

NHS Western Isles

Annual report on the 2010/11 audit



Prepared for NHS Western Isles 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 Western Isles. 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 audit report on the financial statements of NHS Western Isles for 2010/11. We 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 2010/11 and returned a saving against its total Revenue Resource Limit of £1.349 million as at 31 March 2011. In 2010/11 the board also achieved its savings target of £3.9 million, although £0.8 million of these savings were achieved on a non-recurrent basis and relate to higher than expected vacancy savings. The majority of savings achieved in 2010/11 were in relation to vacancy management and clinical savings initiatives such as GP prescribing, referral management and acute bed utilisation.

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 established actions to improve performance.

NHS Western Isles has a framework in place for monitoring and reporting performance. Comprehensive performance reports detailing performance against national and local targets are submitted bi-monthly to the Board.

The board has recently introduced a formal process to ensure that the findings of Audit Scotland national reports relevant to the Board are considered in detail to identify their potential impact and the Board's progress in addressing recommendations locally. Furthermore, as stated in the Statement of Internal Control, the board is committed to best value and is putting processes in place during 2011/12 to help ensure continuing performance improvement.

In 2010/11, the board had sound governance arrangements in place which included a number of standing committees overseeing key aspects of governance. These included a Risk Monitoring & Audit Committee, Staff Governance Committee and Clinical Governance Committee. The board also had a good internal audit function and anti-fraud arrangements.

NHS Western Isles faces a unique challenge in providing safe and sustainable services to its resident population. Development of the clinical strategy has continued during 2010/11,

focused on three separate work streams, and it is intended that there will be options available for review by the Board in August 2011.

Outlook

The position going forward is becoming even more challenging than previous years with limited increases in funding, increasing cost pressures and challenging savings targets. For 2011/12, the board will require to deliver savings of £3.3 million to achieve break even, which is particularly challenging given cost pressures arising from the effects of locum costs, mainland referrals and placements, increasing prescribing costs and volatile energy costs. In addition, the terms of the brokerage funding of £3.097 million received from the SGHD in May 2009 indicate that the board must commence repayment in 2012/13, and repay this funding over six financial years.

The significant financial challenges that the board will face in 2011/12 and beyond will require the board to prioritise further in its use of resources. This will make maintaining or improving on the performance targets set by the Scottish Government even more challenging.

It is crucial for NHS Western Isles to have effective workforce planning arrangements in place in order to secure best value and meet challenging performance targets. Development of NHS Western Isles workforce plans is on-going, aligned with the three main service redesign work streams described within the clinical strategy.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of NHS Western Isles. 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 Western Isles.
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 Western Isles understands its risks and has arrangements in place to manage those 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. Reports should be made available to stakeholders and the public as 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 Auditor General's annual overview of the NHS in Scotland's performance later this year. The overview report is published and presented to the Public Audit Committee of the Scottish Parliament.
6. The management of the board 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.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the Director's Report, statement on internal control and the remuneration report. This section summarises the results of our audit of the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of NHS Western Isles 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 Western Isles is required to follow the 2010/11 Government Financial Reporting Manual (the 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. As agreed, the unaudited accounts were provided to us on 16 May 2011 supported by a comprehensive working papers package. The standard of the supporting papers and the

timely responses from NHS Western Isles staff allowed us to conclude our audit within the agreed timetable and provide our proposed opinion to the Audit Committee on 29 June 2011 as outlined in our Annual Audit Plan.

15. Several items were identified during the audit, where if adjustments were made these would have a net effect of decreasing the board's operating costs by £66,000. The net impact on the balance sheet would be that net assets would increase by £66,000. These errors, while more than clearly trivial, were not material to the accounts as a whole. Officers in Finance proposed not to adjust the accounts for these errors and we concurred on this.
16. As required by auditing standards we reported to the Audit Committee on 29 June 2011 the main issues arising from our audit of the financial statements. The main points were as follows:

Equal Pay Claims

17. The National Health Service in Scotland has received in excess of 10,000 claims for equal pay and 8 of these relate to NHS Western Isles. Developments over the past year have slowed the progress of claims and led to a reduction of claims going forward. The NHS Scotland Central Legal Office (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 claims being successful or of any financial impact that 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.
18. 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 affected NHS boards. We continue to strongly encourage NHS Western Isles, working with the 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.
19. As with other boards, NHS Western Isles has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities could have an impact on the board's financial position.

Risk Area 1

Provisions

20. The board has created a provision of £0.2 million in the accounts to cover the potential cost of four tribunal cases. However, this provision is based on best estimates made in December 2010. As a consequence, we requested and received from the board formal assurances, in a letter of representation, that the provision represents a reasonable estimate of the liability for these tribunal cases.

Deferred Income

21. In our 2009/10 Report to Those Charged with Governance we highlighted that £1.4 million of deferred income had been included within the balance sheet as a creditor balance at 31 March 2010. This balance related to a number of individual project funding amounts received from the SGHD which were being carried forward to meet future spending plans in relation to each project. In general such unspent funding would not be accrued, if it did not relate to an irrevocable spending commitment. The effect of amending this treatment would be to increase the Board's saving against the Revenue Resource Limit (RRL) for the year. On the advice of the SGHD, the Finance Department reviewed the accounting arrangements for this funding during 2010/11 and as a result, £1.2 million of funding has been recognised within the financial statements rather than being carried forward, thereby contributing to the Board's reported saving of £1.3 million against the RRL. The SGHD has undertaken to return this saving to the board in 2011/12 to fund these ongoing projects and the board will need to manage any issues arising from spending plans which extend beyond March 2012.

Reserves

22. We noted that there has been a misallocation of approximately £50,000 within the Board's reserve balances. Given the low value of this amount we have agreed that Finance staff should resolve this misallocation in 2011/12.

Prior year adjustments - cost of capital

23. The 2010/11 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 Western Isles with appropriate amendments made to prior year statements.

Change in estimation of asset lives

24. During 2010/11 NHS Greater Glasgow and Clyde and NHS Borders conducted a review of the methodology for determining the useful life of assets which was carried out by these boards' internal auditors (PwC) and was supported by the SGHD. The SGHD requested that boards in Scotland should apply the methodology identified in the work carried out at these boards and incorporate the findings with their 2010/11 financial statements. 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 that period. As a result, it is intended that the annual depreciation charge more faithfully reflects the pattern of consumption of the asset. The revised methodology resulted in a reduction in the board's annual depreciation charge (£0.34 million in 2010/11).

Outlook

Endowments

25. 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

26. 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

27. Audit appointments are made by the Auditor General, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 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 Western Isles will be PricewaterhouseCoopers. We at Audit Scotland are confident that the board and their new auditors will continue the good working relationship that has existed between NHS Western Isles and our audit teams, and would wish to thank officers and members of the board for their assistance during the last two audit appointment rounds.

Financial position

28. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
29. 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.
30. 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

31. NHS Western Isles is required to work within the resource limits and cash requirement set by the Scottish Government Health Directorates (SGHD). In 2010/11, the SGHD required NHS boards to differentiate between core and non-core expenditure for both revenue and capital.
32. 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	Actual	Variance
Revenue Resource			
Core	67,267	65,920	1,347
Non Core	3,023	3,021	2
Capital resource			
Core	4,656	4,611	45
Non Core	-	-	-
Cash position			
Cash requirement	77,400	76,516	884

33. The board has achieved a cumulative surplus of £1.349 million. 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.

34. In 2010/11 the board recorded an underlying deficit of £0.844 million, which represented the excess of recurring expenditure commitments, over recurring funding and savings, carried forward into 2011/12. This was in line with the Board's financial plans.

Financial sustainability and the 2011/12 budget

35. There were tighter financial settlements for health boards in 2010/11 with a general uplift of 2.15% which was less than the previous year and also considerably down on the 6% in previous years. This downward trend has continued in 2011/12 as the SGHD has confirmed a general funding uplift of 1.1%. This will have a significant impact on long term financial planning and the control of pay and non-pay costs. In common with other public sector organisations, boards have been set an efficiency savings target of 3% in 2011/12, equivalent to £1.7 million in NHS Western Isles' case. However, these savings are expected to be covered within the board's Financial Recovery Plan.
36. In NHS Western Isles' budget for 2011/12 expenditure, there is no pay uplift across all staff groups, with the exception of staff earning less than £21,000 and those staff affected by increases to the minimum wage. NHS Western Isles also faces other significant cost pressures which have to be managed within current resources, such as its ongoing reliance on locum medical staff, the high incidence of procedures provided by mainland boards, rising drug costs and energy costs. Non pay budgets have been set to reflect 2010/11 expenditure patterns, with no general inflationary uplift. Specific increases have been anticipated where appropriate, for example prescribing has been uplifted by 6%. These factors will significantly affect the board's ability to meet current and future financial targets.

Risk Area 2

37. The board has planned to reduce its recurring deficit to £0.514 million during 2011/12, which assumes an overall funding gap of over £3.3 million. Within the Financial Recovery Plan for 2011/12, savings have been identified to cover just over £3 million of the overall funding gap, leaving over £0.3 million of savings still to be identified. £2.9 million of the total savings that require to be made need to be recurring savings in order to achieve the underlying recurring deficit forecast for 31 March 2012 of £0.514million. Non-recurring savings have also been identified, which bring the forecast position to one of overall break even. The board therefore predicts the underlying recurring deficit for 2011/12 to be improved from the 2010/11 outturn of £0.844 million, although the board itself has assessed over £0.3million of the total £3.3 million savings as being high risk. Management are therefore continuing to identify further savings wherever possible, and are closely monitoring progress towards set targets.

Risk Area 3

Financial planning to support priority setting and cost reductions

38. The cost challenges facing the board, as outlined above, are significant and in some cases there is an element of uncertainty about further potential increases in costs. The board's financial plan is dependent on its ability to implement a comprehensive cost saving plan which will release £2.9 million of recurring cost savings in 2011/12.
39. The cost savings are to be achieved through a number of means, including service redesign, more efficient procurement practices, productivity improvement, effective prescribing and a review of management and administration costs.
40. The delivery of the cost savings 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. Failure to achieve planned cost savings will impact on the board's ability to achieve a break even position.
41. The cost saving plan is very challenging and there is a risk that some elements may not be achievable. It is therefore important that the board closely monitor costs in order to take any required remedial action through supplementary cost saving schemes.

Workforce planning

42. Workforce planning in NHS Western Isles will be focused on the three main service redesign work streams; Acute Strategic Planning, Community Service Redesign, and Mental Health and Learning Disabilities Planning. The need to deliver significant financial savings is recognised as a key driver for workforce planning and development. Staff costs account for approximately 43% of board expenditure and, in response to the board's total savings target of £3.3 million in 2011/12, the workforce contribution to savings is expected to be in the region of £0.5 million.

Outlook

Financial forecasts beyond 2011/12

43. The board's 2011/12 financial plan forecasts modest recurring deficits in 2012/13 and beyond, and provides indicative figures for the level of cost savings needed in 2012/13 (£2.5 million) and 2013/14 (£2.5 million) in order to achieve financial balance. It should be noted, however, that the majority of the cost savings in each year are expected to be generated from non-recurring sources. These levels of savings will be extremely challenging as the majority of readily achievable savings initiatives will have already been identified in recent years.
44. The financial plan includes provision for commencing the repayment of the £3.097 million SGHD brokerage, originally provided in 2009, over the six years from 2012/13. Discussions are on-going to potentially extend the repayment period to assist the board in meeting other financial commitments.

45. 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.

Significant financial risks

46. 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 £3.9 million, which was achieved with £3.6 million being on a recurrent basis and £0.3 million being non-recurring savings. 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 £2.9 million of recurring cost savings which is the equivalent to more than 4% of Revenue Resource Limit. This represents a major challenge to the board and expenditure during the year will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage.

Risk Area 3

Pension costs

47. Following the advice of the Scottish Government, Note 24: Pension Costs reflects a net liability of £370 million for the NHS Superannuation Scheme arising from the recent actuarial valuation. Note 1 of the accounts, Accounting Policies, states that the most recent actuarial valuation 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.
48. While there was a more 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

49. 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.
50. 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.
51. 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.
52. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

53. The corporate governance framework within NHS Western Isles is centred on the board which is supported by a number of standing committees that are accountable to it
 - Risk Monitoring and Audit Committee
 - Clinical Governance Committee
 - Staff Governance Committee
 - Remuneration Committee
 - Patient Focus Public Involvement Committee

The following paragraphs provide a brief comment on the main standing committees:

54. The Risk Monitoring and Audit Committee's purpose is to provide the board with assurance that its activities are within the law and regulations governing the NHS in Scotland, and that an effective system of internal control is maintained. Among other responsibilities, the Committee ensures that financial statements are prepared timeously and give a true and fair view of the financial position, and that reasonable steps are taken to prevent fraud and other irregularities. The Committee is assisted by both internal and external audit and senior officials are invited, as appropriate, to respond to auditors' reports.

55. The Clinical Governance Committee assists the board in delivering its statutory responsibility for the provision of quality healthcare. In particular, the Committee seeks to give assurance to the board that appropriate clinical governance mechanisms are in place and effective throughout the board's healthcare responsibilities, including its health improvement activities.
56. The purpose of the Staff Governance Committee is to provide assurance to the board that NHS Western Isles meets its obligations in relation to staff governance under the National Health Service Reform (Scotland) Act 2004 and the Staff Governance Standard, and to support and maintain a culture for delivery of best possible staff management practices. In particular, the Committee seeks to ensure that staff governance mechanisms are in place that establish responsibility for performance against the Staff Governance Standard and ensure progress towards its achievement.
57. The Remuneration Committee supports and provides assurance to the board on all employment issues relating to Executive Directors and designated Senior Managers, and on certain employment issues relating to other staff. Its role includes approval of job descriptions and contracts of employment, performance assessments, salary uplifts and supplements and disciplinary procedures.
58. The Patient Focus and Public Involvement (PFPI) Committee supports the board in developing an integrated approach to patient and public involvement across Western Isles. In particular, it provides assurance that patients, carers and the public are actively engaged, informed and consulted, that performance monitoring arrangements are in place, and that evaluation of impact of PFPI activity is undertaken.
59. Our overall conclusion is that governance arrangements are sound and have operated throughout 2010/11.

Patient safety and clinical governance

60. The board continues to work with NHS Quality Improvement Scotland (NHS QIS, which became NHS Healthcare Improvement Scotland in April 2011) to support the implementation of clinical governance and risk management (CG&RM) standards to ensure that clinical governance principles are embedded in local practice. The board had its follow-up review by QIS in March 2010, and the findings were reported in July 2010. The report noted the board's strengths included having an embedded risk management system. The board's highest scoring area was internal and external communications and the lowest scoring area was business continuity planning. The report made recommendations for improvement including, the development of a strategic risk action plan and further embedding of the performance management framework.
61. NHS Western Isles has made good progress with regard to patient safety, in line with the Scottish Patient Safety Programme (SPSP) launched in 2007 by the Scottish Patient Safety Alliance, which brings together the Scottish Government, NHS QIS (now HIS) and NHS boards. The board was again commended in its 2010 Annual Review for achieving very low rates of C Diff and MRSA infection, and the incidence of Healthcare Associated Infection in general continues to be low within the Western Isles and has made good progress towards

achieving the objectives of the SPSP during 2010/11. In 2011/12, there will be a small number of new targets to replace targets met in 2010/11.

62. The Healthcare Environment Inspectorate (HEI) was set up in April 2009 as a new inspectorate based within NHS QIS. Its remit is to reduce the risk of HAIs in acute hospitals through assessment, inspection and reporting of boards' performance against HAI standards. The HEI carried out a programme of inspections from September 2009 to September 2010.
63. One HEI report in relation to NHS Western Isles was published in August 2010 following an announced inspection at Western Isles Hospital, Stornoway. Overall, the board was found to be complying with the majority of NHS QIS HAI standards; however, the inspection visit did result in seven requirements and nine recommendations being identified. These were to be addressed by the board as a matter of priority, and have been incorporated in an improvement action plan. Corrective actions identified had been completed by March 2011.

Partnership Working

64. 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. The board has established the Western Isles Community Health and Social Care Partnership (CHaSCP) to provide care and public health services in a local setting to meet the needs of the local population.
65. Audit Scotland carried out a national performance audit of Community Health Partnerships across Scotland during 2010/11 which included a review of the current position within the Western Isles. The report was issued in June 2011 and highlighted that within the Western Isles, the Board, CHaSCP and Council were unable to identify a clear role for the CHaSCP to facilitate more integrated health and social care services. The report noted that this situation may have been caused by the fact that when the CHaSCP was being set up, a number of other joint health and social care groups and partnerships were already in place and the board and the Council did not take the opportunity to rationalise these. As a result, the role and purpose of the CHaSCP committee and other partnership groups have become increasingly blurred.
66. In addition, the report identified that the CHaSCP committee is large with 26 members, most of whom are also involved in other partnership groups and attendance at CHaSCP committee meetings is consistently poor. The report also highlighted that there is a lack of capacity within the CHaSCP management team to carry out joint planning and performance management for health and social care.

Risk area 4

67. Formal partnership arrangements with other boards and organisations have been further developed, principally with NHS Highland, to provide support in key service areas. The effectiveness of these arrangements has been reviewed and, where necessary, priorities have been changed to ensure that the most effective use is made of the resources offered. A revised service agreement for the provision of non-clinical support services by NHS Highland

in 2010/11 was signed off in June 2010. The revised service level agreement was focused mainly on providing support to NHS Western Isles in the areas of Service Level Agreement management and Public Health. In a separate initiative, early in 2011/12 Local Change Fund monies amounting to £0.5 million have been obtained from Scottish Government to be used in establishing and developing more effective partnership working across the board, Comhairle nan Eilean Siar and other local partner bodies.

68. In November, 2010, the board formalised a major partnership arrangement with O2 Health which places NHS Western Isles as Scotland's principal centre of excellence in developing telehealth services. The board will provide clinical and health expertise to develop innovative approaches to streamlining and improving healthcare in the community, while O2 health will channel resources through NHS Western Isles in the form of managed pilots, technical expertise and forums to encourage shared learning. The effectiveness of the board's arrangements with NHS boards and other partner bodies has been monitored as part of our audit responsibilities in relation to governance.

Internal control

69. 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.
70. 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 Deloitte, the board's internal auditors, provided their opinion that, based on the internal audit work undertaken during the year, there were no significant weaknesses that required specific mention in the Statement on Internal Control.
71. As part of our audit we reviewed the high level controls in a number of NHS Western Isles systems that impact on the financial statements. This audit work covered a number of areas including payroll, trade payables, cash and bank, family health services, trade receivables, stores and general ledger. Our overall conclusion was that NHS Western Isles 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.

Internal Audit

72. 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 internal audit in November 2010 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. We placed reliance on internal audit work in a number of areas in relation to payroll, trade

payables, cash and bank, trade receivables, and general ledger. This not only avoided duplication of effort but also enabled us to focus on other significant risks.

Statement on internal control

73. The Statement on Internal Control (SIC) provided by the NHS Western Isles 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.
74. The SIC also makes reference to the board's arrangements in relation to best value and information governance.

Review of staff earnings over £100,000 per annum

75. 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 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; however, we did identify a number of issues which we requested the board to follow up. Suitable assurances have since been received from management as to the regularity of the issues raised. We reported our findings to the Chairman of the board on 28 March 2011 to enable him to reply to the Cabinet Secretary by the required date of 31 March 2011.

Management and use of ICT

76. As part of the 2010/11 audit we reviewed the information governance aspects of the Board's management and use of ICT and, in particular, data handling arrangements. In common with most public sector organisations, NHS Western Isles holds a significant amount of personal and sensitive information due to the nature of the Board's business. In the past, data handling was seen either as a technical or a compliance (Data Protection Act 1998) issue, but now it has become a service delivery issue where a significant control failure can lead to:
 - the loss of patient confidence
 - higher compliance costs due to enforcement action
 - fines imposed by the Information Commissioners Office.
77. Data security issues continue to receive frequent and extensive press attention and guidance continues to develop to keep pace with technological developments. The Scottish Government highlighted a number of governance recommendations to improve data handling arrangements in the Data Handling Report, published in June 2008. NHSScotland has revised the guidance and best practice for records management. In November 2010 the Scottish Government Health Directorates published the new Foundation Manual for NHSScotland Caldicott Guardians updated guidance regarding patient information.

78. Our review focused on five key governance themes: the information asset register; management of information risk; data sharing; information awareness and data protection. We issued our draft report to management for comment in late June 2011, and will report our findings during July 2011.

Prevention and detection of fraud and irregularities

79. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
80. NHS Western Isles has a comprehensive range of measures in place to prevent and detect fraud including Standing Financial Instructions, a Code of Conduct for staff and supporting policies and procedures. The board has also entered into a formal partnership agreement with NHSScotland Counter Fraud Services (CFS).
81. 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 confirm treatment by letter, visits to practices and examination of patients.

NFI in Scotland

82. In 2010/11 NHS Western Isles 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.
83. 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.
84. As part of our local audit work we monitor the board's approach to the NFI. We concluded that the board is proactive in preventing and detecting fraud including participation in the NFI.
85. 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.
86. 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 and detection of corruption

87. 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. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the arrangements in NHS Western Isles are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Best Value, use of resources and performance

88. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
89. 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.
90. 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.
91. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments. Audit Scotland has prepared a series of Best Value toolkits to facilitate its reviews in these areas.
92. 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.
93. This section includes a commentary on the Best Value / performance management arrangements within NHS Western Isles. We also note any headline performance outcomes / measures used by NHS Western Isles and any comment on any relevant national reports and the board's response to these.

Management arrangements

Best Value

94. 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.
95. 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.

96. 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).
97. NHS Western Isles is committed to best value and is putting processes in place during 2011/12 to help ensure continuing performance improvement. The board has recently introduced a formal process to ensure that the findings of Audit Scotland national reports relevant to the board are considered in detail to identify their potential impact and the board's progress in addressing recommendations locally.

Service Redesign

98. NHS Western Isles faces a unique challenge in providing safe and sustainable services to its resident population. Development of the clinical strategy has continued during 2010/11, focused on three separate workstreams:
- Acute Service Modernisation including restructuring and modernisation of Western Isles Hospital.
 - Mental Health Modernisation including implementation of the Board's mental health review.
 - Community Service Modernisation including a review of nursing and community based health care provision.
 - Phase 1 of the modernisation work at the main hospital was completed, with Phases 2 and 3 planned for completion 2011-2013. The main initiative in relation to community health care is a comprehensive review of the CHaSCP in partnership with Comhairle nan Eilean Siar, including staffing, financial arrangements and benchmarking of its activities. External support and advice has been commissioned from NHS Greater Glasgow and Clyde, and from NHS Highland, and it is intended that there will be options available for review by the board in August 2011.
99. During 2010/11 it was noted that a number of innovative service developments have been implemented that aim to assist the board in coping with the day-to-day challenges presented by their rurality and remoteness, these included:
- **Obligate network for diabetes:** The board launched the world's first Diabetes Obligate Network in November, 2010, in partnership with NHS Greater Glasgow and Clyde. This link between the two boards will support future sustainability locally, and provide improved access to specialist services for Western Isles residents.

- **Telehealth service:** In March 2011, the first Scottish neuropsychology clinic by videolink took place. A high quality videolink enables patients to attend a consultation in Stornoway or Uist with a consultant in Glasgow, eliminating the need for travel to the mainland.
100. In addition to the initiatives detailed above NHS Western Isles also introduced a number of other more traditional service developments during the year. These included:
- **New Chemotherapy Room:** A dedicated area for administration of chemotherapy was opened in Western Isles Hospital in July, 2010, increasing capacity and providing a larger more comfortable space for patients
 - **Western Isles Dental Centre:** Officially opened in February, 2011, its first patients were treated at end of December, after just nine months in construction. Provides 12 purpose built surgeries, with five adapted for training, and incorporates state of the art equipment and technology, while also adding a welcoming and relaxing ambience to the patient experience.
101. The impact of all service developments requires to be closely monitored by the board going forward to ensure that they continue to contribute to improving the patient experience.

People Management – follow-up audit

102. As part of our 2010/11 audit we conducted a follow-up review of our 2009/10 audit of use of resources in relation to people management at NHS Western Isles, which was based on one of Audit Scotland's Best Value Toolkits. The follow-up work focused on the four key areas of the original review – policies and structures supporting effective people management; integrating workforce planning with strategic and financial planning processes; managing and developing the performance of staff and communication and involvement with staff. Our 2009/10 report was issued in October 2010, and concluded that the board's overall arrangements in this area mostly fell within the "basic practices" category. This indicated that satisfactory procedures and structures had been put in place, but that further development was required to demonstrate ongoing commitment to efficient use of human resources.
103. Overall, we found that NHS Western Isles has made progress in many of the areas identified for improvement, which will further strengthen policies and practices with regard to people management. It should be noted that:
- An overarching people management strategy or equivalent, has still to be developed.
 - Development of detailed work plans, including their integration with financial planning and service redesign, is still on-going across the Board, within defined timescales.
 - A core set of employment information, for use by management, will largely be provided within the National Employee Support System, however, the expected date for implementation is October 2012.
 - Benchmarking of workforce performance measures including staff costs has still to be developed.

Information Management – follow-up audit

104. As part of our 2008/09 audit activity we applied the Best Value Use of Resources toolkit, which looked at the use of resources in relation to Information Management at NHS Western Isles. Our overall conclusion was that the board's arrangements in this area were generally soundly based but progress was required to ensure that approved policies and procedures be put in place to cover all aspects of information management. As part of this year's audit we have asked management to provide us with an update and management indicated that they had taken a number of actions since the report. Management has put in place a Performance Management & Monitoring framework and monitoring system that aims to improve the delivery of the board's strategic goals. Further, it was encouraging to note that management had prepared a remit for a new Information Governance Steering Group which could, if implemented, provide overall governance and management of the board's information assets and oversight of the wide range of initiatives that the board has in progress.

Financial Management – follow-up audit

105. As part of our 2010/11 audit we conducted a follow-up audit of our 2007/08 review of use of resources in relation to financial management at NHS Western Isles, which was based on one of Audit Scotland's Best Value Toolkits. The follow-up audit focused on five key areas of the original review – financial governance; financial and service planning; finance for decision making; financial monitoring and control and financial reporting. Our final detailed report was issued in January 2009 and drew upon examples of good practice across the NHS in Scotland. Our report concluded that the Board's overall arrangements in this area were soundly based although we did highlight scope for further improvement in four out of the five key areas examined.

106. Our initial report had recommended that the board should develop an action plan to address the areas identified for further development to assist in monitoring progress and tracking improvements in developing best value in relation to financial management. The board did not develop a specific action plan as they believed that current work streams would address the issues raised. Our follow-up work identified that improvements had been made in the majority of those areas where we identified further scope for improvement. In particular, there has been ongoing improvement in integrating financial and service plans and increased focus on financial monitoring and control. It is recommended that the board now formally track progress through the development of an action plan to ensure that it can demonstrate continuous improvement in this area.

Performance management

107. Performance monitoring and reporting against HEAT targets is well developed within NHS Western Isles. The Corporate Plan is subject to annual review, and the underlying Local Delivery Plan links the corporate objectives to the government's HEAT targets. Quarterly performance updates on HEAT Key Performance Measures (KPMs) are provided in summary form to the board for information. These reports are compiled from monthly reporting on KPMs, which is reviewed by Single Operating Division management teams and the Corporate

Management Team. We have been able to confirm the ongoing operation of these arrangements through 2010/11.

108. The Annual Review held in August 2010 concluded that the board had made progress in a number of areas in 2009/10. These included improved access to services, shorter waiting times and better outcomes for patients. Significant progress was identified in a range of service improvements under early deliverables as part of the wider clinical strategy. The main action points for the board arising from the review included:
- Informing SGHD of progress on local implementation of Quality Strategy.
 - Continuing to review, update and maintain robust arrangements for controlling HAI.
 - Informing SGHD on progress towards achieving access targets, 4 hour A&E standard and 18 week RTT target.
 - Informing SGHD of progress in implementing local efficiency savings programme, and continuing to achieve financial targets on a recurrent basis.
 - Increasing momentum to implement the three modernisation work streams.

People Management

109. As with other health boards in Scotland, NHS Western Isles faces a major challenge in achieving the national sickness absence target of 4%. The current sickness absence rate for the board is 4.8%, which is slightly up on last year. The board continues to address sickness absence through its Attendance Management Policy, its Promoting Attendance Task Force and by the inclusion of attendance management as a key target for senior staff within their performance objectives.

Risk Area 5

110. It is essential that NHS Western Isles has effective workforce planning arrangements in place in order to secure best value and meet challenging performance targets. The board has to be informed of future workforce requirements for the organisation, and a reliable analysis of workforce and skills mix is essential for planning to meet changing service requirements. As detailed in the Local Delivery Plan 2011/12, development of NHS Western Isles workforce plans is on-going over the next three years, and is aligned with the three main service redesign work streams described within the clinical strategy. Within that structure, each work stream will generate service specific workforce plans, with workforce profiles and skills profiles to support service delivery, succession planning, etc. The board needs to ensure that this work, which is critical to delivering the clinical strategy, is concluded and resulting plans implemented within appropriate timescales.

Improving public sector purchasing – follow-up audit

111. Improving Public Sector Purchasing – A follow-up audit was carried out in 2010/11 to assess whether local procurement arrangements in NHS Western Isles were consistent with good practice and addressed the key issues identified in Audit Scotland's national performance report 'Improving public sector purchasing' (July 2009). In carrying out the study we used a

checklist based on the key issues identified in the national report and this checklist was discussed with the Deputy Director of Finance who provided supporting evidence as appropriate.

112. Overall, NHS Western Isles has made progress in strengthening its purchasing processes and arrangements, and demonstrates commitment to improvements in procurement through engagement with NSS National Procurement (NP). An Intensive Improvement Activity exercise was completed in March, 2011, in conjunction with NP, to identify opportunities to improve capability and realise benefits and savings from better procurement practices. Recommendations coming out of that process will require fundamental changes in the culture and working methods within the organisation.
113. We noted that there was scope for improvement in the following areas:
- Formalising of the procurement process and practices, supported by appropriate governance and accountability structures.
 - Improving procurement skills and resources within NHS Western Isles.

Overview of performance in 2010/11

114. The board receives bi-monthly status reports on progress towards achieving the key performance targets set by the Scottish Government (HEAT targets and standards). In addition, a more detailed Performance Monitoring and Assurance Report has been implemented at operational management team level. The board demonstrated good performance against a number of very challenging HEAT targets by the end of March 2011 including the healthy weight of children target and the smoking cessation target.
115. One significant target, the 30% reduction in MRSA/MSSA, was not achieved by the end of March 2011. The board reported 13 cases of staphylococcus aureus bacterium (SABs) confirmed during the year, against a target of 2, which highlights the extent of the challenge facing the board.
116. Waiting times have been falling over recent years as the board has achieved successive Government targets. The Government target is that by December 2011 the total maximum journey will be 18 weeks from referral to treatment. At the end of March 2011, NHS Western Isles was on target to achieve this.

National performance reports

117. 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.
118. In February, 2011 a formal process was introduced to ensure that the findings of national reports relevant to the board are considered in detail to identify their potential impact and the Board's progress in addressing recommendations locally. These reports are considered in detail by the Director of Finance and Chair of the Audit Committee to identify which executive

director will assess the impact of the national report and to indicate how the board will address any recommendations made. Reports in the last year that may be of relevance to the board include: (see Table 2)

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

- | | |
|---|---|
| <ul style="list-style-type: none">• Using locum doctors in hospitals (June 2010)• Emergency Departments (Aug 2010)• Role of boards (Dec 2010) | <ul style="list-style-type: none">• Improving energy efficiency - follow up report (Dec 2010)• Management of the Scottish Government's capital investment programme (Jan 2011)• Community Health Partnerships (June 2011) |
|---|---|

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Using locum doctors in hospitals

- 119.** 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.
- 120.** The report also says 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.
- 121.** NHS Western Isles spends around £1.5 million per year on locum provision, and historically has had the highest percentage of vacant consultant posts to cover. The use of locums is actively managed at weekly meetings involving HR Medical Staffing Officer and Medical Director, and during 2010/11 the vacancy and long term sickness issues faced by the Board have improved.

Emergency departments

- 122.** 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.

123. The findings of this report were considered by the Accident & Emergency Department at Western Isles Hospital and an action plan was produced to address the recommendations made, which will be monitored by the Clinical Governance Committee.

Role of boards

124. Public bodies and their boards have evolved over time. There is great variety in the size and make-up of boards and the roles that they have. Accountability can be complex, with chief executives and boards reporting in different ways to the Scottish Government, ministers and the Scottish Parliament. This risks causing confusion about who leads an organisation and is responsible for its decisions.
125. The key messages of this national report have been disseminated to all members of the board and have been considered by the Chair of the board as part of his overall review of board development. As a result, an action plan is to be developed to identify areas where the board function requires to be developed further and the key messages from the national report are included within the action plan.

Improving energy efficiency - follow up report

126. Scotland's public bodies need to cut their energy use to minimise the impact of predicted price rises and to reduce carbon emissions. Since the original report in 2008, action has been taken at national and local levels. The Scottish Government has published an action plan to improve energy efficiency, and 85% of public bodies now have energy efficiency strategies. In the three years to March 2009, public bodies energy use increased by 1% overall but spending on energy rose by 21%. In 2008/09 the public sector spent more than £322m on energy, and prices are currently expected to rise significantly. Scotland's public bodies are also expected to contribute towards ambitious national targets to reduce greenhouse gas emissions.
127. NHS Western Isles has in place a Joint Carbon Management Plan with Comhairle nan Eilean Siar, containing plans for reduction of CO₂ emissions and mechanisms for the reduction of energy dependency. The plan is currently being reviewed, and new projects have been identified to assist further achievement of related HEAT targets.

Management of the Scottish Government's capital investment programme

128. 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.

Community Health Partnerships

129. 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. It was found that few CHPs have the authority to influence how resources are used in their area.
130. 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.
131. 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 discussed at the Risk Monitoring & Audit Committee in June 2011 and the key points for the board have been identified together with the lead director responsible for taking the recommendations forward through the production of action plans.

Outlook

Performance

132. Over recent years the board has invested substantial resources in order to achieve challenging performance targets set by the Scottish Government. The significant financial challenges that will be faced in 2011/12 and beyond may force the board to reprioritise its resources. This will make maintaining or improving performance even more challenging.

Service Redesign

133. In early 2011, the Scottish Government informed NHS boards of a general reduction in capital allocations across Scotland for 2011/12. This led to a significant reduction in NHS Western Isles' capital resources for planned projects from £5.2 million in 2010/11 to £1.4 million in 2011/12.
134. Although this reduction in capital resources has not significantly affected planned capital projects across NHS Western Isles in 2011/12, the Scottish Government is advising that capital resources from 2012/13 onwards will be severely constrained, which may impact on the £6.1 million estimate required by the Board in 2012/13 in order to continue WIH modernisation, and fund a possible joint project with Comhairle nan Eilean Siar to develop St Brendan's Hospital in Barra.

Appendix A: audit reports

External audit reports and audit opinions issued for 2010/11

Title of report or opinion	Date of issue	Date presented to Audit Committee
Internal Audit Reliance Letter	30 November 2010	8 December 2010
Annual Audit Plan	2 February 2011	9 February 2011
Review of staff earning over £100,000 p.a.	28 March 2011	11 May 2011
Internal Controls Management Letter	5 May 2011	11 May 2011
Report to Audit Committee in terms of ISA 260	27 June 2011	29 June 2011
Independent auditor's report on the financial statements	27 June 2011	29 June 2011
Improving Public Sector Purchasing – Follow-up audit	1 July 2011	10 August 2011
ICT Review of Data Handling	29 July 2011	10 August 2011
Annual Report on the 2010/11 Audit	27 July 2011	10 August 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	19	Equal Pay NHS Western Isles, 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.	We await advice from the Central Legal Office (and subsequent guidance from Scottish Government) and we will respond appropriately once we know the extent of the liability relating to the 8 claims received.	Director of Finance	Ongoing
2	36	Financial Targets Potential increases in future cost pressures may significantly affect the Board's ability to meet current and future financial targets.	The Board recognises this and has created a small contingency which will mitigate any cost pressures that arise.	Director of Finance	Ongoing
3	37 & 46	2011/12 Savings Target 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.	Delivery of the financial recovery plan will continue to be subject to close scrutiny. Recurrent savings are being sought on an ongoing basis and this will remain a priority for the Board as it further develops its clinical strategy.	Director of Finance	Ongoing
4	66	Partnership Working There is a risk that the benefits of joint working between the Board and Comhairle nan Eilean Siar, through the CHaSCP structure, may not be fully	Arrangements are in place to facilitate formulating an action plan in response to the national report. The action plan will be brought to the Board and its implementation will be	Nurse Director/Chief Operating Officer	March 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		realised if the issues identified in Audit Scotland's national report are not effectively addressed.	closely monitored.		
5	109	Sickness Absence The Board may not achieve the sickness absence target of 4%.	Arrangements are in place for the active and systematic management of sickness absence. Performance is assessed and acted upon monthly.	Nurse Director/Chief Operating Officer	March 2012