in-month financial balance in Q4 of 2007/08 through risk weighted savings totalling £25,000k. These savings are profiled and detailed in the Turnaround plan and are being targeted across commissioning, demand management, provider services, and internal expenditure in the PCT. We understand that projected savings are supported by actions required for their delivery and responsibility has been delegated to a variety of people across the PCT.

The emergence of the significant deficit in 2006/07 revealed weaknesses in the PCT's governance processes and its financial controls. To facilitate action to address these weaknesses there has been considerable change in senior

postholders in the year, with changes in Chief Executive, Director of Finance and Chair. This new management team has been working to address these weaknesses as a matter of urgency and to turn round the financial position of the PCT. These actions continue.

The approved PCT operating plan for 2007/08 includes turnaround savings totalling £25m.

Achieving this plan would result in the PCT reporting a breakeven position in 2007/08. Included in this breakeven position is the PCT repaying £7m of its historic deficit. A timescale for repayment of the balance of the deficit from 2006/07 has not yet been agreed with NHS London.

The PCT reported a deficit of £986k for the first 4 months of the year to July 2007. This was £278k worse than the plan above envisaged at this point in the year. The PCT highlighted that the main reason for this adverse variance was the delay in reaching agreement with local authorities about the transfer of financial responsibility for continuing care clients. It was encouraging to note that acute commissioning spend to date was close to expected levels.

The PCT has also recently reviewed all areas of expenditure to update its forecast of the likely year end outturn for 2007/08. This showed a best estimate of a £2m deficit at the year end when comparing actual performance to that as laid out in the Turnaround plan.

The PCT continues to improve its financial management and internal control arrangements and to seek to identify additional savings. Nevertheless there is still a considerable historic deficit to be recovered for which no clear plans are yet in place.

We therefore recommend that the PCT continues its emphasis on improving its controls and on reviewing possible options and actions to allow it to return to cumulative breakeven over time.

The PCT highlighted capacity issues associated with the ongoing high level of interim managers and uncertainty due to restructuring as significant risks. We would concur with this. The PCT's continued turnaround is critically dependent on having the necessary experienced and skilled senior staff to drive through the changes necessary. At present the PCT continues to rely very heavily on interim postholders in a number of senior positions and does not have considerable supporting strength in depth in other areas, such as finance.

The PCT is vigorously pursuing this agenda. We understand that a new permanent Chief Executive has been appointed, starting in October, and that interviews for a number of senior positions are planned for later in September. The PCT is therefore hoping that the full Executive team will be in appointed (if not yet in post) by October 2007.

The PCT is also undertaking a very significant internal restructuring, across the PCT, planned for the Autumn. This is an important step in addressing skills and resource gaps, but could lead to increased upheaval in the short term as staff change roles or new staff are recruited.

As the PCT recognise, it is important that these changes do not slow or divert the turnaround plans and control improvements.

We recommend that the PCT continues to seek to recruit permanent staff to key posts as quickly as possible, and that it assesses its short and long term needs for senior and supporting management resources in critical areas to deliver its challenging future programme.

It is vital that the PCT manages the process of appointing full time staff to these positions with extreme care, to ensure that improvements are not lost or delayed through inadequate management capacity or handover.

The StHA and the PCT have commissioned an independent review of the governance, financial management and reporting arrangements of the PCT in the period to Autumn 2006. This is currently underway. This is expected to report publicly in the near future.

We are awaiting the outcome of this review, at which point we will then decide whether to issue a Public Interest Report in relation to these matters. We have therefore left open our certificate on the accounts until this is resolved.

Accounts

We audited the PCT's accounts in line with approved Auditing Standards and issued an unqualified true and fair audit report on 9 July 2007.

We identified the following key issues from our audit of accounts:

Continuing Care debtor balances

Brent PCT has historically had one of the highest levels of expenditure on continuing care in the country. This area was therefore highlighted for examination as part of the turnaround plan, aimed at identifying savings to enable the PCT to eliminate its deficit. During the second half of 2006/07 the PCT undertook a review of certain continuing care clients to determine whether they still met eligibility criteria. Of the 350 cases reviewed the PCT assessed that over 70% did not. As a result the PCT informed the relevant local authorities, LB Brent and 20 others, that the Councils would need to take over responsibility for their respective clients.

The gross debtor relating to these clients included in the accounts for 2006/07 was £3.2m. In a full year, if these cases are passed successfully to the Councils, the PCT expect that this action will save the PCT over £9m.

There are, however, complex legal issues surrounding this transfer of funding responsibility. The Councils are therefore disputing the transfer of these liabilities and negotiations are ongoing. The legal issues are different for each different client group, and some of these have not been legally tested previously, hence there is no clear precedent on the outcome. There is an understandable reluctance on the part of the PCT and the local authorities involved to take these issues to law and the PCT is working to reach resolution through negotiation.

At this point in time there is also some uncertainty about the regularity of payments for these clients. Dependent on the outcome of negotiations with the Councils on the method of settlement of these cases, and on the final, formal legal view when this is determined, there is a risk that certain of the payments made and being made to individuals now assessed as not qualifying to be funded by the PCT could be determined to be irregular.

The resolution of this issue could clearly have a very substantial impact on the financial outturn for the PCT in 2007/08 and beyond.

The PCT is actively engaged in seeking to resolve this matter, and we recommend that this process continues as a matter of urgency to seek ultimate resolution with the councils. See recommendation made in appendix A.

Partially completed spells

The Department of Health introduced a new requirement in 2006/07 for trusts and PCTs to accrue income and expenditure in respect of spells that are ongoing over the year end.

The requirement to account for partially completed spells was already in place in the previous year for Foundation Trusts, and represents a key step towards linking financial flows to activity.

This represents a change in accounting policy. Under the new guidance, where PCTs could agree the current and prior year adjustment required to account for partially completed spells with its acute providers, the expectation was that this would be accounted for as a prior period adjustment (PPA), thereby negating the in-year impact on the revenue position. The PCT tried but could not obtain agreement from its providers as to the size of partially completed spells over the year end, hence the option to prior period adjust was not open to it.

As the PCT has a provider function, it must consider both the recognition of income on partially completed spells undertaken, and the recognition of expenditure incurred through its commissioning arm.

The PCT provider function generated income of £51,711 k in 2006/07, £42,914k of which was attributable to the PCT's own commissioning arm. The remainder was commissioned by other PCTs, mainly Harrow PCT.

Management have not undertaken an analysis of the income value of partially completed spells at 31 March 2007.

Based on a small sample of other London PCTs, we performed a calculation that suggests partially completed spells account, in their case, for about 1% of provider income. This may not be a sound comparison due to differences in contracting arrangements, but for illustrative purposes only and as a guide to the level of the possible adjustment required, should we apply this estimate to Brent PCT provider income there is a potential adjustment of £89k. This does not include any balance in respect of the PCT's own commissioning arm, and does not take into

consideration any block contracts in place and which therefore fall outside the scope of this change in accounting policy, which relates to activity based contracts only.

On the commissioning side, management have similarly not calculated the level of adjustment or prior period adjustment needed to account for partially completed spells. Again, based on a small sample of other London PCTs, it is suggested that partially completed spells account for about 0.5% of commissioning expenditure. Again, for illustrative purposes only and as a guide to the level of possible adjustment required, should we apply this estimate to Brent PCTs general and acute expenditure during 2006/07 there is a potential adjustment to increase costs and liabilities by £875k.

Management's view is that these estimated balances are immaterial, and on these grounds, as well as the difficulties of disclosing an amount not agreed by the counterparty, did not adjust for this expenditure. However, it should be noted that the PCT is not alone in not having adjusted for partially completed spells as at 31 March 2007, and whilst the national picture is uncertain, we understand that a number of PCTs in the London patch are also not adjusting for this change in accounting policy.

In the event the local provider trusts begin to account for partially completed spells in full in future periods, the PCT may not be able to mitigate this expenditure through a prior period adjustment. This therefore represents a future financial risk to the PCT.

We would recommend that the PCT works with its provider trusts to agree the future funding of these transactions to ensure compliance with the Manual in 2007/08. See recommendation made in appendix A.

NHS balances

The main differences and disputes identified during our work on NHS balances are as follows:

Creditors

- North West London NHS Trust creditor balance totals £30,759k, £416k of which has been disputed as the PCT has not had time to validate the activity data (but has prudently recognised the amount within the financial statements) and £2,686k which is defined as "not agreed". Of the latter amount, £814k has not been recognised in the financial statements, instead being disclosed as a

contingent liability, with the remainder accrued in the financial statements;

- Harrow PCT. Brent PCT have recognised a £3,197k year end liability, but are disputing £435k as the PCT has not had time to validate the activity data (but has again prudently recognised the amount within the financial statements) and £2,335k which has again been assessed as “not agreed”, for the same reasons as above. Of the latter amount, £600k has not been recognised in the financial statements instead being disclosed as a contingent liability, with the remainder accrued in the financial statements; and

Debtors

- Harrow PCT. The PCT has recognised a £971k debtor with BPCT, £314k of which is disputed by Harrow PCT but which the PCT feels is recoverable.

For the purposes of our audit, we were comfortable with management’s treatment of these items.

Whilst we note a significant improvement in the PCTs management of the NHS agreement of balances exercise when compared to prior years, in future the PCT should continue to work with the counterparty bodies to resolve all disputes before the year end, wherever possible.

The contingent liabilities referred to above are commented on later on in this section.

Expenditure relating to prior year liabilities, recognised during 2006/07

During 2006/07 the PCT has recognised expenditure totalling £13,100k relating to settlement of prior year liabilities and inclusion of liabilities not recorded at 31 March 2006.

The £13,100k of expenditure is broken down as follows:

- £4,629k In relation to a change in the PPA accrual methodology, discussed further below;
- £408k In relation to income recognised in the prior year and credit noted in the current year;
- £727k In relation to back to back provisions omitted in error in the prior year’s financial

statements;

- £3,355k In relation to settlement of Continuing Care liabilities recognised as a contingent liability in the prior year, with £2,950k of this amount being payable to Brent Council; and
- £3,981k In relation to charges from acute activity from providers which the PCT either did not recognise as a creditor as at 31 March 2007 or recognised as part of the contingent liability in the 2005/06 accounts of £6,858k. The most significant provider for which the PCT has incurred in year expenditure relating to prior years is Hammersmith Hospital NHS Trust, for which such expenditure totals £2,240k.

The new management team has implemented improved controls, to mitigate recurrence of these issues in 2006/07 and future years, and to strengthen the PCT’s governance arrangements.

We are comfortable with the process management have adopted to ensure they capture all material acute and continuing care liabilities as at 31 March 2007. Should we undertake to issue a Public Interest Report (“PIR”) we will review the measures the PCT took to ensure that all payments made in respect of 2005/06 were supported by activity data that the PCT had satisfactorily validated.

We are awaiting the results of the StHA investigation into this expenditure relating to prior year liabilities before concluding if these transactions and other events at the PCT warrant a PIR.

Prior year PPA expenditure

The Prescription Pricing Authority (“PPA”) settle the PCT’s prescribing costs in the year, paid by the PCT via a monthly top slice from the PCT’s cash allocation and validated through a detailed listing of drugs dispensed. To ensure that the PCT recognises expenditure when it occurs, i.e., when the drugs are prescribed by the pharmacists and not when the prescription is received by the PPA for payment, PCTs manually adjust expenditure as per the PPA, accruing for prescriptions issued in the period before 31 March but not yet received by the PPA. The size of this accrual compared to expenditure recognised by the PPA in April, May, and June after the financial year varies across PCTs, depending upon the length of time management believe its pharmacists take to process their

claims and send them to the PPA for payment.

Since the creation of the PCT, management have estimated that this time lag equates to 3 weeks of expenditure incurred in April following the financial year. This was reviewed in 2004/05 by the PCT and its auditors, with a view to revising this period upwards, but no adjustment was ultimately made. As part of its exercise for preparing the 2006/07 financial statements, the PCT has reviewed the basis for this estimate, and believes it to be inaccurate. Based on information supplied by the PPA, the PCT is now accruing for about 8 weeks of expenditure. This change in estimation has increased the PPA accrual by £4,782k, an in year cost pressure for which the PCT has received no funding.

Restructuring costs

We note that the PCT's financial statements contain restructuring costs (for redundancy) of £550k in 2006/07. This relates to £326k of in year redundancy expenditure in the PCT's provider function and £224k as part of the year end accruals. The accrual is for the restructuring of the speech and language therapy and the resultant redundancies.

We have reviewed with PCT management the terms under which executive and non executive directors have left the PCT during 2006/07. Management have confirmed to us that no executive or non executive director received a financial settlement or redundancy in the year, but that one director received several months gardening leave.

Fixed asset transactions in the year

We note that the PCT has undertaken a series of fixed asset transactions in the year. The PCT has recognised a total profit on disposal of £1,200k and fixed asset impairments, recognised in the Operating Cost Statement, of £3,394k. We note that due to the requirement under the Capital Accounting Manual for the NHS to firstly revalue fixed assets before disposal to Open Market Value ("OMV") and then recognise any profit or loss on actual sale proceeds, this has led to the assets (Perrin Road, Mortimer Road, and Helena Road) recognising both an impairment (of £2,356k) and a gain on disposal (of £1,210k).

We also note that the transfer of Kingsbury Hospital to CNWL Mental Health Trust did not take place until 2007/08, and so has not been accounted for in 2006/07.

Contingent liabilities

The PCT has recognised the following contingent liabilities in its 2006/07 financial statements, totalling £1,714k.

- £750k In relation to quarter 4 elective activity which the PCT feels was provided in contravention of its instructions;
- £364k In relation to individual disputes with North West London Hospital Trust; and
- £600k In relation to Harrow PCT non acute over performance in dispute. We note that after the year end the PCT has informed us that they have received credit notes for these disputed balances.

We have discussed with management their opinions as to the likelihood of the first amount crystallising and being payable in 2007/08. These judgements do not appear unreasonable, but we note that the majority of the liability relates to activity that has been performed but for which the PCT is refusing payment, rather than calculation errors.

The Board and Committee reviewed all of these disputed balances to ensure that they are in agreement with the proposed treatment of items disclosed as contingent liabilities. We note however that if these balances are settled in negotiation or arbitration against the PCT, then this will create a financial pressure in 2007/08.

Since the year end, we understand that the Harrow PCT creditor has been settled in line with the PCT's assessment for the accounts.

SureStart

The PCT has four SureStart claims outstanding, relating to Wembley Central and South Kilburn for 2004/05 and 2005/06.

We expect to issue audit certificates for these claims subject to qualification letters. However, we encountered significant difficulties in reconciling between the amounts the PCT are reclaiming from the SureStart ("SS") unit per the PCT's financial statements and the amounts that it is claiming per certified grant claims. Our work to reconcile the two amounts noted the following variances:

- By reducing expenditure per the PCT's general ledger relating to SS by payments on account made by the SS unit we can recreate an expected debtor

position. When we reperformed this calculation the accrued income debtor as reflected in the PCT's financial statement was £66k lower than our expectation; and

- Whilst we acknowledge that the different accounting treatment for accruals between the PCT in its ledger and the SS claim may mean timing differences between when the expenditure is recognised, we would expect these differences to work themselves out over the life of the claim. We therefore would expect expenditure per the PCT's general ledger to equate to expenditure per the Grant claims between 2002/03 when the programme started and 2005/06 when the programme hosting was transferred to Brent Council. However, when we compared these two amounts, the expenditure reflected in the PCT's ledger was £228k in excess of that in the SS grants. This would suggest that this expenditure is not recoverable from the SS unit as it has not been claimed on a grant form.

The PCT's ability to reclaim the net of the £228k and £66k from the SureStart unit is therefore uncertain.

We recommend that the PCT work with Sure Start to clarify the position on recoverability of these amounts. See recommendation made in appendix A

We also note that the claims have been completed on a cash basis and not on an accruals basis as required by the grant Certification Instruction. In the worst case this could result in expenditure that could validly have been claimed back not being recovered due to inadequate records. We will report this fact in our qualification letter to the Sure Start unit which will accompany our audit certificate.

Auditors Local Assessment (ALE)

The Auditor's Local Assessment requires us to assess the overall arrangements that the PCT has in place in the following five areas:

- Financial Reporting;
- Financial Standing;
- Financial Management;

- Internal Control; and
- Value for Money.

We evaluated the arrangements against criteria set by the Audit Commission in underlying Key Lines of Enquiry (KLoE) and reached a score for each based on the following:

- 1 – below minimum requirements – inadequate performance;
- 2 – only at minimum requirements – adequate performance
- 3 – consistently above minimum requirements – performing well; or
- 4 – well above minimum requirements – performing strongly.

The scores for these KLoEs then determines the overall score for each area, using rules issued by the Commission. The Commission in turn then determines an overall ALE score for the PCT which is used by the Healthcare Commission in its Annual Healthcheck.

Financial Reporting

We scored the ALE KLoEs for financial reporting as follows:

ALE Key Line of Enquiry	Score
1.1 The organisation produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	2
1.2 The organisation promotes external accountability	1

We identified the following key issues on financial management:

The accounts were materially prepared in line with relevant accounting and reporting standards (Manual for Accounts), and the organisation's agreed accounting policies. We received auditable accounts in accordance with the timetable agreed with the audited body and supported by a range of working papers. Our opinion was unqualified true and fair.

The Annual Report was not supplied to us at the same time as the annual accounts as required by the MoA

Financial Standing

We have scored the single ALE KLoE for financial standing as:

ALE Key Line of Enquiry	Score
3.1 The organisation manages its spending within the available resources	1

We identified the following key issues on financial management:

The PCT breached both its RRL and CRL in the year and therefore scores a 1 on this KLoE.

Financial Management

ALE Key Line of Enquiry	Score
2.1 The organisation's medium-term financial strategy/plan, budgets and capital programme are soundly based and designed to deliver its strategic priorities	1
2.2 The organisation manages performance against budgets	1
2.3 The organisation manages its asset base (applicable to organisations with a significant asset base only)	2

We identified the following key issues on financial management:

The PCT agreed its turnaround plan in November 2006. It went in to turnaround voluntarily after the initial one-year strategy which required £16.5m of savings did not appear to be being met. Achievement against the turnaround plan is in its early stages.

Whilst there appeared to be improvements in Financial Management throughout the latter part of the year, these would have needed to be in place for the majority of the year to impact upon the ALE score.

Internal Control

ALE Key Line of Enquiry	Score
4.1 The organisation manages its significant business risks	1
4.2 The organisation has arrangements in place to maintain a sound system of internal control	1
4.3 The organisation has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business	2

We identified the following key issues on internal control:

Reviewing and reporting of risks has been improved by the new management team, but this improvement was only in place for the latter part of the year. Consequently, as with Financial Management, this does not allow us to recognise this improvement in the score as it was not in place for the majority of the year.

Improvements continue to be made in the production of reliable financial information, but significant weaknesses existed in the year.

Value for Money

ALE Key Line of Enquiry	Score
5.1 The organisation has put in place proper arrangements for securing strategic and operational objectives	1
5.2 The organisation has put in place proper arrangements to ensure that services meet the needs of patients and taxpayers, and for engaging with the wider community	3
5.3 The organisation has put in place proper arrangements for monitoring and reviewing performance, including arrangements to ensure data quality	2
5.4 The organisation has established arrangements for managing its financial and other resources which demonstrate value for money is being managed and achieved	1

We identified the following key issues on value for money arrangements:

ALE 2.1 was scored as a 1 due to the PCT not identifying sufficient financial resources to meet its objectives.

Improvements appear to have been made to the interrogation and analysis of performance data and action plans for addressing variances are centred on the performance against turnaround work streams.

A financial savings plan (£16.5m) was agreed by the Board in March 2006 and a Director of Service Improvements was appointed. The plan was superseded by the turnaround plan as progress against the plan was not deemed to be

sufficient.

Conclusion on Use of Resources

We are required to issue a conclusion on the adequacy of the PCT's arrangements for ensuring economy, efficiency and effectiveness in its use of resources. This conclusion is measured against twelve criteria published by the Audit Commission, which are closely linked to the ALE KLOEs.

Due to the number of ALE scores of 1 (inadequate performance) we issued an adverse Use of Resources opinion on 9 July 2007. This opinion concluded that we are not satisfied that in all significant respects, the PCT made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007, in that it did not put in place:

- arrangements for securing strategic and operational objectives;
- arrangements for managing its financial and other resources which demonstrate value for money is being managed and achieved;
- arrangements to manage its significant business risks;
- arrangements to maintain a sound system of internal control;
- a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities;
- arrangements to ensure that its spending matches its available resources; and
- arrangements for managing performance against budgets.

Statement on Internal Control (SIC)

The SIC disclosed whether the PCT had risk management and review processes, as evidenced by the Department of Health's Assurance Framework, in place for the whole of the period covered by the Accounts.

We reviewed the SIC to consider whether it complied with relevant guidance and if it was misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Summary of key recommendations

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
1.	<p>Continuing Care debtor</p> <p>We understand that the PCT is actively engaged in seeking to resolve this matter, but we recommend that this process continues as a matter of urgency to seek ultimate resolution with the councils.</p> <p>The PCT is now in negotiation with all the local authorities concerned to resolve these payments and therefore this action is in hand and ongoing</p>	High	The PCT has a significant debtor outstanding with both Brent Council and other local authorities. These amounts outstanding relate to Continuing Care cases which the Council are disputing ownership. There are also undisputed amounts which are	Core Standards for Better Health -C7d	The PCT will improve its cash position and save management time spent on debt recovery.	The PCT will face increasing cash low difficulties as it continues to pay for services for which it is not being promptly reimbursed It will also be increasingly difficult to support the recoverability of amounts claimed as they	Not significant.	n/a	July 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
			not being settled.			become aged.			
2.	<p>Continuing Care debtors</p> <p>We recommend that the PCT continue to monitor the position in relation to possible regularity issues around such payments so that any changes in the risk profile of these payments are identified and addressed on a timely basis.</p> <p>This is currently in hand and ongoing within the PCT.</p>	High	We have reviewed correspondence between the PCT and its legal advisers that raises the risk that there are regularity concerns over the expenditure incurred by the PCT on the care of individuals for which it is legally not bound to pay.	Core Standards for Better Health -C7d	The PCT will help manage the risk of making payments which are out outside its delegated authority and so for which are attempts at recovery from local authorities will probably therefore fail.	The PCT may make payments that are outside its delegated authority leading to the Accountable Officer failing to discharge his responsibilities as instructed by the Department of Health and the PCT receiving a qualified Use of Resources Audit opinion.	Not significant.	n/a	July 2007
3.	<p>Partially completed spells</p> <p>We recommend that the PCT works with its provider trusts to agree the future funding of these transactions to ensure compliance with the Manual in 2007/08.</p>		In contravention of the NHS Manual of Accounts the PCT has not accounted for partially completed patients	Core Standards for Better Health -C7d	The PCT will help mitigate the risk of significant unbudgeted acute expenditure as the result recognising	There is a risk that the PCT will be required by the Department of Health to account for partially	Not significant.	Ongoing. The PCT will liaise with providers and the	July 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
			spells in 2006/07.		expenditure relating to partially completed spells.	completed spells in 2007/08 regardless of materiality or that in line with all foundation trusts the PCTs acute providers will begin to recognise partially completed spells compelling the PCT to recognise the activity as part of the period 12 exercise.		StHA to ensure a consistent approach is taken for 2007/08.	
4.	<p>Sure Start debtor</p> <p>We recommend that the PCT fully reconciles the amounts claimed per the financial statements to that claimed as per grant claims, and works with Sure Start to clarify the position on recoverability of these amounts.</p> <p><i>We understand that the PCT has</i></p>		The PCT has a debtor relating to amounts due from the Sure Start unit. We note that there are a number of variances between the debtor as reflected in the financial statements	Core Standards for Better Health -C7d	The PCT will be increase the accuracy of the reporting of its financial position as it has provided in full for any unrecoverable debtors.	The PCT may be subject to a cost pressure as it is unable to recover the debtor relating to Sure Start expenditure leading to increasing	Not significant	n/a	July 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
	<i>actioned this recommendation during the year.</i>		of the PCT and the underlying grant claims which the PCT has submitted to the Unit. These variances suggest that not all of the debtor is supported by grants claims and so therefore may not be recoverable.			provisions.			
5.	Grant claims We recommend that management take steps to ensure that any future grant claims are completed on a timely basis and that to avoid any future reconciliation difficulties reconcile between grant claim and ledger on a regular basis.	Medium	Prior to 2006/07 the PCT was the host body for Central Brent and South Kilburn SureStart programmes. Claims for reimbursement of monies spent by the PCT on these projects should be made to the appointed auditor	Core Standards for Better Health - C7d	The PCT would benefit from improved cashflow as grants are certified and paid on a timely basis. Also, the claim would be simpler to certify by the appointed auditors as the information would be more contemporaneous and original staff	The PCT's cashflow will continue to be placed under pressure and it will continue to find it challenging to support all expenditure to be reimbursed via grant claims.	Not significant	On going	Sep 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
			and SureStart unit by the July following the financial year end. The actual claims were submitted over a year late, and for 04/05 and 05/06 were received by us in March 2007 or later.		still in post.				
6.	<p>Segregation of duties</p> <p>We recommend that the PCT ensures that system access rights are limited that so one individual cannot approve more than one part of the expenditure cycle.</p> <p><i>We understand that the PCT has actioned this recommendation in the year.</i></p>	High	As identified in prior years, there are segregation of duties issues at the PCT. Certain staff have system access rights to set up vendors, process transactions and execute payments.	Core Standards for Better Health - C7a	The PCT will lower the risk that it will face loss due to fraud or financial statements errors leading to the true position of the PCT being distorted.	This is a fundamental systems weakness that exposes the PCT to risk of fraud or error.	Not significant	n/a	July 2007
7.	<p>Payroll leavers</p> <p>We recommend that all 'Staff leavers'</p>	Medium	Records of two staff	Core	The PCT will reduce	Risk of PCT	Not	30/9/07	Sep 2007

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	<p>forms should be authorised and signed and staff records in the payroll system be updated appropriately and in a timely manner.</p> <p>Improvements should also be made in the communication between finance, payroll and HR to ensure timely action is taken on any overpayments identified.</p>		<p>members were not terminated on the old payroll system - Pro 4 once they left the PCT. As a result these employees were incorrectly overpaid for three months (Jul 06 - Sep 06). Payroll were also trying to recover maternity pay for another employee which was paid in error</p>	<p>Standards for Better Health -C7d</p>	<p>the risk of making payments when no services have been provided in return and save management time required to chase and recover the debt.</p>	<p>underpaying/over paying its employees.</p> <p>Risk of non-recoverability of overpayments if debts are not chased in a timely manner.</p> <p>Debtors/creditors might be under/overstated in the accounts due to lack of communication between departments involved.</p>	<p>significant</p>		
8.	<p>Payroll function</p> <p>The PCT should reiterate to its staff the requirement to operate all payroll controls in place over amendments to the payroll records.</p>	Medium	<p>Of 20 amendments to the payroll we tested 8 had no approved change form</p>	<p>Core Standards for Better Health - C7d</p>	<p>The PCT will reduce the risk of incorrect adjustments being made to the payroll</p>	<p>The controls in place over the payroll cycle are not operating in all instances, increasing the risk to the PCT of</p>	<p>Not significant.</p>	30/9/07	Sep 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
						payroll errors and the resultant reputational damage.			
9.	<p>Fixed asset additions</p> <p>We recommend that all capital additions should be authorised by management before being processed for payment.</p> <p><i>We understand that the PCT has actioned this recommendation in the year.</i></p>	Medium	During our testing of fixed asset additions, we noted that of the 32 additions, 9 had not been properly authorised by PCT management.	Core Standards for Better Health - C21	Capital expenditure will be better aligned to the strategic capital programme and objectives of the PCT.	The PCT's budgetary control over what is purchased and capitalised is weakened	Not significant	n/a	June 2007
10.	<p>Patient verification</p> <p>We recommend as good practise the PCT reinstate patient verifications exercises during 2007/08.</p>	Medium	The majority of the PCT's GPs are paid via the General Medical Services ("GMS") contract. A material element of this contract, the global sum, is dependant upon patient list sizes as entered into the Exeter system by	Core Standards for Better Health - C7a	The PCT will decrease the risk that it is making payments based on incorrect patient list numbers. It will also have more accurate data upon which to drive forward improved patient services and monitor the delivery	The PCT may pay amounts to GPs for which they are not entitled.	Not significant	30/9/07	Sep 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
			the GPs themselves. The PCT has not performed any validation of these list sizes since the inception of the GMS contract in 2004/05.		of practise based commissioning.				
11.	<p>Commissioning and provider Service Level Agreements (“SLAs”)</p> <p>We recommend that the PCT agree all commissioning and provider SLAs before the start of the financial year to which they relate.</p>	Medium	We noted during our work on the PCT’s commissioning and provider SLAs that the PCT had not agreed a number of SLAs before the start of the financial year. We also note that the PCT has not agreed an internal SLA between its provider and commissioning arm.	Core Standards for Better Health - C6	The PCT will be able to manage its expenditure and income position with increased certainty through the year, identifying and responding to expenditure variances on a timely basis.	To ensure that issues arising can be addressed on a timely basis,	Not significant.	Provider: September 2007 Commissioner: 31 March 2008	Sep 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
12.	<p>Control account reconciliations</p> <p>Management should ensure that bank and all general ledger account reconciliations are prepared and reviewed within two weeks of the month end.</p> <p><i>We understand that the PCT has actioned this recommendation in the year.</i></p>	Medium	The January Bank Reconciliation completed on the 2nd February 2007 was not reviewed by a Senior Manager until March 2007.	Core Standards for Better Health - C7d	The PCT will have improved cash control reducing the risk of incurring overdraft penalties or late payments of suppliers.	Management may not be aware of the true cash position and cash flow reporting may be inaccurate. In addition any errors may not be promptly identified to allow early correction. Significant reconciling items may not be identified to allow prompt investigations/clearance.	Not significant	n/a	July 2007
13.	<p>Invoice posting account</p> <p>We recommend that the invoice posting account is reviewed on an on going basis through the year, at least quarterly, to ensure that all invoices are either recognised, or written off to expenditure, on a timely basis.</p>	Medium	An Invoice Posting Account is held on the Balance Sheet, where income invoices of uncertain	Core Standards for Better Health - C7d	The PCT will identify its true underlying financial position on a more timely basis allowing quicker	As income is not being recognised on a timely basis, the position of the PCT is may not accurately be	Not significant	30/9/07	Sep2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
			provenance are raised. These are transferred to the I&E when and if income is received, or are transferred to the Bad Debt account at year end.		informed management decisions to be made	reflected to the decision makers of the PCT			
14.	Credit Control procedures Management should ensure that formal debt collection policies and procedures are developed and implemented. A specific member of staff should be assigned the responsibility for debt monitoring, with regular reviews of their performance undertaken by a separate, senior member of staff.	Medium	There are no formal procedures in place for the collection of outstanding debts. At 31/3/2007, the PCT had an exposure to non NHS debtors over 90 days due of £4,100k	Core Standards for Better Health - C7d	The PCT will have improved cash control reducing the risk of incurring overdraft penalties or late payments of suppliers.	Brent PCT faces cash flow risks if it cannot collect in a timely manner all debts outstanding for longer than 30 days (or its period terms if different).	Not significant	30 Nov 2007	Sep 2007
15.	Prescribing control accounts Reconciliations between the PPA statements and the ledger should be completed within ten working days of	Medium	There is no evidence to show that the PPA cash	Core Standards for Better	There will be increased control over the levels of	Balances recorded on the ledger may not	Not significant	n/a	July 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
	<p>the month end. These reconciliations should be signed off by the preparer and reviewed and signed off by an appropriate manager.</p> <p><i>We understand that the PCT has actioned this recommendation in the year.</i></p>		draw down balances received by Brent PCT are reconciled to PPA statements on a regular and formal basis, with corresponding review by management.	Health - C7d	true PPA expenditure and more accurate budget monitoring and management of expenditure variances.	agree to the external PPA statements leading to misstatement of figures in the financial statements increasing the risk of the PCT paying for good and services it has not received.			
16.	<p>PCT provider function</p> <p>It is recommended that, to ensure the PCT's provider function is efficient and effectively managed with direct and regular contact between clinical and finance staff, management consider the requirement to establish a provider board, which meets on a period basic and has responsibility to the main board for control and budgetary performance in the provider function.</p>	Medium	There is no provider function management board or direct and formal liaison between the finance function and the provider arm. Management and high level cost control and monitoring is performed via PCT-wide groups, such	Core Standards for Better Health - C7a	The PCT will have improved control and corporate governance in place at the provider arm, increasing the management of budgets and improving the timeliness and quality of identification and resolution of budget	Without a provider function management board and formal liaison between finance and the provider arm, the provider function may not be sufficiently closely monitored to allow detailed reporting on financial	Not significant	31/3/08	Sep 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
			as the main board, turnaround board, and the vacancy control group (which reviews both the necessity of the proposed new post and agree redundancy costs)		variances.	activity. In addition, overall management reporting may be hindered by the fact that detailed information is not disseminated to all parties, in particular relating to the knowledge and explanations of performance against budget.			
17.	<p>Supplier statement reconciliations</p> <p>We recommend a formal monthly review process should be implemented, whereby each significant supplier statement balance is reconciled to the accounts payable ledger balance and significant reconciling items are investigated on a timely basis.</p> <p>The reconciliation should be reviewed</p>	Medium	During the course of our review of the accounts payable balance we noted that there was not a formal process in place for reconciling the supplier statements to the individual ledger balances.	Core Standards for Better Health - C7d	The PCT will be aware of disputes with creditors on a more timely basis, and therefore be in an advantageous position to gather evidence in support of its position. It will also aid identification of the	In the absence of a formal monitoring and reconciliation process, management may not be aware of significant differences between the balances as per	Not significant	31 Dec 2007	Sep 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
	by a senior member of the finance department.				liabilities of the PCT in the correct period, improving the quality of budget reporting and variance monitoring..	the suppliers' external statements and the PCT's ledger balances. This may result in the creditors position being misstated and an inappropriate balance being reported.			
18.	<p>Purchase Order accruals</p> <p>We also recommend that the PCT review these control accounts on a regular basis, investigating any unsupported items and adjusting the account as appropriate.</p>	Medium	<p>When a purchase order is raised the expenditure will be accrued on the system until the accrual is matched off against an invoice at which stage it will become a creditor until the invoice is paid.</p> <p>Out of the 26</p>	Core Standards for Better Health - C7d	The PCT will report an accurate financial position, improving budget control.	There is a risk that the accrual is misstated and the PCT therefore does not report its true position on a timely basis.	Not significant	31 Dec 2007	Sep 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
			<p>sample items we tested, there was</p> <ul style="list-style-type: none"> - 1 item for which no supporting documentation was provided, - 4 items for which the amount could not be seen on the detailed breakdown, and - 5 items for which the supporting documentation did not agree to the accrued balance. 						
19.	<p>SLA for data storage and IT services.</p> <p>The PCT should ensure an up to date SLA is in place between the PCT and NWLH for the provision of IT and data</p>	Medium	The PCT has a SLA with NWLH to provide data hosting and processing	Core Standards for Better Health -	The PCT will be able to manage its control arrangements with	To ensure that issues arising can be addressed on a timely basis,	Not significant.	n/a	Sep 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
	<p>hosting services.</p> <p>We understand that this is currently in hand and an action plan for improvements within the IT control environment is in place at the PCT.</p>		<p>services. This SLA has not been updated since March 2004.</p>	C7a	<p>increased certainty through the year, identifying and responding to issues arising on a timely basis.</p>				
20.	<p>IT back up tapes</p> <p>Management should implement a monthly document which sets out what tape was restored, the result of the restoration test and any follow up actions taken (if any).</p> <p>We understand that this is currently in hand and an action plan for improvements within the IT control environment is in place at the PCT.</p>	Medium	<p>During our review we noted that although back up tapes are tested on a monthly basis, there is no evidence maintained of this check.</p>	Core Standards for Better Health - C7a	<p>The PCT will be able to support the control environment in place and ensure that best practise is being implemented.</p>	<p>Without maintaining evidence of this test, it is not possible for management to easily determine whether or not the test was successful. It also does not allow for a recurrent problems to be identified.</p>	Not significant	n/a	Sep 2007
21.	<p>Disaster Recovery Plan</p> <p>The Trust should ensure that the completion of the DRP is a high priority and is achieved at the earliest opportunity. The Trust should also</p>	Medium	<p>The Disaster Recovery Plan is in draft - it is not yet complete or</p>	Core Standards for Better Health -	<p>The PCT will mitigate the risk of not being able to continue to operate</p>	<p>Without an operational DRP in place, the PCT may not be able to</p>	Not significant	n/a	Sep 2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
	<p>ensure that the plan is tested on a regular basis and updated as necessary to reflect changes in the operations of the Trust.</p> <p>We understand that this is currently in hand and an action plan for improvements within the IT control environment is in place at the PCT.</p>		operational	C7d	due to catastrophic incident.	respond effectively to a disaster if it were to occur. Valuable time may be lost in restoring services.			
22.	<p>Date Centre</p> <p>Management should implement fire suppression and raised floor environmental controls into the data centre. In addition, management should ensure that there are 24/7 alarms put in place at the data centre to ensure that security are informed of any environmental control failures.</p> <p>We understand that this is currently in hand and an action plan for improvements within the IT control environment is in place at the PCT.</p>	Medium	During our review of the environmental controls in place at the Northwick Park data centre it was noted that although there is a fire alarm in the data centre, there is no fire suppression technology. In addition there are no raised floors and no alarms to notify	Core Standards for Better Health - C7d	The PCT would help mitigate the risk of significant damage to its data storage room which could inhibit the ability of the PCT to continue operating and damage historical records.	There is a substantial risk that security would be unable to get to the fire in time once the alarm was raised to prevent substantial damage.	Not significant	n/a	Sep2007

No.	Recommendation	Priority	Linked to evidence	Link to relevant Standard for Better Health	Positive outcome expected (savings, reduced risks, better value for money)	Consequences of failing to implement recommendation	Likely scale of financial cost of implementing recommendation (where significant)	By when	Date reported to body
			security in the event of a fire or failure of an environmental control.						
23.	<p>Estates Strategy</p> <p>We recommend that the PCT's estates strategy is formally reviewed on an annual basis.</p>	Medium	During our work on ALE 2.3, "The organisation manages its asset base" we noted that contrary to the ALE requirements the PCT does not review its estates strategy annually.	Core Standards for Better Health - C21	The PCT will ensure that its estates strategy better reflects the current objectives of the PCT.	There is a risk that estates strategy and therefore procurement decisions are not based on the current needs and objectives of the PCT.	Not significant	31 Dec 2007	Sep 2007

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