

# NHS Tayside

## Annual report on the 2010/11 audit



Prepared for NHS Tayside and the Auditor General for Scotland  
July 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Key messages

## 2010/11

The Scottish public sector faces significant challenges in balancing budgets while also delivering on its commitments. In 2010/11 we assessed the key strategic and financial risks being faced by NHS Tayside. We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

We have given an unqualified opinion on the financial statements of NHS Tayside for 2010/11. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

The board achieved all its financial targets in the current year and returned a saving against its core and non-core Revenue Resource Limit of £0.098 million and £0.064 million respectively. The board also achieved its savings target of £30 million, with around 30% of this being of a non-recurring nature. The board's sound financial planning arrangements include regular monitoring, reporting and updating of information to allow potential risks to be addressed promptly.

NHS Tayside has a strong performance management culture and in 2010/11 the board met or exceeded a number of challenging performance targets set by the Scottish Government and in a number of areas performance continues to improve. However some performance targets were not fully achieved and in those cases the board has a well established action plan to improve performance.

NHS Tayside is committed to a process of continuous development and improvement. This is particularly evident through Steps to Better Healthcare (SBH) programmes being undertaken. The board also has arrangements in place to consider national performance reports issued by Audit Scotland. A revised Best Value framework is being developed to address guidance issued by the Scottish Government in March 2011.

The board continues to investigate opportunities to deliver significant developments to rationalise and reconfigure services across the board area. The SBH programme is NHS Tayside's programme of activity, redesign of services and innovation which is working towards the Board's vision of healthcare and health services for the future. Its aim is to find new and different ways to improve the experiences of patients and healthcare for all communities in Tayside. Several project areas have been identified and an SBH Programme Board established to scrutinise these workstreams and improvement measures.

The board remains committed to ensuring that workforce plans are properly aligned to service and financial plans. In 2010/11 the board's workforce reduced by 2% with the majority of this achieved through natural turnover and redeployment.

In 2010/11, the board had sound governance arrangements in place which included a number of standing committees that oversaw key aspects of governance. The board also has a strong internal audit function and good anti-fraud arrangements. We reviewed high level controls in key financial systems and our overall conclusion was that NHS Tayside had adequate systems of internal financial control in place in 2010/11. We identified some areas where controls could be strengthened and agreed an action plan of improvements with management.

## Outlook

The position going forward is challenging with limited funding increases, increasing cost pressures and challenging savings targets. For 2011/12 the board is dependant on achieving significant savings of £25 million. This is the fourth year in succession that the board has been required to make significant savings in order to maintain its financial position and is particularly challenging given cost pressures, including pay growth and increasing prescribing costs. The board's cost savings plan for 2011/12 has identified £19.8 million of savings (as at June 2011) and includes £5.7 million of non-recurring savings.

The significant financial challenges that the board will face in 2011/12 and beyond will require the board to prioritise its use of resources. This will make maintaining or improving on the performance targets set by the Scottish Government even more challenging. Project workstreams adopted by the SBH Programme Board include optimising healthcare facilities, procurement and workforce efficiencies to examine resource use.

The achievement of the board's cost savings plan in the medium term is likely to bring about a reduction in staff numbers. The board recognises that not all staff reductions may be achieved through natural turnover and redeployment. It is important that this process is well managed and aligned with business and financial plans. In particular, through succession planning, the board should ensure appropriate knowledge and experience is retained among key officers to maintain the board's capacity to deliver quality services.

# Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of NHS Tayside. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of NHS Tayside.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that NHS Tayside understands its risks and has arrangements in place to manage these risks. The board and Accountable Officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to the board and the Auditor General for Scotland and should form a key part of discussions with the audit committee, either prior to or as soon as possible after the formal completion of the audit of the financial statements. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the board. The information in this report may be used for the annual overview of the NHS in Scotland's performance to the Accounts Commission later this year. The overview report is published and presented to the Public Audit Committee of the Scottish Parliament.
6. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

# Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
  - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
  - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
  - the regularity of the expenditure and income (except for local government bodies).
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the Director's Report, Operational & Financial Review, Statement on Internal Control and the Remuneration Report. This section summarises the results of our audit on the financial statements.

## Audit opinion

10. We have given an unqualified opinion that the financial statements of NHS Tayside for 2010/11 give a true and fair view of the state of the body's affairs and of its net operating cost for the year.
11. NHS Tayside is required to follow the 2010/11 Government Financial Reporting Manual (FReM) and we confirm that financial statements have been properly prepared in accordance with the FReM.
12. We have also reviewed the board's statement on internal control and concluded that it complies with Scottish Government guidance.

## Regularity

13. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.

## Accounting Issues

14. The bulk of the unaudited accounts were provided to us on 4 May 2011 supported by a comprehensive working papers package. The good standard of the supporting papers and

the timely responses from NHS Tayside staff allowed us to conclude our audit within the agreed timetable and provide our proposed opinion to the Audit Committee on 23 June 2011 as outlined in our Annual Audit Plan

15. A number of presentational changes and monetary changes were required to the annual report and accounts as a result of our review of the disclosures required by the FReM. The audited financial statements were adjusted to reflect these including the recognition of a donated asset and the reclassification of liabilities relating to capital expenditure. Two other matters were identified during the audit where adjustments were not made totalling £2.925 million. These amounts, while clearly more than trivial, are not material to the accounts as a whole. The board did not adjust the accounts for these items and we concurred. The most significant of these items (£2.865 million) is detailed in paragraphs 17 to 19 below.
16. We reported to the audit committee the main issues arising from our audit of the financial statements. The main points were as follows:

### Accrual of centrally allocated funds

17. In the course of the 2010/11 audit we identified £2.865 million of unspent SGHD funding allocations where the related expenditure has been accrued as a liability by the board at 31 March 2011.
18. The accounting framework notes that an essential characteristic of a liability is that the entity has a present obligation. An obligation is a duty or responsibility to act or perform in a certain way. A distinction needs to be drawn between a present obligation and a future commitment. We are of the opinion that the board's treatment of the unspent allocation do not meet the requirements of the accounting framework in that they are a future commitment rather than a present obligation, however the Director of Finance did not concur with this view and viewed these as constructive obligations under the International Accounting Standards; IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
19. More widely it has been noted by auditors at a number of NHS boards that there is a lack of consistency across organisations on how allocations unutilised at the year end are treated in the financial statements. We have advised NHS Tayside that there would be merit in reviewing this area with other NHS boards in conjunction with the SGHD to ensure a more consistent treatment in future years.

### Revaluation Reserve

20. The Capital Accounting manual requires that each year, an amount equal to the excess of the actual depreciation over depreciation based on historical cost should be transferred from the revaluation reserve to the general fund. The board has been unable to quantify the adjustment required to the financial statements in respect of building assets and as a result no adjustment has been made. The board has agreed to consider these requirements for future years and review the information available through the asset register.



## Equal Pay Claims

21. The National Health Service in Scotland has received in excess of 10,000 claims for equal pay and 121 of these relate to NHS Tayside. These have been referred for the attention of the NHS Scotland Central Legal Office (CLO) to co-ordinate the legal response to this issue.
22. Developments over the past year have slowed the progress of claims and led to a reduction of claims going forward. The CLO have stated that claims still do not provide sufficient detail about the comparator jobs to allow an estimate to be made of the likelihood of the success of the claims or any financial impact they may have. The CLO and Equal Pay Unit are monitoring the progress of claims as well as developments relating to NHS equal pay claims elsewhere that may further inform the position
23. Discussions have been held between Audit Scotland, their partner firms, the Scottish Government, the CLO and board representatives to ascertain the appropriate accounting treatment of equal pay claims in 2010/11. Given the CLO's advice that, although some liability is probable, it is not possible to estimate the impact of the claims, it has been agreed that disclosure as an unquantified contingent liability remains appropriate for the 2010/11 financial statements of all affected NHS boards.
24. We continue to strongly encourage NHS Tayside management, working with Scottish Government Health Directorates, the CLO and other NHS boards, to form a view of the potential liabilities as soon as possible taking into account the progress of cases in Scotland and England.

### Risk Area 1

## Agenda for Change

25. As at 31 March 2011, £1.4 million was accrued in respect of Agenda for Change payments. This figure includes estimates based on the board's assumptions and refers to a range of staff posts and grades. The Board provided us with formal assurances, in a letter of representation, that the accrual represents a prudent estimate of anticipated costs.

## Prior year adjustments - cost of capital

26. The FReM removed the requirement for boards to charge a notional cost of capital in their accounts. This was a change in accounting policy which was reflected in the financial statements of NHS Tayside with appropriate amendments made to prior year statements.

## Change in estimation of asset lives

27. The board conducted a review of the methodology for determining the useful life of assets during 2010/11. The methodology was carried out by Pricewaterhouse Coopers (PwC) and was reviewed by Audit Scotland and approved by the SGHD. The revised methodology takes account of patterns of consumption and maintenance and preservation spending. This approach aligns the lives of the less significant elements with the overall life of the building so that they can be depreciated over the revised estimated lives of the asset. As a result, the

annual depreciation charge more faithfully reflects the pattern of consumption. The revised methodology resulted in a significant reduction in the board's annual depreciation charge (£2.2 million).

## Outlook

### Endowments

28. As a result of an agreed derogation from the FReM NHS Scotland boards were not required to consolidate endowment funds within their 2010/11 financial statements. The Treasury and Scottish Government have delayed the consolidation of NHS Endowment Funds until financial year 2013/14.

### Heritage assets

29. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. From 2011/12 the board will be required to separately disclose any heritage assets. The board should conduct a review to identify any such assets.

### Audit appointment for 2011/12

30. Audit appointments are made by the Auditor General, either to Audit Scotland staff or to private firms of accountants for a five year term. This is the last year of the current audit appointment. The procurement process for the next five years was completed in May 2011. From next year (2011/12) the auditor for NHS Tayside will be PwC. As 2010/11 was Audit Scotland's last year we would like to note the good working relationship that exists and thank officers and members of the board for their assistance during the last five years. Formal protocols are in place for the audit hand over to PwC.

# Financial position

31. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
32. Auditors consider whether audited bodies have established adequate arrangements and examine:
  - financial performance in the period under audit
  - compliance with any statutory financial requirements and financial targets
  - ability to meet known or contingent, statutory and other financial obligations
  - responses to developments which may have an impact on the financial position
  - financial plans for future periods.
33. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## The board's financial position as at 31 March 2011

34. NHS Tayside is required to work within the resource limits and cash requirement set by the SGHD. In 2010/11, the SGHD required NHS boards to differentiate between core and non-core expenditure for both revenue and capital.
35. The board achieved all its financial targets in 2010/11 as outlined in Table 1 below:

**Table 1: 2010/11 Financial Targets Performance £'000s**

Financial Target	Target £'000s	Actual £'000s	Variance £'000s
<b>Revenue Resource</b>			
Core	660,988	660,890	<b>98</b>
Non Core	29,758	29,694	<b>64</b>
<b>Capital resource</b>			
Core	23,427	23,427	-
Non Core	-	-	-
<b>Cash position</b>			
Cash requirement	752,000	751,261	<b>739</b>

36. The board has achieved a cumulative surplus of £0.098 million and £0.064 million against its core and non-core revenue resource limits respectively. The current year's core surplus was achieved through a combination of recurring and non-recurring funding. Historically, boards have relied upon a measure of non recurring funding to achieve financial targets. However, with the tighter financial settlement compared to the past and reduced flexibility within expenditure budgets, there is less scope for reliance on non recurring income to achieve financial balance as NHS boards seek to rationalise their cost base.
37. In 2010/11 the board recorded an underlying deficit of £1.4 million (0.18% of recurring expenditure) which represented the excess of recurring expenditure commitments over recurring funding carried forward into 2011/12. This represents an additional cost challenge for the board to manage in 2011/12.

### Financial sustainability and the 2011/12 budget

38. Uplifts in financial settlements have been reducing in recent years. In 2009/10 there was a general uplift of 3.15%, in 2010/11 the corresponding figure was 2.55% (inclusive of a supplementary uplift of 0.4%) while the funding uplift for 2011/12 is 2.7% after allowing for additional funds for prisoner healthcare, the Change Fund and cessation of prescription charges. Given the current economic situation and the impact of national spending priorities, there is also risk that funding uplifts will be lower in future years. These pressures will have a significant impact on long term financial planning and the control of pay and non pay costs.
39. The board plans to break even in 2011/12, although it is facing significant cost pressures with expected expenditure growth of £32.2 million. With additional funding of £8.7 million and a contingency of £1.5 million, the approved Strategic Financial Plan contained an efficiency savings target of £25 million including the Efficient Government target of 3% (£17.6 million). The latest reported financial position has identified £19.8 million of the £25 million savings target (as at June 2011) and includes £5.7 million of non-recurring savings.
40. Cost pressures include the full year impact of the increase on VAT (additional £2 million) and the board's share of sharply increased annual expenditure levels on the settlement of clinical / medical negligence claims across NHS Scotland (additional £2.6 million). In addition there a number of key cost pressures facing the board:
  - **Growth in prescribing costs:** The rate of growth in prescribing costs in 2011/12 is estimated to be 4% in primary care and 6% in acute services before any saving initiatives. For 2011/12 prescribing growth and inflation costs increases are likely to be in the order of £4.8 million. The board expects to achieve costs savings of £2.3 million in relation to medicine management in 2011/12 through a wide range of initiatives thereby containing net overall prescribing expenditure growth within £2.5 million. The scale of the costs savings and the wide range of initiatives which require to be successfully implemented represent a high level of risk of non-achievement.
  - **Pay growth:** The board anticipates that pay growth in 2011/12 will be £5.3 million as a result of the provision for a living wage, incremental pay progression and changes to National Insurance Contribution thresholds.

- **Phasing out of prescription charges:** The board estimates that additional costs will amount to £1.9 million in 2011/12 with additional funding provided to cover this initiative.
- **Non-recurring savings:** The board also recognise that non-recurring savings achieved in 2010/11 of £8.6 million will have to be met again in 2011/12 as part of its efficiency savings target of £25.0 million.

## Financial planning to support priority setting and cost reductions

41. The cost challenges facing the board are significant and in some cases there is an element of uncertainty about further potential increases in costs which the board recognise in its risk assessment of the Strategic Financial Plan.
42. The board's savings plan for 2011/12 involves increasing efficiency in many areas including service redesign, asset management, workforce, procurement, medicine management, management costs and overheads.
43. The delivery of the Strategic Financial Plan in 2011/12 will be more challenging than it has been in recent years. The level of flexibility within expenditure budgets is considerably reduced by the release of cost savings in previous years.
44. Failure to achieve planned cost savings will undermine the board's ability to achieve a break even position. NHS Tayside plans to maintain tight monitoring and scrutiny of costs in order to take remedial action through supplementary cost savings schemes.

## Workforce planning

45. Staff costs account for around 60% of board expenditure and therefore any significant cost savings would likely involve staff reductions. In 2010/11, the Steps to Better Healthcare programmes assisted the Board in achieving its savings target through a range of workforce initiatives. The overall size of the workforce has been reduced by around 2%, with the focus of reduction in costs being achieved through targeting supplementary pay.
46. With its cost savings programme of £25 million for 2011/12, the board may need to consider further staff reductions to reduce its cost base. The board plans to achieve the majority of manpower savings through natural turnover and redeployment. NHS Tayside recognises that these measures alone may not be sufficient to generate sufficient savings and may have to consider provision for the cost of voluntary retirement in future year's financial plans. The board has made clear that it will follow established processes for following through workforce changes in consultation with staff groups and representatives. In so doing, it will comply with current local and national policies on workforce change.

## Outlook

### Financial forecasts beyond 2011/12

47. The board's 2011/12 financial plan provides indicative figures for the level of cost savings needed in 2012/13 (£25 million) and 2013/14 (£20 million) in order to achieve financial

balance. The majority of the cost savings in each year are expected to be generated from recurring sources, although each year an estimate of the non-recurring element of savings is also included. These levels of savings will be extremely challenging because in the previous four years many of the readily achievable savings initiatives will have been identified.

48. The financial plan assumes that future funding uplifts will be of the order of 1%. This combined with growing cost pressures, will make the delivery of cost savings even more important.

**Risk Area 2**

### Significant financial risks

49. In 2010/11 the board's cost savings plan was pivotal to the board achieving financial balance. The plan set a cost savings target of £30 million, which was achieved. The board's ability to achieve financial balance is again largely dependent on it successfully developing and implementing a comprehensive cost savings plan. For 2011/12, the board needs to achieve £25 million savings which is the equivalent to 4.2% of Revenue Resource Limit. It will be a significant challenge to the board to achieve its significant cost savings target and maintain a balanced financial position. The board's cost savings plan for 2011/12 currently includes £5.7 million non-recurring savings with a further £5.2 million savings not yet met. NHS Tayside has identified these un-met savings targets as 'medium risk' (likely to be achieved).

**Risk area 2**

### Pension costs

50. Following the advice of the Scottish Government, Note 24: Pension Costs reflects a net liability of £370million for the NHS Superannuation Scheme arising from the most recent actuarial valuation. Note 1 of the accounts, Accounting Policies, states that the most recent actuarial valuation available was for the year 31 March 2004. Given that the Scheme ought to be subject to a full actuarial valuation every four years, a more up to date valuation would have been expected to have been reflected in the 2010/11 accounts.
51. While there was a more recent actuarial valuation carried out at 31 March 2008, the publication of this valuation has been placed on hold by HM Treasury pending the outcome of public sector pension reforms. Given periodic actuarial valuations are key to determining the adequacy of employer and employee contributions to the Scheme, publication of the latest actuarial valuation will bring clarity as to the adequacy of current contributions to meet the future commitments of the Scheme.

# Governance and accountability

52. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
53. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
54. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
- corporate governance and systems of internal control
  - the prevention and detection of fraud and irregularity
  - standards of conduct and arrangements for the prevention and detection of corruption.
55. In this part of the report we comment on key areas of governance.

## Corporate governance

### Processes and committees

56. The corporate governance framework within NHS Tayside is centred on the board which is supported by a number of standing committees that are accountable to it.
- Audit
  - Medical Research Ethics (2)
  - Staff Governance
  - Finance & Resource
  - Universities Strategic Liaison
  - Improvement & Quality
  - Remuneration
  - Discipline (for primary care contractors)
  - Community Health Partnership (3)
57. The following paragraphs provide a brief comment on some of the main standing committees of the board required under the Scottish Health Plan, including their roles and responsibilities.
- **Audit Committee:** Its purpose is to assist the board deliver its responsibilities for the conduct of public business and the stewardship of funds under the board's control. In particular, the Committee will seek to provide assurance that an appropriate system of

internal control is in place. The Committee is attended by both internal and external audit while, senior officials are invited to attend to respond to auditors' reports.

- **Improvement & Quality Committee:** Its purpose is to provide the board with the assurance that the appropriate systems are in place in respect of continuous improvement, clinical governance, risk and safety, Better Health: Better Care, information governance and educational governance.
- **Medical Research Ethics Committees:** Their purpose is to provide assurance that a mechanism is in place to undertake the ethical review of medical research; the dignity, rights and wellbeing of the participants of medical research are suitably protected; independent advice on medical research ethics is available to the board when requested; there is appropriate liaison between the committee and researchers, funders, sponsors and participants in medical research and the interests, needs and safety of researchers are protected within medical research.
- **Remuneration Committee:** Its main purpose is to ensure application and implementation of fair and equitable pay systems on behalf of the Board as determined by Ministers and the Scottish Government.
- **Staff Governance Committee:** Its main purpose is to advise the board on its responsibility, accountability and performance against the NHS Scotland Staff Governance Standard, addressing the issues of policy, targets and organisational effectiveness.

58. Overall, the board's governance arrangements in 2010/11 were soundly based and operated effectively.

### Patient safety and clinical governance

59. In 2010/11, the board continued to work with NHS Quality Improvement Scotland (NHSQIS) to support the implementation of the clinical governance and risk management standards to ensure that clinical governance principles are embedded in local practice. This will be continued with the successor organisation Healthcare Improvement Scotland.

60. The board completed and submitted a self-assessment of performance prior to a NHS QIS visit in February 2010, with the findings reported by NHS QIS visit in June 2010. The report identified that NHS Tayside has a number of strengths but also identified a number of areas for improvement. The board has put an action plan in place to address the issues raised. NHS Tayside is continuing to make progress in implementing the Scottish Patient Safety Programme (SPSP). NHS Tayside aims to achieve full implementation of the core programme by December 2011.

61. The Healthcare Environment Inspectorate (HEI) carried out a number of planned and unannounced inspections visits to hospital sites within the board during 2010/11 covering Ninewells Hospital (November 2010, April 2011), Perth Royal Infirmary (May 2010) and Stracathro Hospital (May 2011). The reports noted that there was evidence that NHS Tayside is working towards complying with some of NHS QIS's hospital acquired infections (HAI) standards to protect patients, staff and visitors from the risk of acquiring an infection.



However all reports identified areas for improvement in infection control procedures and action plans have been agreed with the board to implement these improvements.

62. Although measures have been put in place by the board to tackle the prevalence of HAIs, there have been outbreaks of the Clostridium difficile (C.Diff) infection in both Ninewells Hospital and Perth Royal Infirmary during 2009 and 2010. An independent public enquiry was ordered by the Cabinet Secretary into the C.Diff outbreak at Ninewells Hospital but this is not due to report for some time.
63. The board established a Directorate of Infection Control and Management in April 2010. This provided assurance that prevention, management and diagnosis of infection, risk assessment, safety, antimicrobial stewardship, cleaning, facilities and hand hygiene are integrated to ensure a cohesive approach.
64. One area highlighted by the board's HEAT target 2011 was to reduce the incidents of all Staphylococcus aureus bacteraemia (including MRSA) to 0.26 cases of infection for every 10,000 acute occupied bed days by March 2013. NHS Tayside, in common with other Boards, while reducing its ratio to 0.42 cases, did not achieve its local target of 0.36 cases by March 2011.

## Partnership Working

65. Partnership working in the NHS covers a number of areas, including partnerships with staff groups, local authorities, the voluntary sector, private healthcare providers and regional planning with other NHS boards.
66. The board has established Community Health Partnerships (CHPs) to provide care and public health services in a local setting to meet the needs of the local population. It is also the intention that CHPs will contribute to one of the key principles set out in the Scottish Government's Better Health Better Care publication which emphasises the need for 'ensuring better, local and faster access to health care'.
67. NHS Tayside's three CHPs continue to develop and face a significant challenge to demonstrate to stakeholders that they are effectively shifting the balance of care from acute settings to community based settings while delivering improved services within the set budget and timeframes. Each CHP is held to account through its own governance committee and the Board which seeks assurance that they are operating effectively and consequently improving the patient experience.
68. A national performance audit of CHPs issued in June 2011 examined the impact community health partnerships (CHPs) have in improving people's health and quality of life by joining up health and social care services and moving more services from hospitals into the community. Further information on the study is noted at paragraph 140 of this report. We are pleased to note that the Tayside CHP General Managers are working with the relevant local authorities to complete the self assessment checklist in assessing its local arrangements in this area.

## Staff Governance

69. Boards also have a statutory duty towards staff governance to put and keep in place arrangements for the purposes of: improving the management of the officers employed by it; monitoring such managers; and workforce planning. NHS Boards must receive reassurance around the detail of staff governance arrangements and monitoring processes and be assured that the Staff Governance Committee's aims and objectives are being met.
70. The Scottish Government Health Workforce Directorate requires all boards to self assess its staff governance arrangements. NHS Tayside has undertaken and reported this self assessment and associated action plan to the Staff Governance Committee in June 2011. This annual self assessment identifies the main risks and an action plan has been agreed in June 2011 by the Staff Governance Committee.

## Internal control

71. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
72. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2010/11 the internal auditor consortium Fife, Tayside and Forth Valley Audit and Management Services provided their opinion that, based on the internal audit work undertaken during the year, that the Board has adequate and effective internal controls in place and that the Accountable Officer has implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of this role.
73. As part of our audit we reviewed the high level controls in a number of NHS Tayside systems that impact on the financial statements. This audit work covered a number of areas including trade receivables, payroll and the general ledger. Our overall conclusion was that NHS Tayside had adequate systems of internal control in place in 2010/11. We identified some areas where controls could be strengthened and agreed an action plan of improvements with management. This will be followed-up at a future date to confirm that improvements have been made.
74. In addition we placed formal reliance on aspects of internal audit's systems work in terms of International Standard on Auditing 610 (Considering the Work of Internal Audit) to avoid duplication of effort. The work of internal audit also provides us with additional assurances on the adequacy of the internal control environment within NHS Tayside.

## Internal Audit

75. A key element of our work on internal controls is the extent of reliance that we can place on the work of internal audit in terms of International Standard on Auditing 610 (Considering the

Work of Internal Audit). We carried out a review of the internal audit function in January 2011 and concluded that the internal audit service operates in accordance with Government Internal Audit Standards and has sound documentation standards and reporting procedures in place.

76. We placed reliance on internal audit work in a number of areas including payroll and non healthcare income. This not only avoided duplication of effort but also enabled us to focus on other significant risks.

### Statement on internal control

77. The Statement on Internal Control (SIC) provided by the NHS Tayside's Accountable Officer reflected the main findings from both external and internal audit work. This SIC records management's responsibility for maintaining a sound system of internal control and summarises the process by which the Accountable Officer obtains assurances on the contents of the SIC.
78. The SIC draws attention to the fact that NHS Tayside approved a framework for Best value for 2010/11 in November 2010 and received assurances from across the organisation that arrangements were operating as anticipated. Revised national Best Value guidance will be reviewed and implemented as required in 2011/12.

### Review of staff earning over £100,000 per annum.

79. The Cabinet secretary had asked NHS boards for assurance that earnings paid to those staff earning over £100,000 complied with relevant policies and guidance. Auditors were also requested to sample check earnings over £100,000 to give additional assurance on their correctness and validity of the figures. We did not identify any matters that in principle indicated that the board had been in breach of relevant national policies and guidance relating to pay matters. We reported our findings to the Chairman of the board on 30 March 2011 so that he could reply to the Cabinet Secretary by the required date of 31 March 2011.

### Management and use of ICT

80. As part of the 2010/11 audit we carried out a review of the Financial Management System (FMS) Computer Services. This is based upon the CedAR 'eFinancials' system and is provided to a group of NHSScotland organisations known as the Tayside Shared Financial Services Consortium. Our review identified that the board continues to provide a robust financial management system to the consortium.
81. The report also identified some risk exposures in relation to the significant changes to the service provision in future years including the move to a single shared financial system in the coming year. The board have agreed the action plan and our report were shared with the external auditors of the Consortium member boards.

## Prevention and detection of fraud and irregularities

82. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
83. NHS Tayside has a comprehensive range of measures in place to prevent and detect fraud including the Code of Corporate Governance covering standing financial instructions, standing orders and supporting policies and procedures, codes of conduct for Members and staff and policies covering fraud standards and 'Voicing Concern/Whistle blowing'. The Board has also entered into a formal partnership agreement with NHSScotland Counter Fraud Services (CFS).
84. The board's internal audit function has a formal programme of work, which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud. Additionally, the board has agreed a formal protocol covering a programme of Payment Verification checks with the Practitioner Services Division of NHS National Services Scotland. In 2010/11 these checks included verification against patient records, requesting patients to treatment by letter, visits to practices and examination of patients.

### NFI in Scotland

85. In 2010/11 NHS Tayside took part in the National Fraud Initiative (NFI). This is a counter-fraud exercise that uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error.
86. It allows public bodies to investigate these matches and, if fraud or error has taken place, to stop payments and attempt to recover the amounts involved. It also allows auditors to assess the arrangements that the bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.
87. As part of our local audit work we monitor the board's approach to the NFI. The board is proactive in preventing and detecting fraud including participation in the NFI. The board's Assistant Director of Finance in his role as Fraud Liaison Officer supported by payroll and finance staff systematically review NFI data matches to identify areas for further investigation. In addition, the Audit Committee receive regular reports on anti-fraud activities including updates on NFI.
88. For 2010/11 NHS Tayside's involvement in NFI includes the review and potential investigation of 1148 data matches covering 17 different data match sets, primarily between payroll and creditors data and other sources including housing benefit information and UK visas. As at 30 June 2011, 45% of recommended matches had been investigated with positive outcomes and no frauds or errors detected. Officers expect to complete the investigations by 30 October.
89. The Audit Scotland report The National Fraud Initiative in Scotland; making an impact (May 2010) highlighted that much of the information used in the last NFI round was collected before

the recession really took hold. An economic downturn is commonly linked to a heightened risk of fraud, and public bodies need to remain vigilant.

90. The current NFI round is being carried out under new powers approved by the Scottish Parliament in terms of the Public Finance and Accountability (Scotland) Act (as amended) and which came into force from 20 December 2010. These provide for more collaboration with other UK agencies to detect 'cross border' fraud, extend the range of public sector bodies involved, and allow data matching to be used to detect other crime as well as fraud.

## Standards of conduct and arrangements for the prevention/detection of bribery and corruption

91. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions.
92. A Code of Conduct for Staff is included in the board's Code of Corporate Governance, taking into account the existing national guidance on the Standards of Business Conduct, the Whistleblowing Policy and the Fraud Policy. The Code of Governance and the code of conduct are continually updated to reflect current best practice. We have concluded that the arrangements in NHS Tayside are satisfactory and we are not aware of any specific issues that we need to identify in this report.

## Outlook

### Processes and committees

93. Following the publication of NHS Scotland's Quality Strategy, NHS Tayside has developed an action plan which includes ensuring that there is clear alignment in reporting on finance and quality, reviewing the effectiveness of the board's roles and building capacity and capability in quality improvement into personal development plans.
94. The board revised its standing committee arrangements from 1 April 2011 removing the Delivery Unit Committee and reassigning its remit. This streamlining is designed to improve the governance arrangements while avoiding unnecessary duplication. With the new committee structure it will be important to undertake a post implementation review to assess the effectiveness of the structure and identify any improvements required.

### Succession Planning

95. As part of its overall cost savings plans the board plans to reduce staff numbers, primarily through natural turnover. It is important that the board retains the right staff with the right skills and has effective succession planning arrangements in place to maintain its capacity to deliver.

**Risk Area 3**

# Best Value, use of resources and performance

96. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
97. The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where no requirements are specified for auditors in a period they may, in conjunction with their audited bodies, agree to undertake local work in this area.
98. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
  - a performance audit which may result in the publication of a national report
  - an examination of the implications of a particular topic or performance audit for an audited body at local level
  - a review of a body's response to national recommendations.
99. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments
100. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
101. This section includes a commentary on the Best Value / performance management arrangements within NHS Tayside. We also note any headline performance outcomes / measures used by NHS Tayside and any comment on any relevant national reports and the board's response to these.

## Management arrangements

### Best Value

102. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The new guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement.
103. The guidance identifies the themes which an organisation needs to focus on in order to deliver the duty of Best Value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

- 104.** The five themes and two cross-cutting themes (some of which we have commented on earlier in this report) are:
- vision and leadership
  - effective partnership
  - governance and accountability
  - use of resources
  - performance management
  - equality (cross-cutting)
  - sustainability (cross-cutting).
- 105.** The board approved the Best Value framework for in November 2010. This was the basis for committees providing the accountable officer with overt assurance on best value for the year ended 31 March 2011. Due to the receipt of the new guidance a revised framework for 2011/12 will be considered at the next board meeting. The board is subject to an annual review process by the Scottish Government Health Directorates, with plans developed to address any issues raised.
- 106.** NHS Tayside is committed to best value and has arrangements in place to help ensure continuing performance improvement. The board also has arrangements in place to develop systems in response to relevant reviews and developments, including consideration of Audit Scotland national reports.

## Information management

- 107.** As part of our 2010/11 audit we conducted a follow-up audit of the 2009 review of use of resources in relation to information management at NHS Tayside. The follow-up audit focused on four areas for improvement identified by management. These related to development of an information resource strategy and its associated annual action plans, and actions to facilitate benchmarking.
- 108.** Our review found that a five-year information resource strategy was produced to align informatics strategy with the NHS Tayside Strategy for 2010-15. Progress is being made this year to develop annual action plans and agree standards for performance benchmarking. Taken together, these actions should result in an improvement to the use of resources in information management.
- 109.** We are also supporting an information governance survey at the NHST called “Your Business at Risk”. This is currently being undertaken and will help management to establish the level of awareness of information governance issues among users of the Multi-disciplinary Information System (MIDIS), Electronic Document Discharge System (EDD) and Central Vision.

## Financial Management

- 110.** As part of our 2010/11 audit we conducted a follow-up audit of our 2008 review of arrangements in place to support effective financial management at NHS Tayside. The follow-

up focused on the action plan agreed with the board. The original review focused on 5 key areas: financial governance; financial and service planning; finance for decision making; financial monitoring & control; and financial reporting. The original report's overall conclusion was that NHS Tayside has good arrangements in place to support effective financial management.

111. An action plan was developed by management to address the issues raised in the original report, however the action plan did not prioritise the actions to be taken and progress against the actions has not been reported to the Audit Committee by management.
112. Our review noted that action has been completed against most of the action points with progress being made against others with the main current developments, including: budget holders' access to the ledger system; commencement of 2011/12 best value reviews in specific areas; developing consistency in financial reporting in the three CHPs; and a 10-15 year master plan for major sites with the Steps to Better Healthcare group looking at asset management through its "Optimising Healthcare Facilities" enabling project.

## Performance management

113. The NHS Scotland Quality Strategy, launched in May 2010, is underpinned by the three Healthcare Quality Ambitions: person centred, safe and clinically effective. In order to implement the Quality Strategy the board has: approved an action plan for quality; approved a six monthly reporting cycle to the board to ensure robust governance arrangements are in place; and approved the Tayside's Centre for Organisational Effectiveness (TCOE), with lead responsibility for implementation and monitoring of the action plan.
114. The TCOE established in February 2011 is intended to create and provide the focus to align existing key activities and infrastructure to support quality improvement and organisational development activities across NHS Tayside. An Organisational Effectiveness Framework to support delivery of the TCOE quality improvement work has been developed covering four strands:
  - build on existing education curriculum in partnership with academic institutions, external partners and NHS for maximum return
  - develop and facilitate knowledge management services that support staff to realise their innovation potential, celebrate and share improvement successes
  - provide expert improvement and development support to enable and support staff with their local improvement work
  - promote an innovation culture in NHS Tayside through alignment of ehealth and technology in support of improvement.
115. NHS Tayside has a well established performance management framework in place for monitoring and reporting on performance. Some elements of this framework i.e. the Citistat methodology (Taystat) for assessing and improving performance are being replaced, with assurances now being received through:
  - a quarterly waiting times board report



- a governance dashboard including data and run charts in respect of access and treatment
- enhanced corporate finance report to the Finance & Resource Committee to include data on efficiency and productivity as well as Steps to Better Healthcare outcome measures
- a new quarterly report on population health activity will be produced. In the first phase the report will include data in relation to the health improvement section of the Local Delivery Plan (LDP) in addition and as part of the corporate review proposals will be brought forward in relation to a population based health plan. The population health activity report to the board will be expanded
- the LDP, financial plan and workforce plan will be annually presented to the board for approval.

116. NHS Tayside is also subject to an annual review which is chaired by the Cabinet Secretary for Health and Wellbeing. The annual review highlights good performance and identifies areas where specific action would be required to improve health and treatment.

## Service Redesign

117. Steps to Better Healthcare (SBH) is NHS Tayside's programme of activity, redesign of services and innovation which is working towards the Board's vision of healthcare and health services for the future. Its aim is to find new and different ways to improve the experiences of patients and healthcare for all communities in Tayside.

118. SBH focuses on the following project areas: mental health; outpatients, surgery strategy; medicines leadership; integrated community services (in the three community health partnership areas); and Out of Hours. These projects are supported by enabling projects on optimising healthcare facilities; procurement; and workforce efficiencies. A project office has been established to oversee these projects and progress is formally monitored by the board through the SBH Programme Board.

119. The SBH Programme Board has been established to:

- scrutinise the SBH workstreams and improvement measures
- ensure a strong alignment between the workstreams and the NHS Tayside Corporate Financial Plan.

120. The Programme Board was established in June 2011 and continues to meet quarterly to consider each programmes progress against its respective improvement plan and the benefits realised from the programmes.

## People Management

121. As part of our 2010/11 audit we conducted a follow-up audit on our report Best value use of resources – people management issued in July 2010. As noted within our original report overall NHS Tayside's people management arrangements are assessed as falling within the 'better practice' category with three areas noted with scope for improvement:

- NHS Tayside could consider increasing its exposure to external benchmarking by developing systematic processes to allow the organisation to assess its people management performance against external standards.
  - NHS Tayside and its partners could develop joint priorities and investment plans to improve people management practices.
  - through further joint working and shared service exercises, NHST may be able to demonstrate improvements in their succession planning activities, due to staff having greater opportunities to share knowledge and expertise, both internally and externally.
122. An action plan has been developed and agreed by the Staff Governance Committee in December 2010. Given the time frame, progress to date has been limited, with actions to address benchmarking reported to the Staff Governance Committee in June 2011.
123. As with other health boards in Scotland, NHS Tayside faced a major challenge in achieving the national sickness absence target of 4%. The current sickness absence rate for the board is 5.15% (2009/10 5.18%). The board reports absence information to the Staff Governance Committee through its 'Promoting Attendance at Work' reporting framework. A range of initiatives to address absence issues in the organisation, form part of the 2010-12 Absence Action Plan.
124. It is crucial for NHS Tayside to have effective workforce planning arrangements in place in order to secure best value and meet challenging performance targets. The board continues to develop its arrangements to help ensure workforce plans are properly aligned to service and financial plans.

### Improving public sector purchasing – follow-up audit

125. A follow up audit on Improving Public Sector Purchasing was carried out in 2010/11 to assess whether local procurement arrangements in NHS Tayside were consistent with good practice and addressed the key issues identified in Audit Scotland's national performance report 'Improving public sector purchasing (July 2009).
126. In carrying out the study we used a self assessment checklist based on the key issues identified in the national report. The checklist, completed by the Head of Procurement & Logistics, together with supporting evidence was subsequently reviewed by ourselves. Our report to management concludes that procurement is well managed within NHS Tayside. The board's Procurement Capability Assessment (PCA) rose from 78% to 90% indicating superior performance. These results confirm that NHS Tayside has one of the better performing teams within the public sector for its procurement capability.
127. The PCA process identified a number of good practices but also revealed some scope for further improvement. The areas for improvement are reflected in the procurement team's action log which is currently being progressed by the procurement team.

## Overview of performance in 2010/11

128. NHS Tayside has a strong performance management culture and receives regular reports on progress towards achieving waiting times and other access targets set by the Scottish Government (commonly known as HEAT targets). The board reported success in achieving most of the targets.
129. Examples where 2010/11 performance has met or exceeded the targets include waiting times (cancer, drug treatment, referral to treatment and diagnostic tests), interventions (child healthy weight, alcohol brief), early diagnosis and management of dementia, cardiovascular health checks, HAI: C. difficile, Length of stay (non-routine inpatient, pre-operative), day surgery, online triage of new outpatient referrals and Accident & Emergency attendances.
130. The target for two of the three community health partnerships (Dundee and Perth & Kinross) was met for older people with complex care needs receiving intensive care at home.
131. Some targets were not fully achieved. These include breastfeeding rate, emergency inpatients bed days for people aged 65+, smoking cessation, HAI: MRSA/MSSA bacteraemias, new outpatients did not attend rate and sickness absence. In each case management have established actions to improve performance. Waiting times (outpatients and inpatient/day cases) was adversely effected by the severe weather during the year however the backlog of patients on the waiting lists have been addressed and targets achieved at the end of March 2011.

## National performance reports

132. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. The findings and key messages of these studies are published in national reports. These reports are submitted to the Audit Committee for information.

**Table 2: A selection of National performance reports 2010/11**

- Using locum doctors in hospitals (June 2010)
- Emergency departments (Aug 2010)
- Community Health Partnerships (June 2011)
- Role of boards (Dec 2010)
- Management of the Scottish Government's capital investment programme (Jan 2011)

Source: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

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### Using locum doctors in hospitals

- 133.** Scottish health boards spend around £47 million a year on locum doctors in hospitals. This spending has doubled in the past decade but, in many cases, health boards are not always clear about why locum doctors are being hired and how long they are using them for.
- 134.** The report notes the NHS needs to get better at managing the potential risks to patient safety of using locum doctors. This is particularly important for locum doctors who are hired through private agencies as they may be unknown to the board and unfamiliar with the hospital in which they are working. Health boards across Scotland need to be consistent in the way they screen and induct locum doctors and the way they manage their performance. There are no formal systems for sharing information about individual locum doctors between boards.
- 135.** This national report was not considered by the Audit Committee, however management actions are being taken that address recommendations in the report.
- 136.** A new National Locum Framework was established and the implementation of the contracts with locum agencies agreed in June 2010 resulted in savings to the board. The national report is being used by management to identify best practice in actions already being undertaken by the board.

### Emergency departments

- 137.** Patient satisfaction with emergency care services is high. However there is widespread variation in the services provided at hospital emergency departments and a lack of clarity about where best to treat different patients. Attendances, costs and workforce pressures are rising, and the NHS in Scotland can do more to manage these services more efficiently. The report highlights that attempts to reduce attendances at emergency departments are not underpinned by an assessment of what works or how much it would cost to have people treated in another setting, such as a minor injuries clinic, where this is appropriate. Closer working across the whole health and social care system is needed to make further improvements.
- 138.** The Audit Committee considered the report together with a self assessment of the board's current practices. Action plans have been developed to demonstrate that recommendations

and the self assessment findings are being addressed. The report replicated much of the work already being undertaken by NHS Tayside in relation to the HEAT targets. The work on the HEAT targets through the Local Development Plan is reported to the Board on a regular basis. The national report in itself was useful in it allowed all aspects of the Emergency Department to be viewed together rather than as a series of individual targets.

## Management of the Scottish Government's capital investment programme

139. The Scottish Government has improved its scrutiny of its programme in recent years. However, improvements have been slow in the information about the status and performance of individual projects, which would help with management of the programme. Information about whether capital projects were on time and within budget is not always available. Where information is available, it shows that cost estimating has improved in recent years. Many projects still run late, although delays tend to be at the early stages before contracts are signed and are less likely to affect costs.
140. The national report was noted for information to the Audit Committee.
141. In response to the national report the board has established an action plan which sets out the board's arrangements for addressing the 17 recommendations for the Scottish Government and NHS boards contained in the report.
142. The Board has re-profiled its capital plan and has controls in place through the Capital Scrutiny Group to assess and manage all capital spending. The Board is an active participant in the East Central Territory hub and is engaging with partners to produce revenue funded solutions for vital infrastructure. The board is also engaging with the Scottish Futures Trust through the Scottish Government Health Directorates with a view to maximising value from asset disposals.

## Community Health Partnerships

143. Our review looked at the impact community health partnerships (CHPs) have in improving people's health and quality of life by joining up health and social care services and moving more services from hospitals into the community. We found that few CHPs have the authority to influence how resources are used in their area.
144. A joint approach involving all partners is needed to make the significant changes needed to tackle Scotland's complex and long-standing health and social care issues. The report also calls for a fundamental review of partnership arrangements to ensure they focus on meeting individuals' needs. The report highlights examples of good practice where CHPs are providing enhanced community-based services. But these local initiatives are small scale and there is limited evidence so far of wide-spread sustained improvements.
145. Publication of the national report on Community Health Partnerships (June 2011) was delayed because of the moratorium on reporting due to the Scottish Parliament general election in May 2011. This report was considered for information by the Audit Committee. As noted at paragraph 68, the CHP General Managers are working with the relevant local authorities to

complete the self assessment checklist with a report to be presented at a future Audit Committee.

## Outlook

### Performance

146. Over recent years the board has invested substantial resources in order to achieve challenging performance targets set by the Scottish Government. The board's 2011/12 Financial Plan assumes that it will deploy an additional £1.9 million funding to meet the national access targets. The significant financial challenges that will be faced in 2011/12 and beyond may require the board to prioritise its resources. This will make maintaining or improving performance even more challenging.

**Risk Area 4**

### People Management

147. As with other NHS Scotland bodies, NHS Tayside will find it a challenge to achieve the sickness absence target of 4% during 2011/12.

**Risk Area 5**

# Appendix A: audit reports

## External audit reports and audit opinions for 2010/11

Title of report or opinion	Date of issue	Date of presentation to Audit Committee
Internal Audit Reliance Letter	12 January 2011	20 January 2011
Annual Audit Plan	24 March 2011	24 March 2011
Review of staff earning over £100,000 p.a.	30 March 2011	26 May 2011
Internal Controls Management Letter	31 May 2011	23 June 2011
Financial Management Computer Service 2010/11	28 April 2011	26 May 2011
Report to Audit Committee in terms of ISA 260	15 June 2011	23 June 2011
Independent auditor's report on the financial statements (proposed)	15 June 2011	23 June 2011
Improving Public Sector Purchasing – Follow-up audit	31 July 2011 (Planned issue date)	September 2011
Annual report to members and AGS	29 July 2011	September 2011

# Appendix B: action plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	24	<p><b>Equal Pay</b></p> <p>NHS Tayside, as with other boards, has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities will have a significant impact on the board's financial position.</p>	<p>NHS Tayside recognises the currently unquantifiable risk and will continue to liaise closely with the NHS Scotland Central Legal Office and Scottish Government Health Directorates on this matter.</p>	<p>Director for Workforce and Director of Finance</p>	31 March 2012
2	48, 49	<p><b>2011/12 Savings Target</b></p> <p>The board faces a wide range of financial challenges and there is a risk that it may not be able to make its savings targets in 2011/12. The longer term financial plan remains at risk of not being affordable and is a significant challenge to the board moving forward.</p>	<p>NHS Tayside is closely monitoring both delivery and impact of the savings required to operate within available resources.</p> <p>The Steps to Better Healthcare Programme, which is being taken forward energetically, seeks to improve patient care at reduced cost.</p>	<p>Chief Executive supported by Executive Team</p>	31 March 2012
3	95	<p><b>Workforce Planning</b></p> <p>The board may require to reduce staff numbers in order to achieve its 2011/12 cost savings plan. There is a risk that this may result in key</p>	<p>NHS Tayside has published its 2011/12 Workforce Plan which sets out our direction for managing short and long term</p>	<p>Director for Workforce</p>	31 March 2012



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		personnel leaving the board with a consequent loss of essential knowledge and experience.	workforce solutions to meet establishment-equivalent reduction targets. As part of our Workforce Efficiencies programme, appropriate measures are in place to review the skills required to improve quality and reduce cost.		
4	146	<p><b>Performance Targets</b></p> <p>The board's 2011/12 Financial Plan assumes that it will require to deploy an additional £1.9 million funding to meet the national access targets. There is a risk that the additional funding will be insufficient to meet the targets. There is also a risk that SGHD funding for access targets will reduce from the 2011/12 level.</p>	<p>Through the Steps to Better Healthcare programme a number of projects are in hand to improve utilisation of available capacity through better capacity planning, increase in number of day case procedures, elimination of unnecessary steps in patient pathways and reducing length of stay.</p> <p>The SGHD confirmed the Access Support allocation bundle and the required outcomes on 14 June 2011.</p>	Chief Operating Officer	31 March 2012
5	147	<p><b>Sickness Absence</b></p> <p>As with other NHS Scotland bodies, NHS Tayside will find it</p>	NHS Tayside is focussed on achieving sustainable reductions in sickness absence	Director for Workforce	31 March 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		a challenge to achieve the sickness absence target of 4%.	through targeted interventions and, as part of our approach to create the right environment to promote positive attendance at work.		