

A REPORT BY THE AUDITOR GENERAL FOR SCOTLAND UNDER SECTION 22(3) OF
THE PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000

THE 2006/07 AUDIT OF WESTERN ISLES HEALTH BOARD

1. I submit the audited accounts of Western Isles Health Board and the auditor's report in terms of section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report which I have prepared under section 22(3) of the Act.
2. The auditor's report highlights a failure to meet a financial target although the auditor's opinion is not qualified in this respect. An NHS board's annual revenue expenditure, its 'net resource outturn', should not exceed its Revenue Resource Limit (RRL). In 2006/07 Western Isles Health Board recorded an in-year deficit of £880,000, giving a cumulative deficit of £3,364,000 against the RRL. This represents six per cent of the total RRL.
3. This is the third consecutive year that I have prepared a report on the accounts of the Western Isles Health Board. While the Board has developed a financial recovery plan, the auditor, in his report, expressed concerns that the targets appeared unrealistic and planned savings were unlikely to be achieved. The latest forecasts are that the Board could return an in-year deficit of £0.3 million in 2007/08.
4. The auditor was also concerned that the lack of financial management expertise and financial focus at Board level may result in insufficient scrutiny and monitoring of progress towards the achievement of financial recovery.
5. The auditor's report highlighted a number of serious weaknesses concerning the Board's corporate governance arrangements. The Board's Internal Audit Service has concluded that, as in the previous year, the Board did not have an adequate or effective system of internal controls in place during 2006/07. Particular concerns were raised about a lapse in budgetary control during the year, which led to the over-statement of the Board's budget by £1.6 million. Some progress has been made to strengthen the Board's corporate governance arrangements, but the auditor continues to have significant concerns.
6. The Board has no comprehensive performance management framework in place and corporate objectives were not agreed during 2006/07. There is no committee to oversee performance and no system in place to record and report benefits from pay modernisation. Furthermore, a recent report by NHS Quality Improvement Scotland on clinical governance identified some significant failings, including a lack of clear strategic priorities and a lack of performance monitoring.
7. In August 2006 the then Health Minister appointed an interim Chair supported by an interim senior managerial and clinical support team. The Board subsequently appointed a Chairman and Chief Executive early in 2007. Despite this, the auditor highlighted the risk that management capacity may be insufficient to support the measures and initiatives identified as necessary to sustain services, and that the Board had still to show that it was able to provide the strong leadership needed to achieve financial recovery. On 7th September 2007 the Chief Executive was suspended, and an Acting Chief Executive has since been appointed. This further change is likely to put at risk the momentum of any improvement which was set by the interim support team.

8. I am submitting this report because of the Board's failure to meet a financial target and to draw attention to the continuing issues around governance arrangements. I will also prepare an overview report on the NHS which will comment on significant issues arising from the 2006/07 audits of NHS bodies, including financial performance and governance.



ROBERT W BLACK
Auditor General for Scotland
23 October 2007