

# **Report to Dumfries and Galloway Health Board on the 2004/2005 Audit**

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## Executive Summary

### Introduction

As part of our responsibilities as external auditors for Dumfries and Galloway Health Board we are required to submit to you, at the conclusion of each year's audit, an annual report on the key findings from our audit. This report summarises our conclusions and is set out in four sections covering:

- **Risk Assessment** - risks highlighted in our audit planning framework and how these have progressed in the year.
- **Financial Statements** — the findings of our financial statements audit including performance against targets and our opinion on the statement on internal control.
- **Performance Management** —our assessment of the way in which NHS Dumfries and Galloway secures value for money in distinct areas.
- **Governance** - our assessment of the Board's clinical, corporate and staff governance arrangements.

### Risk Assessment

The significant risks identified at the planning stage of the audit were:

- **Sustainable Health Services:** A risk area is the ongoing development of sustainable services within limited resources in an environment of changing clinical demands, shifting demographics and rural geographical location. Progress is being made on the delivery of 'Better Health Better Healthcare'. This sets out your strategic direction as the Board continues to manage service delivery. As you continue to modernise services, additional risks may emerge. Given past performance we would anticipate appropriate management of any issues, but this remains a key risk for the future
- **Workforce Planning:** The Board has made some progress in developing information to support workforce planning. However, risks remain over your ability to recruit and retain staff to meet longer term service demands. This is an area influenced by complex factors. These include changes in clinical practice resulting in more specialisation; a shortage of doctors nationally; shared service developments; Agenda for Change and progress in developing regional planning. These contribute to the recruitment issues facing the Board.
- **Financial Position:** Our 2003/2004 report highlighted that there were risks of costs exceeding financial plan estimates and of savings not being achieved. Significant cost pressures, from the three strands of pay modernisation, impact on the Board's ability to demonstrate these result in improved outcomes for patients. You have maintained a sound financial position in 2004/2005. Your plans to achieve recurring in-year balance are at risk from additional recurring expenditure such as pay modernisation and the ending of capital to revenue transfers in 2006.

## Financial Statements

- We have given an unqualified opinion on the financial statements of NHS Dumfries and Galloway for 2004/2005, including the regularity of income and expenditure and the Board's Statement on Internal Control.
- In 2004/2005, NHS Dumfries and Galloway had a net underspend against its revenue resource limit of £4 million. The overall surplus for the year is £9.5 million which includes £5.5 million brought forward from 2003/2004. The surplus is greater than expected, however £2.5 million of the surplus relates to specific projects which were funded in 2004/2005 but will not be completed until 2005/2006. The remaining surplus of £7 million will be used to support service developments and strategic projects during 2005-2007. It is anticipated the surplus will be used in full by March 2007.
- The new national contract for GPs led to an additional £2.6 million being paid over to GP practices in 2004/2005 compared with the prior year, and the Out of Hours costs from November 2004 totalled £0.9 million. Agenda for Change is estimated to have cost £1.1 million for the year. The Board has continued to manage these and other cost pressures successfully throughout the year.
- Significant challenges continue to exist in NHS Dumfries and Galloway for future years and these include:
  - ensuring that the in-year forecasted deficit for 2006/2007 is reduced through sound financial management and continuing monitoring of budgets; and
  - responding to recurring cost pressures such as Agenda for Change and other workforce initiatives.

## Performance Management

- Your local performance management framework is strong with regular service performance reviews and balanced reports submitted regularly to the Board.
- It is important to acknowledge that against a background of significant service and financial challenges, the Board continues to make performance improvements.
- You are achieving key Performance Assessment Framework targets. In particular, the Board has achieved its waiting time targets and is undertaking detailed capacity planning to reduce the maximum wait from 26 weeks to 18 weeks by the end of 2006. This is a year in advance of Scottish Executive timescales.
- There has been good progress during 2004/2005 in developing risk management arrangements, but they are less well developed than those of other boards.
- A national overview report on delayed discharges highlighted the Board's local initiative for reducing delays in hospital. This is a good example of joint working with the local council.
- The national and local follow-up studies on waste management identified that there are a number of areas in which improvements are required, for example increasing recycling levels, enhancing training and developing policy and procedures.

## Governance

- **Staff governance**

Progress was made in delivering the agreed action plan for 2004/2005. The self-assessment process was robust and the 2005/2006 action plan is credible and owned. In common with other Boards, the Board was unable to provide all the mandatory statistics required by the NHS Scotland Staff Governance Standard.

- **Corporate governance**

The Board has widened representation on the corporate management forum by involving more senior managers from a range of services. This enhances the quality of decision making. There is strong joint working with partners and public involvement is actively encouraged.

- **Clinical governance**

A Healthcare Governance Committee was established in March 2005. This is a positive development which should strengthen governance. The Committee reports directly to the Board and has an interest in non-financial risk management, clinical governance, health and safety, external audit performance review, complaints and adverse incidents. We will continue to track developments in this area.

### Looking Forward

In the coming years, NHS Dumfries and Galloway faces significant challenges which include:

- the need to resource and maintain sustainable healthcare services through service redesign and efficiency savings;
- addressing the challenges in the Kerr report and developing new community based models of care through means such as CHPs; and
- responding to the challenges posed by the national Shared Support Services project.

These areas, and the controls put in place by management to address the issues, will be subject to ongoing review during 2005/2006.

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## 1. Introduction

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- 1.1 This report summarises the outcomes from our 2004/2005 audit of NHS Dumfries and Galloway. The scope of the audit was set out in our Audit Planning Framework, which was agreed with officers in January 2005. This plan set out our views on the key business risks facing the Board and described the work we planned to carry out on:
- financial statements;
  - performance; and
  - governance.
- 1.2 This report completes our audit by giving you an overview of the work we carried out and, more importantly, our key findings. We have structured the main body of the report to cover the three topics listed above as well as our view on risks. Initially there is overlap between these topics. We have tried to highlight common themes throughout the report.
- 1.3 We have issued a range of reports this year covering our governance, performance and financial statements responsibilities in terms of Audit Scotland's Code of Audit Practice. Managers have committed to carry out the recommendations which are directed at the higher areas of risk. Appendix A sets out the key risk areas highlighted in this report and action planned by the Board to manage these risks. Other higher risk areas and planned management actions have previously been reported to the Board in other reports.
- 1.4 This is the fourth year of a five year audit appointment and NHS Dumfries and Galloway's second year of operation as a single health system. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the Board during the course of our audit work.

## 2. Risk Assessment

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### Introduction

2.1 In our audit plan, we identified three main areas of risk for NHS Dumfries and Galloway. We also described longer term planning issues which will impact on the Board and our audit in the future. In this section, we describe the risks and our views on their current status. We also comment on the longer term planning issues.

### Sustainable Health Care Services

2.2 In our audit plan we identified that a major risk factor for Dumfries and Galloway Health Board is the ability of the Board to provide appropriate, safe, sustainable services in an environment of changing clinical demands.

2.3 The strategic direction for the Board set out in the paper, 'Delivering Better Health, Better Healthcare' was approved by the Board in November 2003. It sets out the major systemic issues to be addressed to better deliver services to the community in Dumfries and Galloway. Steps were taken to communicate the strategic direction to staff by meeting with various staff members throughout the health system. Staff were encouraged to provide feedback which has been considered and actions produced to ensure all concerns are addressed. This includes the development of a new communications policy. Further discussions are planned.

2.4 Progress has been made in the Mental Health Joint Local Implementation Plan. A fully costed action plan was provided to the Scottish Executive in October 2004 as requested in the 2003/2004 Accountability Review. Improvements have been made in this area and the work of the Joint Implementation Group is continuing. There is a good understanding of the need for effective local implementation of the Mental Health Act in NHS Dumfries and Galloway. This is necessary to ensure this service is delivered, given the specific risks relating to recruitment of key staff.

2.5 As a member of the West of Scotland Regional Planning Group, the Chief Executive and Executive Directors regularly attend regional planning meetings. The Board also participates in the South East and Tayside Regional Planning Group. Participation in regional planning developments is essential for the Board given its rural geographical location and its need to access specialist services that are generally clustered within the central belt. This kind of joint working between Boards is particularly significant in light of the recent findings highlighted within the report of Professor David Kerr which we comment on later at paragraphs 2.19-2.20.

2.6 There are significant risks facing the Board in providing sustainable health care services as it modernises its services in line with its strategic aims in 'Better Health Better Healthcare'. We will continue to track progress on this critical area during 2005/2006.

***(Risk Area 1)***



## Financial Position

- 2.7 We commented on the risk to the viability of the Board due to financial pressures such as Agenda for Change and the new GMS contract which will impact on your financial position.
- 2.8 At the end of the financial year, you had a cumulative surplus of £9.5 million, higher than originally predicted mainly as a result of funding received for projects which have rolled forward to 2005/2006. There are a number of commitments in 2005/2006 earmarked against this surplus totalling £2.5m and the Board forecast that the remainder of the surplus will be needed to support service developments and strategic projects during 2005-2007. We will continue to monitor the Board's progress against its financial plan targets.
- 2.9 Monthly detailed reporting of the financial position to the NHS Board identifies areas which could have a potential impact on financial balance. We are satisfied that monitoring is robust and issues are investigated when information becomes available, although managing its financial position remains a key risk for the Board.

**(Risk Area 2)**

## Workforce Planning

- 2.10 We highlighted workforce planning as being a complex and uncertain undertaking in our audit plan. We acknowledged that you were developing your management information in this area, but that you still faced significant risks over your ability to retain and recruit sufficient staff to meet longer term service demands. You have continued to implement measures to improve recruitment and retention of staff with particular initiatives aimed at those professions where there are particular difficulties. We make further comment on your progress in developing workforce management information later in this report at paragraphs 4.13-4.14.
- 2.11 For example, there is a national shortage of general dental practitioners in Scotland, with particular recruitment problems in Dumfries and Galloway. The Board has been pro-active in responding to this emerging issue with updates regularly provided to Board meetings. Advertisements have been placed throughout the United Kingdom and across Europe for salaried dentists. In conjunction with another mainland health board, NHS Dumfries and Galloway have also participated in a Scandinavian recruitment fair.
- 2.12 All health boards are obliged to produce a workforce action plan by March 2006. To achieve this, NHS Dumfries and Galloway intend to start the process with a broad debate inviting inputs from across all areas of the organisation. A Workforce Development Convention has been arranged which we will attend. It is the intention that outputs from the convention will form the basis of the Board's workforce activity in the months ahead. This will assist continued monitoring of the position in Dumfries and Galloway.
- 2.13 Our overall conclusion is that the Board has made some progress in improving systems used for the collation of workforce information across the organisation, in response to our 2003/2004 report on Workforce Management. However the Board failed to comply with the mandatory requirements for workforce information in the Staff Governance Standard.

**(Risk Area 3)**

## Longer Term Planning Issues

2.14 In our plan, we highlighted three longer term planning issues that would have an impact on the Board in future years:

- shared support services
- Professor David Kerr's national review of healthcare services
- implementation of e-procurement

2.15 We have been monitoring developments in these areas during the 2004/2005 audit. In the following paragraphs, we comment on changes that have taken place since we wrote our plan.

## Shared Support Services

2.16 The Chief Executive of NHS in Scotland approved the Outline Business Case for the National Shared Support Services project in January 2005. The project covers the creation of national shared services for the transactional elements of finance, procurement, internal audit, payroll services, and practitioner services payments. The project is expected to contribute recurring savings of £10 million per annum to the Efficient Government Initiative.

2.17 The shared services are to be organised on a 'hub and spoke basis' with two hubs and twelve spokes and will reduce the number of staff significantly although a national commitment has been given that there will be no compulsory redundancies. However, there are a number of local implementation risks including:

- potential difficulties in recruiting staff locally and redeploying others;
- the need to ensure that savings generated from single system working locally are not double counted in the national savings target of £10 million; and
- the need to assess whether management accounting arrangements will be sufficient to provide support to local managers who are accountable for local budgets.

2.18 It is not yet known how the service will be delivered in Dumfries and Galloway. Updates are regularly reported to the Audit Committee. The draft Outline Business Case has been approved with the final due to be approved by July. We will continue to monitor the impact of shared services on staff during 2005/2006.

**(Risk Area 4)**

## The Kerr Review

2.19 The Kerr report '*Building a better health service fit for the future*' outlines proposals for the future shape of NHSScotland over the next twenty years. The report recommends that all Scotland's boards establish a systematic approach to caring for the most vulnerable people with long-term conditions. The report sees a new healthcare model being adopted with a move away from acute hospital based services to community based health provision. This will be achieved through local hospitals, health centres and CHPs. It is essential that the Board takes cognisance of the contents of the Kerr report as it progresses with service redevelopment and redesign.

2.20 The key challenge for Dumfries and Galloway Health Board and other NHS boards is to deliver tangible service improvements and better healthcare in community settings over the medium to long term. This is of particular importance in Dumfries and Galloway as the Board will require to link its activities with its Community Health Partnership and other boards, especially those in the central belt that can provide specialist services. We have noted the Board's progress in developing regional planning at paragraph 2.5 and we will maintain a watching brief over the next year to track the Board's plans for implementing the key themes in the Kerr report.

***(Risk Area 5)***

### **Implementation of e-Procurement**

2.21 The first wave of e-procurement was implemented in April 2005. Within Dumfries and Galloway, Theatre Stores, Biochemistry, Information Technology and HR departments are now operational. There are plans to roll-out e-procurement across other services and we will monitor the progress and impact of this as part of our audit in 2005/2006.

## 3. Financial Statements

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### Introduction

3.1 This section sets out our responsibilities under the Code of Audit Practice and identifies relevant matters which we wish to bring to your attention.

### Our Responsibilities

3.2 We audit the financial statements and give an opinion on:

- whether they give a true and fair view of the financial position of the Board and its expenditure and income for the period in question;
- whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements; and
- the regularity of the expenditure and receipts.

We also review the Statement on Internal Control by:

- considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control; and
- assessing whether disclosures in the Statement are consistent with our knowledge of the Board.

### The Financial Statements

3.3 Our comments on the financial statements of Dumfries and Galloway Health Board for 2004/2005 cover four key areas. These are:

- the independent auditor's report on the financial statements;
- the Board's financial position;
- the issues arising from the audit; and
- Statement on Internal Control.

### The Independent Auditor's Report on the Financial Statements

3.4 We have given an unqualified opinion on the financial statements of NHS Dumfries and Galloway for 2004/2005.

### The Board's Financial Position

3.5 In common with other health boards in Scotland, you are set financial targets by the SEHD:

- to remain within the revenue resource limit (RRL),
- to remain within the capital resource limit (CRL); and
- to remain within the cash requirement.

Your performance against these three financial targets in 2004/2005 is shown in Table 3.1 below:

Table 3.1  
2004/2005 Financial Targets Performance £ million

Financial Target	Target	Actual	Variance
Revenue Resource Limit	212.3	202.8	9.5
Capital Resource Limit	3.866	3.862	0.04
Cash Requirement	197.5	197.5	0

- 3.6 In 2004/2005, NHS Dumfries and Galloway had a net underspend against its RRL of £4 million. The overall surplus for the year is £9.5 million which includes £5.5 million brought forward from 2003/2004. The surplus is greater than expected, however £2.5 million of the surplus relates to specific projects which were funded in 2004/2005 but will not be completed until 2005/2006. The remaining surplus of £7 million will be used to support service developments and strategic projects between 2005 and 2007. The Board has forecast a recurring deficit for 2006/2007 and must also respond to recurring cost pressures arising from the three strands of pay modernisation.
- 3.7 On 1 April 2004, a new contract was introduced for GPs which changed the basis on which they were paid. Additional payments are now made where quality indicators or extra services are provided. Funding under this new contract led to an additional £2.6 million being paid over to GP practices. An additional aspect of the contract allowed GPs to opt out of providing 24-hour cover for patients. All practices opted out and the Board took over responsibility for funding the out of hours service from 8 November. Cover payments which had to be made from this date totalled £0.9 million. Agenda for Change is estimated at £1.1 million for the year. Although the final impact of Agenda for Change is not known, the position is reported monthly to the Board. We will continue to monitor the position throughout 2005/2006.
- 3.8 The three year financial plan was presented to the Board on 4 July 2005 for consideration. It identifies the priorities for spend and notes the intention to present full business cases to the Board in September. Overspends which are highlighted in the monthly Board reports are being examined in detail. The Director of Finance has identified key savings across a range of services including significant savings from prescribing.

**(Risk Area 6)**

## The Issues Arising from the Audit

- 3.9 A number of presentational and accounting issues were identified during the audit, however these were resolved in discussion with senior finance officials. We reported one main issue to the Audit Committee on 15 July 2005:
- **Property Revaluation** —The financial statements were subject to late changes as a result of the national property revaluation exercise and amendments to guidance. The late date of receipt of the final values for inclusion in the financial statements and the asset register added further complications to the annual

accounts and audit process. The Board needs to ensure it can manage the potential impact of the late receipt of revaluation or other information if this arises in 2005/2006.

### **Statement on Internal Control**

3.10 The Statement on Internal Control provided by the Accountable Officer reflected the main findings from both external and internal audit work. The Statement refers to one area of internal control that needs to be strengthened. Risk management arrangements were not in place throughout all of 2004/2005. We conducted a review of your risk management arrangements and make comment on them later in this report.

## 4. Performance Management

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### Introduction

- 4.1 This section covers our assessment of the way in which NHS Dumfries and Galloway secures value for money in the use of its resources. This year we focussed on five main areas:
- performance management;
  - corporate risk management;
  - workforce planning;
  - national studies; and
  - progress on prior year action plans.
- 4.2 We also set out the findings of our follow up work on previous performance audit reports.
- 4.3 Accountable officers have a duty to ensure arrangements are in place to secure Best Value. Draft guidance issued in August 2003 provided accountable officers with a framework to develop Best Value, although it gave them discretion to adopt an alternative approach. Initial discussions with officers suggest that the draft guidance has not been implemented by the Board and there has been limited development of an alternative local framework. We intend to focus on this area as part of our audit in 2005/2006.

*(Risk Area 7)*

### Performance Management

- 4.4 The Board's performance can be measured through a number of processes, including waiting times targets, the SEHD Performance Assessment Framework, the Accountability Review and the local performance management framework. The Board and its Committees need to be given the right balance of information, with sufficient clarity and within appropriate timescales, to inform strategic decisions, hold management to account, and agree and monitor remedial action.
- 4.5 The Board has a robust performance management framework in place. This comprises regular performance reviews with service managers and annual reviews with all service departments. These annual reviews assess the progress of services and evaluate the department's vision and how it integrates with the Board's overall strategic direction outlined in 'Better Health, Better Healthcare'. Performance against PAF targets is regularly reported to the Board with specific reports on waiting times and activity.
- 4.6 The Board has implemented a number of local initiatives to address waiting times. For example, the implementation of a patient focussed booking system has led to a reduction in patients who fail to attend their appointments. The Board has also commissioned a study on patient flows and how they can be managed effectively.

- 4.7 Additional expenditure and ringfenced monies ensured that waiting times were reduced with only 19 inpatients and daycases waiting more than 6 months with a maximum wait of 7.5 months and 41 outpatients waiting over 26 weeks with a maximum wait of 34 weeks. Detailed capacity planning is underway to reduce the maximum waiting times to 18 weeks. It is anticipated this will be achieved by the end of 2006, which is a year in advance of Scottish Executive targets.
- 4.8 With the background of significant service and financial pressures, it is important to acknowledge the ongoing performance improvements against key targets that are being achieved in NHS Dumfries and Galloway.
- 4.9 A strong joint working relationship with Dumfries and Galloway Council throughout 2004/2005 has ensured the partnership delivered the agreed action plan and targets. Challenges for delayed discharges in 2005/2006 have been identified, in particular the availability of carers. These are being addressed through joint working to ensure commitments will be met.

### Corporate Risk Management

- 4.10 We reviewed the risk management arrangements in place within NHS Dumfries and Galloway. We focused on the corporate risk management arrangements and sought to benchmark developing arrangements with recognised good practice and comparison with other health boards. We also compared current practice with the joint Australian/New Zealand standard that has been adopted by NHS QIS to form the basis of risk management standards across NHSScotland.
- 4.11 Our overall conclusion is that although the Board's arrangements are less well developed than that of other health systems, the Board is making good progress in changing governance structures and implementing risk management arrangements throughout the organisation. This will provide a systematic approach to identifying, evaluating, responding to and reporting risks.
- 4.12 There is still scope for improvement, however, and recent progress should be sustained and aligned with national guidelines issued by NHS QIS. There is a good awareness of these guidelines within NHS Dumfries and Galloway. However NHS QIS reported in June 2005 that there is a lack of overall strategic recognition and support for risk management at Board level. We also found that the Board does not have a comprehensive development programme in place to support risk management which would ensure that staff are empowered to manage risks effectively.

***(Risk Area 8)***

### Workforce Planning

- 4.13 We reviewed progress on our 2003/2004 recommendations and concluded that you are still developing management information for workforce planning, and there are still significant risks over your ability to retain and recruit sufficient staff to meet longer term service demands.
- 4.14 Although some progress has been made it was not possible to provide the mandatory statistical information required for the NHSScotland Staff Governance Standard. Similarly there is no prior year information available to enable comparison. This is a critical area of internal control and is necessary to enable the Board to manage its workforce effectively.



## National Studies

4.15 In 2004/2005, there were four national study topics. Some studies were reported locally by either our own staff or by colleagues in Audit Scotland's Performance Audit Group (PAG) while others were commissioned from PAG by the Auditor General and reported nationally:

- Using medicines in hospital (local report);
- A review of bowel cancer services (national report);
- An overview of delayed discharges in Scotland (national report); and
- Waste management follow-up report (national report).

### Using medicines in hospital

4.16 Audit Scotland's Performance Audit Group carried out a local study on using medicines in hospital within NHS Dumfries and Galloway. A number of areas of good practice were identified. The Board demonstrated good joined-up decision making through its integrated management structure and integrated pharmacy service. The Board has also integrated clinical governance and risk management into its performance review arrangements. This contributes to its well-developed clinical governance reporting matrix. There is also a clear system for reporting and investigating medication incidents as it is overseen by an experienced and senior nurse manager.

4.17 The national report issued on 28 July 2005 identified areas where further improvements could be made. These include developing, implementing and managing policies on a number of areas of risk such as an antibiotic strategy, a policy on the use of unlicensed medicines and a code of practice on the safe and secure handling of medicines. The Board also requires to implement and manage the new joint formulary in the hospital service as well as monitor use and spend on medicines with further roll-out of redesign of medicines' supply in hospitals. A further recommendation is that key decision making groups should also include pharmacy representatives.

4.18 These areas form the basis of the agreed action plan and, in conjunction with our colleagues in PAG, we will monitor the Board's progress in implementing these audit recommendations at a future date.

### A review of bowel cancer services

4.19 This national study reviewed how health bodies are implementing the 'Cancer in Scotland' strategy and examined how bowel cancer services in Scotland are performing against clinical standards and national waiting times targets. There were no significant issues relating to Dumfries and Galloway Health Board highlighted in this report.

4.20 The key message from the national report is that 'high quality bowel cancer care needs good partnership working between GPs and specialist services, effective communication and co-ordination, and efficient use of diagnostic resources'.

### **An overview of delayed discharges**

- 4.21 The Board received a ring-fenced allocation of £957,000 to tackle delayed discharges and the national report has highlighted that the Board has made progress in reducing the number of people delayed in hospital.
- 4.22 The Board's local initiative for reducing delayed discharges is featured in the report as an example of joint working with the local Council. The crisis assessment and treatment service aims to provide intensive health and social care assessments and interventions in a community setting for people with mental ill health.

### **Waste management follow-up report**

- 4.23 The follow up audit of waste management looked at progress in key areas identified in the 2001 baseline report. The key message from the national report is that the "safe handling and disposal of hospital waste reduces health and safety risks for both patients and staff, and contributes to a better environment for the whole community".
- 4.24 The Board does not have segregation policies in place that are in accordance with national guidance. An Environmental Management Group has been set up and is working towards addressing the issues raised in the report. It is working to implement Scottish Hospitals Technical Note No 3 (SHTN3), which is considered best practice by the Estates Environment Forum. We will continue to monitor progress of these issues in 2005/2006.
- 4.25 There were a number of issues highlighted within the report that are specific to NHS Dumfries and Galloway. One of the key issues is that the Board needs to develop refresher training on waste management for all staff. Our follow-up work indicates that development of training is still ongoing in partnership with Dumfries and Galloway Council.
- 4.26 The report also highlighted that NHS Dumfries and Galloway is the only health board in Scotland not to have systems in place to report to the Chief Executive on safety and infection issues, and the only health board not to undertake regular 'sharps' audits. Our follow-up work in 2004/2005 found that a formal reporting structure has now been implemented through the Director of Operations to the Head of Performance and to the Chief Executive.
- 4.27 There were instances reported where patient and staff safety was compromised because of poor storage of clinical waste, either being stored in an area where the public could access or in bins that were inadequately secured. Regular checks are now carried out on public areas where waste is stored.

### **Progress on prior year action plans**

- 4.28 Recommendations made in previous years' performance audit reports are monitored by management, internal and external audit with progress reported to Audit Committee. For 2004/2005 we are satisfied that progress has been made in implementing the majority of prior year audit recommendations. There has however been limited progress in implementing actions relating to workforce management information. As noted earlier this is a critical area of internal control and a key component of the Board's ability to manage its workforce effectively and it is essential this is addressed.

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## 5. Governance

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### Introduction

- 5.1 This section sets out our main findings arising from our review of your corporate governance as it relates to:
- clinical governance;
  - staff governance; and
  - corporate governance.
- 5.2 Our findings are set out below along with a summary of findings from our follow-up work on previous audit recommendations.
- 5.3 The Board has made good progress in developing formal reporting structures to support modernisation of the service. A public involvement strategy has now been developed.

### Clinical governance

- 5.4 A Healthcare Governance Committee was established in March 2005 to oversee clinical governance and report directly to the Board. One of the main duties of the Committee is its assurance function. The Committee has an interest in:
- non-financial risk management;
  - clinical governance;
  - health and safety;
  - external audit performance review;
  - complaints; and
  - adverse incidents.
- 5.5 The Committee does not consider operational matters relating to these activities, but receives regular reports highlighting areas of risk and actions being taken to address them. Any reports which review major NHS system failings are also reviewed by the Committee to identify implications for local services and agree any action plans.
- 5.6 The Committee considers service issues from the patient perspective and in line with the Public Involvement Strategy, encourages patient and public input when planning services. The Public Involvement Strategy is a key component of the CHP scheme of establishment, which we discuss later in paragraph 5.20.

## Compliance with the NHSScotland Staff Governance Standard

- 5.7 The NHSScotland Staff Governance Standard introduced the third component of governance. The aim of this standard is to improve the way staff are treated in NHSScotland and to improve accountability for making this happen.
- 5.8 Every Board is required to use a Self Assessment Audit Tool (SAAT) and information gained from a staff survey, to review and update their action plans to achieve the Standard. As part of our responsibilities we review the Board's SAAT and our findings are considered in the Performance Assessment Framework. Further, our findings inform the SEHD Annual Review process.
- 5.9 We found that progress had been made on the actions agreed in March 2004. From a total of 7 actions noted in the previous report only two had not been fully implemented. In particular, progress had been made in the development of a communications model and training provided to develop confidence in tackling bullying and harassment.
- 5.10 There were however a number of areas where statistical information required for the audit could not be provided which we comment on at paragraph 4.14. The Board intends to review the statistical requirements and put procedures and systems in place to provide mandatory statistics.
- 5.11 Other areas identified for improvement include developing and implementing Board-wide workforce planning, reviewing training budgets, implementing the organisational learning plan, developing partnership working and implementing organisational stress policy. We will monitor the Board's progress in delivering the action plan during 2005/2006.

## Corporate governance

- 5.12 Our work on corporate governance focused on our Code of Audit Practice responsibilities as they relate to your systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct and your financial position. We relied on internal audit to give us assurance in some areas and have already commented on your financial position earlier in this report at paragraphs 3.5 to 3.8. We looked at six specific areas of risk to see what governance arrangements were in place to manage them:
- General Medical Services (GMS) contract
  - Agenda for Change
  - eFinancials system migration (in partnership with Internal Audit)
  - the new Consultant Contract
  - Agenda for Change
  - Community Health Partnerships (CHPs)
- 5.13 Our findings in these higher risk areas are summarised in the following paragraphs.

### **New General Medical Services Contract (nGMS)**

5.14 Our review considered the implementation, management and monitoring of the nGMS contract. In particular we focused on aspects of the implementation in relation to financial planning, performance management and information management and technology.

The main findings from our review were:

- a number of areas of good practice were identified, including the establishment of an Enhanced Services Group and reviews of quality payments and enhanced services being put in place;
- comprehensive support arrangements for GP practices are included in IM&T service level agreements; and
- funding levels for nGMS are lower than actual outturn leaving the Board with a gap in funding to be met in-year from its revenue resource limit.

### **New Financial Ledger**

5.15 A new unified financial ledger system, eFinancials, was implemented by the Board in November 2004. We reviewed and assessed the management and delivery of the system migration project and tested a sample of outputs from the system. This gave us assurances about the adequacy of internal controls within the new system. Our overall conclusion is that the Board has successfully managed the implementation of the new system and the migration of data from legacy systems.

5.16 The main findings from our review included:

- a number of areas of good practice exist including user involvement, and plans for a post-implementation review;
- the project suffered from slippage in comparison with the time allocated. This was due to an under-estimation of the scale of change at the planning stage and delays at the post-implementation stage caused by software problems;
- the absence of a detailed project methodology may have led to a lack of clarity of roles and responsibilities; and
- the use of a project plan tailored to the needs of the Board would have assisted in identifying dependencies and accurately estimating the resources required.

### **Agenda for Change**

5.17 Agenda for Change which was introduced on 1 October 2004 provides new terms, conditions and payscales for all non medical staff. Currently work is underway to assimilate all staff and job descriptions. The actual cost for 2004/2005 is not known although it is estimated to be £1.1m for 2004/2005.

5.18 We have monitored developments in the implementation of the Agenda for Change process during 2004/2005 and have tracked the completion of the job evaluation process. We have also considered the impact that Agenda for Change will have on the Board's financial position.

- 5.19 The national target date for implementation of the Agenda for Change is 30 September 2005. However a number of local and national factors will have an impact on NHS Dumfries and Galloway achieving this date. Currently there is a considerable risk that the deadline will not be achieved. The process for matching jobs which cannot be matched to a national profile commenced in June. Information provided in June indicates that approximately 200 jobs which covers 20% of the workforce have been successfully matched.

**(Risk Area 9)**

### **Community Health Partnerships**

- 5.20 The establishment of community health partnerships is a key element in developing single system working within a community setting. They are being developed within the context of the 'Partnership for Care' (2003) initiative and their development is closely linked to other initiatives such as Regional Planning. They also build on the success of Local Health Care Co-operatives (LHCCs) and take forward the joint future agenda by promoting interaction between health boards, local authorities and the voluntary sector.
- 5.21 The Community Health Partnerships (Scotland) Regulations (effective from October 2004) supported by CHP statutory guidance required each Health Board to submit a scheme of establishment to Scottish Ministers for approval. Dumfries and Galloway have formed one CHP for the NHS Board area. This was presented to the Scottish Executive and was accepted on condition that a Public Involvement Strategy was included. The Board has revised its governance arrangements and established a Community Health Partnership Committee which is responsible for the modernisation of services in line with agreed strategy and CHP aims.
- 5.22 The Public Involvement Strategy has now been incorporated and builds on the strong ethos of joint working with other organisations in the area, notably Dumfries and Galloway Council.

### **Computer Services Review (Follow Up)**

- 5.23 Most of the risk areas identified in our 2003/2004 review have now been addressed, with some work still ongoing to address remaining issues. Areas in which work is ongoing are the creation of a single inventory of all hardware and software, documentation of standard business practices, developing disaster recovery procedures and renewal of network infrastructure across the Board. Progress on these issues will be monitored in 2005/2006.

## 6. Looking Forward

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- 6.1 This report represents the conclusion of our audit of NHS Dumfries and Galloway in 2004/2005. There are several issues we consider to be challenges to you in future years and we intend to consider them as part of our audit in 2005/2006.
- 6.2 We commented on the need for high quality workforce information to improve strategic management and service planning. The Board may face increased difficulties in retaining and recruiting staff during 2005/2006. Workforce planning information will be necessary to enable the Board to manage and prioritise staff resources effectively. Adequate information will enable the Board to meet the requirements of the NHSScotland Staff Governance Standard.
- 6.3 We will track the impact of the national Shared Services project on staffing and resources. Implementation of Agenda for Change will also be monitored.
- 6.4 The Board has forecast a recurring deficit in 2006/2007. A key challenge for the Board will be achieving financial balance and mitigating the impact of financial pressures from pay modernisation on service provision.
- 6.5 E-procurement was successfully rolled out in some services in April 2005. We have drawn attention to the need for a review of the Board's e-Procurement system and will monitor the roll-out of e-Procurement across other services within the Board.
- 6.6 We have drawn attention to the internal control environment and the need to ensure that risk management arrangements are embedded in NHS Dumfries and Galloway. It is essential that Board members know that risks are being identified, evaluated and managed properly to enable them to exercise proper scrutiny and demonstrate good governance.
- 6.7 The Kerr Report '*Building a better health service fit for the future*' places requirements upon boards to implement its recommendations. We will monitor the Board's response to the Kerr Report to see if your strategic direction is aligned with national developments.
- 6.8 The development of new community based models of care through CHPs will also be required of the Board in 2005/2006. Ministerial approval for the scheme of establishment has been granted and the Board will have to build on its strong working relationship with its local authority partner to ensure that the CHP is established and operates effectively.
- 6.9 The Board should also continue developing partnerships with other Boards through regional working to access specialist services and ensure that provision of healthcare services meets patient needs.
- 6.10 Accountable Officers have a duty to ensure that arrangements are in place to secure Best Value. While many aspects of Best Value are reflected in the Board's planning, performance and scrutiny frameworks, there has been limited development of an overarching Best Value framework. We intend to focus on this area as part of our audit in 2005/2006.

## Key Risk Areas & Planned Management Action

Risk Area	Refer Para. No	Risk Exposure	Planned Action	Responsible Officer	Target Date
1	2.6	Sustainable services in NHS Dumfries and Galloway are dependent on access to specialist service and regional working with other health boards. The Board may be unable to fully deliver the modernisation of services if partnerships with other board do not progress.	To continue involvement in West and East regional planning groups.	Chief Executive	Ongoing
			To continue exploring / implementing linked appointments, network involvement and regional approaches to capacity at specialty level.	Director of Health Services	Ongoing
2	2.9	The Board may not be able to meet its financial plan if the cost of service developments, pay modernisation, new cost pressures and strategic projects exceed forecast.	Tight budgetary control and forward modelling / post implementation monitoring will highlight areas requiring remedial action.	Director of Finance	Ongoing
3	2.13	Workforce management information is not sufficiently developed to address recruitment and retention risks and support service sustainability.	New HR system currently being implemented will provide required data in due course.	Director of Human Resources	March 2006 then ongoing
4	2.18	The national shared services project is still developing. There is a risk that shared support services fail to generate financial savings and add to local recruitment and retention difficulties.	Continued review of implications of shared services model and active management of issues. Implementation of redeployment policy in partnership.	Director of Finance	Ongoing
5	2.20	The recommendations in the Kerr report may be incompatible with the Board's Local Health Plan and Financial Plan.	Board to consider in detail local implications of Kerr report.	Director of Public Health	October 2006



Risk Area	Refer Para. No	Risk Exposure	Planned Action	Responsible Officer	Target Date
6	3.8	The Board has to achieve savings and cost efficiencies in future years to maintain financial balance. There is a risk that the level of savings and efficiencies required will not be delivered.	Tight budgetary control and reporting will enable the Board to allocate resources within its overall limits and take remedial action where variances arise.	Director of Finance	Ongoing
7	4.3	Draft guidance on Best Value has not been implemented and there has been limited development of a local framework. The Board may therefore be unable to demonstrate that it has secured Best Value.	It is believed mechanisms are in place to allow the Board to secure Best Value, Further work to be done on how to formally monitor and evidence these.	Director of Finance	December 2005
8	4.12	Risk management systems may not be sufficiently embedded with the Board to fully inform strategic decision making on service redesign.	Continued development of risk management.	Medical Director	Ongoing
9	5.19	The Board is in the process of implementing Agenda for Change and had matched 20% of jobs by June 2005. There is a risk that the national deadline of September 2005 may not be achieved.	The efficiency of matching panels has improved and 57% of jobs matched by mid-August.  Further action by the Job Evaluation Subgroup is proposed to increase matching progress.	Director of Human Resources / Director of Finance	September 2005

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- *providing an independent opinion on whether the annual financial statements of public sector bodies have been prepared in accordance with statutory requirements*