FINAL INTERNAL AUDIT REPORT

Primary Care Services
Contractor Payment Assurance: Community Pharmaceutical Services (Mid & West) 2014/15

Private and Confidential

NHS Wales Shared Services Partnership
Audit and Assurance Services
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Committee: Velindre NHS Trust Audit Committee for NWSSP
ACKNOWLEDGEMENT

NHS Wales Audit & Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.
1. EXECUTIVE SUMMARY

1.1 Introduction and Scope

In accordance with the 2014/2015 internal audit plan, a review of the Community Pharmaceutical Services payments system was conducted for NHS Wales Shared Services Partnership (NWSSP).

The NWSSP Primary Care Services (PCS) in the Mid & West processes Pharmacy payments on behalf of Abertawe Bro Morgannwg University Health Board (ABMUHB), Hywel Dda University Health Board (HDUHB) and Powys Teaching Health Board (PtHB).

The objective of the audit was to evaluate and determine the adequacy of the systems and controls in place for the management of payments made to Pharmacists, in order to provide reasonable assurance to the Velindre NHS Trust Audit Committee and the Audit Committees of Abertawe Bro Morgannwg University Health Board, Hywel Dda University Health Board and Powys Teaching Health Board that risks material to the achievement of system objectives are managed appropriately.

1.2 Opinion and Key Findings

The level of assurance given as to the effectiveness of the system of internal control in place to manage the risk associated with Community Pharmaceutical Services (Mid and West) is Substantial Assurance.

Areas of good practice have been highlighted during the course of the review:

- Up to date procedures notes exist and are available to all staff on a SharePoint site;
- FP47A(C) summary payment forms were found to have been authorised appropriately;

The Board can take substantial assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with low impact on residual risk exposure.
• Monthly schedules for additional payments were authorised appropriately; and
• Reconciliations were accurate and agreed to individual pharmacy statements.

There were no issues identified during the review that require the attention of management.
2. INTRODUCTION

In accordance with the 2014/2015 internal audit plan, a review of the Community Pharmaceutical Services payments system was conducted for NHS Wales Shared Services Partnership (NWSSP).

The Community Pharmacy Contractual Framework was introduced on the 1st April 2005 adopting three tiers of services; nationally set essential and advanced services and enhanced services commissioned locally by Local Health Boards.

- Essential Services are defined as those that must normally be provided by all community pharmacy contractors under the new arrangements. These together with advanced services, form the ‘nationally agreed’ group and are not open to local negotiation;
- Advanced Services are those that require accreditation of the pharmacist responsible for its provision and/or specific requirements to be met in regard to premises; and
- Enhanced Services are commissioned locally by Health Boards. Local Pharmaceutical Services (LPS) will continue to be an option available to Health Boards for delivery of local services.

The NWSSP Primary Care Services (PCS) in the Mid & West processes Pharmacy payments on behalf of Abertawe Bro Morgannwg University Health Board (ABMUHB), Hywel Dda University Health Board (HDUHB) and Powys Teaching Health Board (PtHB).

Pharmacists will receive monthly payments which include an advance of 80% to cover the previous three months and additional payments depending on additional services provided. It should be noted that pharmacists are paid 3 months in arrears.

Pharmacists are also able to submit claims electronically through the National Electronic Claim & Audit Forms (NECAF). The payment of electronic claims are included within the FP47A(C).
3. **AUDIT APPROACH AND SCOPE**

The approach to audit assignments is risk based, where the risks are identified with the lead manager. Controls would then be identified to manage those risks and the assignment scope designed to provide assurances on those issues.

As part of this review, we followed up the progress made in implementing a previous internal audit recommendation; this can be found within the summary of audit findings.

The audit assignment has been allocated an assurance rating, dependant on the level of assurance Internal Audit are able to provide. There are four potential levels of assurance available, along with three recommendation priorities and these are described in Appendix B and C.

The objective of this audit is to provide independent assurance to the Audit Committee and Health Board that robust system controls have been established to manage payments made to Pharmacists.

The main areas reviewed were:

- Procedures (that adequate policies and procedures are in place and are up to date);
- Pharmacy Contract Administration (management of the All Wales Pharmaceutical List is monitored and accurately processed); and
- Pharmacy Contract Payments (Payments made to Pharmacists are accurate and supported by appropriate supporting documentation and payment control sheets are completed in full and authorised as appropriate).

The risks considered in this review are as follows:

- Lack of policies and procedures;
- Payments are made without appropriate authorisation or supporting documentation; and
- Insufficient checks are made to confirm that payments are complete and accurate.

The timeframe covered by the review was 1st April 2014 to 31st October 2014 and samples chosen in accordance with Wales Audit Office requirements on sample sizes. (i.e. based on frequency of control).
4. **SIGNIFICANT AUDIT FINDINGS**

4.1 **Assurance Summary**

A summary of assurance given against the individual objective areas is given in the table below:

<table>
<thead>
<tr>
<th>ASSURANCE SUMMARY</th>
<th>Audit Scope</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Scope</td>
<td>Follow up</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Policies and Procedures</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>All Wales Pharmacy Contract Administration</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pharmacy Contract Payments</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

4.2 **Design of System / Controls**

The findings from the review have highlighted no issues that are classified as a weakness in the system / control design for the management of Pharmacy Payments.

4.3 **Operation of System / Controls**

The findings from the review have highlighted no issues that are classified as a weakness in the operation of the designed system / control for the management of Pharmacy Payments.
4.4 Summary of Audit Findings

The key findings by the individual objective areas are reported in the section below:

4.4.1 Follow up

Good Practice

Follow up of the recommendation made as part of Internal Audit’s last review in 2013/14 resulted in no actions being carried forward, it was found to have been fully implemented by the appropriately appointed lead.

4.4.2 Policies and Procedures

Good Practice

Procedure notes are in place and are accessible to all staff via the SharePoint site. A timetable for processing pharmacy payment has been produced and communicated to all relevant parties.

4.4.3 All Wales Pharmacy Contract Administration

Good Practice

The process was supported by a good standard of documentation, evidencing that the interested parties were contacted in a timely fashion to inform them of the outcome of their applications for change.

4.4.4 Pharmacy Contract Payments

Good Practice

Testing of the FP47A(C) forms showing the summary pharmacy payment each month showed they had been received by PCS in a timely manner, authorised in accordance with the PSU signatory list and the statutory levy had been calculated accurately.

Details of additional payments made to Pharmacies are received on monthly schedules from the Health Board. All schedules reviewed were found to have been authorised according to procedural guidance.
Testing evidenced that the reconciliations between the FP47A(C) forms, Exeter Pharmacy Summary Reports and the prescribing system were all accurate and corresponded to individual pharmacy statements.

All BACS Control Sheets tested were found to be complete, authorised in line with NWSSP and Health Board signatory lists and reconciled with supporting documentation.
5. CONCLUSION AND RECOMMENDATIONS

5.1 Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The Board can take substantial assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with low impact on residual risk exposure.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context.

5.2 Audit Recommendation

No recommendations requiring consideration by management have been raised as part of this review. The progress against recommendations made in previous Internal Audit reviews of this function has been summarised in Appendix A.
There was one recommendation made in the 2013/14 report for the Mid and West. The following table illustrates the progress made against this action plan.

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Progress on Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Made</td>
<td>Accepted</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Completed</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Partial</td>
<td>Not Completed</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Superseded</td>
<td></td>
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<tr>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>
### 2014/2015 Audit Assurance Ratings

<table>
<thead>
<tr>
<th>RATING</th>
<th>INDICATOR</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Substantial assurance</strong></td>
<td><img src="#" alt="Green" /></td>
<td>The Board can take <strong>substantial assurance</strong> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with <strong>low impact on residual risk</strong> exposure.</td>
</tr>
<tr>
<td><strong>Reasonable assurance</strong></td>
<td><img src="#" alt="Yellow" /></td>
<td>The Board can take <strong>reasonable assurance</strong> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with <strong>low to moderate impact on residual risk</strong> exposure until resolved.</td>
</tr>
<tr>
<td><strong>Limited assurance</strong></td>
<td><img src="#" alt="Amber" /></td>
<td>The Board can take <strong>limited assurance</strong> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with <strong>moderate impact on residual risk</strong> exposure until resolved.</td>
</tr>
<tr>
<td><strong>No assurance</strong></td>
<td><img src="#" alt="Red" /></td>
<td>The Board has <strong>no assurance</strong> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with <strong>high impact on residual risk</strong> exposure until resolved.</td>
</tr>
</tbody>
</table>
## Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

<table>
<thead>
<tr>
<th>Priority Level</th>
<th>Explanation</th>
<th>Timeframe for commencement of management action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High</strong></td>
<td>Poor key control design OR widespread non-compliance with key controls PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or mis-statement</td>
<td>Immediate*</td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td>Minor weakness in control design OR limited non-compliance with established controls PLUS Some risk to achievement of a system objective</td>
<td>Within One Month*</td>
</tr>
<tr>
<td><strong>Low</strong></td>
<td>Potential to enhance system design to improve efficiency or effectiveness of controls These are generally issues of good practice for management consideration</td>
<td>Within Three Months*</td>
</tr>
</tbody>
</table>

*unless a more appropriate timescale is identified / agreed at the assignment.
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Audit
The audit was undertaken using a risk-based auditing methodology. An evaluation was undertaken in relation to priority areas established after discussion and agreement with the Health Board. Following interviews with relevant personnel and a review of key documents, files and computer data, an evaluation was made against applicable policies, procedures and regulatory requirements and guidance as appropriate.

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding the achievement of an organisation’s objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Where a control objective has not been achieved, or where it is viewed that improvements to the current internal control systems can be attained, recommendations have been made that if implemented, should ensure that the control objectives are realised/ strengthened in future.
A basic aim is to provide proactive advice, identifying good practice and any systems weaknesses for management consideration.

**Responsibilities**

Responsibilities of management and internal auditors:

It is management’s responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management’s responsibilities for the design and operation of these systems.

We plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we may carry out additional work directed towards identification of fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, cannot ensure fraud will be detected. The organisation’s Local Counter Fraud Officer should provide support for these processes.
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