SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW

NHS Borders

Annual Report to the Board and the Auditor General for Scotland 2005/06

June 2006

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1. SUMMARY

Governance

- NHS Borders was one of the first NHS Boards to be assessed against the new NHS Quality Improvement Scotland standards on Clinical Governance and Risk Management. Key areas NHS Borders require to address are improvements to business continuity arrangements and ensuring the appropriate approval and finalisation of strategies. NHS Borders was praised on its engagement with external stakeholders. **Paragraph Reference 3.3**
- NHS Borders has established a Community Health and Care Partnership (CHCP). The CHCP is scheduled to meet quarterly and focus on strategic issues of joint working in the Borders. It is important that the output of the CHCP is monitored and assessed by the Board on a regular basis. **Paragraph Reference 3.5**
- The Civil Contingencies Act 2004 is designed to ensure that Scotland is able to react effectively to major incidents. We have noted that NHS Borders has not yet established a business continuity strategy or put in place arrangements to ensure that they are compliant with the Civil Contingencies Act. **Paragraph Reference 3.7**

Performance

- NHS Borders now reports performance on a monthly basis as opposed to the previous quarterly arrangements. The monthly performance reports assess performance against the targets identified in the local delivery plan. **Paragraph Reference 4.1**
- Following a concerted effort the Board achieved its delayed discharges target. The Board undertook a number of initiatives to meet the target and this good practice should be rolled out across the Board. **Paragraph Reference 4.1.2**
- To date the Board has not received any equal pay claims. However, due to the likely impact of claims at other health boards the potential financial implications of equal pay claims should be closely monitored by the Board. **Paragraph Reference 4.8.1**
- There are insufficient staff numbers on certain health rotas to enable the Board to be able to meet forthcoming European Working Time directive targets. To enable NHS Borders to deliver an effective service and also comply with legislation the Board will be required to either undertake a focussed recruitment drive or employ expensive temporary staff. **Paragraph Reference 4.8.2**

Finance

- Our audit opinions on the truth and fairness of the financial statements and the regularity of transactions are unqualified. **Paragraph Reference 5.10**
- We are pleased to report that NHS Borders has achieved both of its financial targets in 2005/06 despite an in year deficit of £66,000. Combined with the surplus carried forward from prior years this has resulted in a total carry forward of £3.3m. NHS Borders has received approval from the Scottish Executive to carry forward the full amount to 2006/07. **Paragraph Reference 5.2**

Conclusion

This report concludes the 2005/06 audit of NHS Borders. We have performed our audit in accordance with the Code of Audit Practice and Statement of Responsibilities published by Audit Scotland. Subject to the weaknesses identified in this report, we are satisfied that NHS Borders has properly discharged its duties in accordance with the Statement of Responsibilities.

This report has been discussed and agreed with the Director of Finance and has been prepared for the sole use of the NHS Borders' Board, the Auditor General for Scotland and Audit Scotland.

We would like to thank all members of NHS Borders' management and staff who have been involved in our work for their co-operation and assistance during our audit visits.

Scott-Moncrieff
June 2006

2. INTRODUCTION

2.1 Audit Framework

The Auditor General for Scotland is responsible for reporting to the Scottish Parliament on how public bodies spend public money, manage their finances and achieve value for money in the use of public funds. In discharging this responsibility the Auditor General appoints NHS auditors and sets the terms of their appointment.

Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out his statutory functions. Audit Scotland has prepared a Code for Audit Practice, which sets out the way in which auditors should carry out their functions, and a Statement of Responsibilities which explains where the responsibilities of the auditor begin and end.

The Auditor General has appointed Scott-Moncrieff as auditors of NHS Borders for the five year period 2001/02 to 2005/06.

2.2 Key Priorities and Risks

Our audits are risk based. This means that we focus our resources on the areas of highest priority or risk to the Board. To help us identify these areas, Audit Scotland has developed a National Planning Tool setting out the following key priorities and risks for NHS Scotland as a whole:

- Governance – clinical, staff and financial;
- Financial management;
- People management;
- Information management;
- Performance management;
- Service sustainability;
- Partnership working;
- Regional planning; and
- Efficient government.

In order to define the scope of our work, we agreed with the Chief Executive the extent to which each of the above areas were key priorities and risks for NHS Borders.

2.3 Scope of the Audit

Our work can be classified under the following three headings: performance audit, governance audit and financial audit. The main audit objective for each of these areas is summarised below, along with the key priorities and risks for each area.

Audit Areas v Priorities and Risks

Audit area	Audit objective	Key priorities and risks
Performance Audit	To review the Board's arrangements for managing its performance and for securing economy, efficiency and effectiveness in its use of resources.	Service sustainability Performance management Regional planning Partnership working People management Information management
Governance Audit	To review the Board's governance arrangements in relation to: • systems of internal control; • the prevention and detection of fraud and irregularity; • standards of conduct and prevention and detection of corruption; and • its financial position.	Governance including clinical, financial and staff
Financial Audit	To provide an opinion on the truth and fairness of the Board's financial statements and on the regularity of transactions.	Financial management Efficient government

2.4 Audit Reporting

This annual report summarises all of our work during the year and highlights the key issues we have identified under the headings of governance, performance and finance. The action plan in section 6 details all of the recommendations we have made during the year, along with management's responses. A follow up of recommendations made in prior years has also been included.

3. GOVERNANCE

3.1 Governance Framework

3.1.1 Service Reconfiguration

This is the third full year that NHS Borders has operated as a single organisation following the merger of the former trusts and Board on 1 April 2003. NHS Borders continues to embrace single system working and is seeing the practical advantages of this approach. For the first time since the amalgamation of the trusts and Board, NHS Borders has delivered a five year strategic plan for the Borders, "Getting Fit for the Future." This plan addresses the national agenda the Board requires to meet as well as local priorities and targets and assesses future service sustainability across NHS Borders, enabling the Board to make the best use of its resources.

3.1.2 Non-Executive Members

The Board undertook a survey of non-executive members in 2005 to assess the views of non-executives and to identify key issues to be addressed. This survey identified that there was a need for improvements in arrangements to ensure that non-executives have the ability to effectively fulfil their role, including the ability to challenge officers. In particular, the Board identified the need for the development of a formal induction process for non-executives including an assessment of training needs. The Board recognises that there is also a requirement to develop a formal process which monitors the appraisal, feedback and development of non-executives.

The Board is also aware that there is a need to ensure that one of its non-executive directors has recent relevant financial experience or a recognised accountancy qualification as defined within the Smith report. This issue should be addressed by the Scottish Executive as part of the recruitment of a new non-executive director.

We have previously recommended that further information on the background of non-executive directors should also be made available on the Board's website as part of our review of the Board's website against the Good Governance for Public Services Standards.

3.2 Staff Governance

The NHS Reform (Scotland) Act 2004 makes it a statutory requirement for NHS employers to have in place arrangements for good governance of staff. Failure to comply with this duty can attract the powers of intervention contained in the NHS (Scotland) Act 1978. The staff governance framework means that Boards are equally accountable for how they behave as employers as they are for finance and clinical matters. The aim of this standard is to improve the way staff are treated in NHSScotland, to be clear on what staff should expect wherever they are in NHSScotland, and to improve accountability for making this happen.

NHS Borders has sought to ensure that it is compliant with the duties imposed on it by statute and Ministerial direction. The Board has sought to address weaknesses identified in previous annual reports, such as establishing an HR Forum, and the Board recognises the need for effective staff governance. As discussed further within section 4.8 of this report there are areas within NHS Borders which are requiring attention from the Board. NHS Borders recognises that these issues are priorities for the Board and that appropriate action must be taken to ensure they are addressed.

3.3 NHS Quality Improvement Scotland Peer Review

Risk management standard setting and accreditation previously managed by CNORIS is now managed by NHS Quality Improvement Scotland (NHS QIS). The NHS QIS standards on Clinical Governance and Risk Management have now been issued and NHS Borders was assessed against the standards in May 2006. NHS Borders was one of the first NHS Boards to be assessed against the new standards, with peers from other Health Boards carrying out this audit over a two day period. As external auditors Scott-Moncrieff attended the peer assessment audit in the role of an observer.

The peer review identified a number of strengths and weaknesses within the Board's service delivery. The Board was praised in relation to its engagement with external stakeholders. The Board's involvement and interaction with the public, carers and the joint working arrangements with the local authority being held up as examples of good practice. The main areas for the Board highlighted by the peer review related to the key issue of business continuity arrangements(see section 3.7.2 below), to address reporting arrangements and ensuring the process for approving and finalising strategies is streamlined and completed prior to implementation. The peer review also noted that the Board's reliance on multi-tasking individuals did mean that there was a tendency for the Board to be reliant on individuals and not on the systems it had established.

The key findings of the peer review were informally presented to NHS Borders at the conclusion of the two day peer assessment. NHS Borders will receive a local report from NHS QIS by September 2006, with the national overview for Clinical Governance and Risk Management report being published in November 2007.

3.4 Statement of Internal Control

To assist in the completion of the Statement of Internal Control, internal audit have facilitated a managerial self assessment using the Department of Health Controls Assurance Standards as a benchmarking tool. This has provided the Chief Executive with assurance over a range of NHS Borders' functions. The exercise highlighted the following areas as requiring further development and they have therefore been disclosed in the SIC:

- the development of routine monitoring systems to ensure compliance with Health and Safety legislation
- the development and adoption of business continuity and disaster recovery plans in relation to critical information systems

In addition the exercise found that there were concerns surrounding the controls relating to pollution control for fleet management. This weakness was however, not felt to be fundamental to the internal control arrangements at NHS Borders and has not been included in the SIC.

Further to the assessment facilitated by internal audit, NHS Borders has identified a number of areas as requiring further development and disclosed these within the SIC as follows:

- the formal adoption of a records management policy strategy to integrate existing policies
- an updated comprehensive estates management strategy for NHS Borders

3.5 Community Health Partnerships

The National Health Service Reform (Scotland) Act 2004 places a duty on every health board to establish Community Health Partnerships (CHP) for the area of the health board, with a scheme of establishment approved by the Scottish Ministers. CHPs are described by the NHS as "key building blocks in the modernisation of the NHS and joint services" and are seen as playing a key role in partnership working, integration and service redesign within the public sector and local communities. CHPs are to provide a framework for ensuring the integration of primary care and specialist services and with social care services. The CHPs will also establish a central focus for health improvement initiatives within service planning and delivery. CHPs will work in partnership with the local authorities, the voluntary sector and stakeholders, ensuring that they actively involve patients, carers and the public.

NHS Borders has established the Community Health and Care Partnership (CHCP). The CHCP is scheduled to meet quarterly and to focus on the strategic issues of joint working in the Borders and will receive updates on progress and key issues from the joint management team. The CHCP plans to use local improvement targets to set measurable targets for the work it aims to deliver. The CHCP work programme and output will be monitored and assessed by the Board with regular reports on key areas being presented on a regular basis. Although the CHCP is still in its infancy it is important that this monitoring and assessment takes place as this will ensure effective partnership working is taking place and is seen to be taking place.

While information sharing is taking place across the CHCP and partner organisations it is too early to assess if performance measures are effective or meeting the requirements of partnership organisations. Key targets need to be identified and monitored to ensure that information provided is appropriately targeted and enables the partners to effectively monitor performance.

3.6 Internal Audit

Internal audit is a key component of the Board's corporate governance arrangements. To avoid duplication of effort and ensure an efficient audit process we have placed reliance wherever possible on the work of internal audit. This followed a review of the internal audit service provided by Lothian and Borders Management Audit Service. The review concluded that the internal audit service provided to NHS Borders was in compliance with the NHS in Scotland Internal Audit Standards, the Code of Audit Practice and International Standard on Auditing 610 – Considering the Work of Internal Auditing.

External and internal audit liaise regularly and have established an excellent working relationship. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work in the following areas:

- statement of internal control;
- property transactions;
- risk management;
- creditors; and
- key reconciliations.

3.7 Risk Management

The Turnbull report 'Internal Control: Guidance for Directors on the Combined Code' states that a sound system of internal control depends on a thorough and regular evaluation of the risks faced by the body.

During our five year appointment the Board has made significant progress in the development of a unified, single-system approach to risk management. The Board has developed an integrated approach to risk management across strategic and operational areas, with continuing education and development of staff on the issues of risk management being provided by the Board.

The Board has established a Risk Management Team and developed an action plan for the team, which is due to be implemented with immediate effect. This action plan aims to give an integrated approach to risk management across the organisation at both a strategic and operational level. The Board is also in the process of identifying and assessing its strategic risks and expects to complete the initial population of its electronic risk register by July 2006. Continued reporting and monitoring against this register can then be undertaken on a regular basis.

3.7.1 Civil Contingencies Act Compliance

The Civil Contingencies Act 2004 is designed to ensure that Scotland is able to react effectively to major incidents which take place, either man-made or by nature. Part 1 of the Civil Contingencies Act 2004 defines an emergency as "an event or situation which threatens serious damage to human welfare in a place in the UK, the environment of a place in the UK, or the security of the UK or of a

place in the UK." The Act establishes a statutory framework for civil protection outlining clear roles and responsibilities for front-line organisations in preparing for emergencies. The Act applies to emergency services, local authorities, transport providers and the Scottish Environmental Protection Agency.

In order to be compliant with the Act a public sector organisation must ensure that it has undertaken risk assessments, that it has business continuity plans in place, that the organisation has emergency planning arrangements in plan and that it is able to warn, inform and advise the public as required.

NHS Borders has not yet established its business continuity strategy or set in place arrangements to ensure that the Board is compliant with the Civil Contingencies Act. This is a key risk for the Board and NHS Borders should ensure that this is seen as a high priority.

3.8 Fraud, Irregularity and Corruption

To ensure the integrity of public funds, it is the Board's responsibility to establish arrangements to prevent and detect fraud and other irregularity, including:

- developing, promoting and monitoring compliance with standing orders and financial instructions,
- implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating allegations of breaches of proper standards.

We plan our work so as to provide a reasonable expectation of detecting misstatements in the annual accounts resulting from fraud or irregularity. In particular, we focus on specific areas of high risk for potential fraud and irregularity and review the control arrangements in place in these areas. During our audit we found no major issues of concern with regards to the arrangements in place for the prevention and detection of fraud and irregularity.

3.8.1 Attempted Fraud on NHS Borders Bank Account

During the year there was an attempted fraud on the NHS Borders bank account held with the Royal Bank of Scotland. A manual request for an electronic payment from the bank account was received by the bank for £3,000. The bank noted that this was not a normal transaction for this account and despite all of the relevant details having been filled in on a request form that had a signature purporting to be that of the Assistant Director of Finance who authorises bank transactions. The bank contacted the Assistant Director of Finance (Financial Services) to confirm the transaction.

The transaction was identified by NHS Borders to be fraudulent and the signature had been forged. The payment was not made and the case has been handed over to the police. NHS Counter Fraud Services were also informed. Given the information that the other party had regarding NHS Borders it is thought they may have received payment from NHS Borders in the past. Investigations undertaken by NHS Counter Fraud Services however, have found no evidence that this might be the case. The investigation into the attempted fraud by the police has now been closed.

3.9 Standards of Conduct, Integrity and Openness

Propriety requires that public business is conducted with fairness and integrity. This includes avoiding personal gain from public business, being even-handed in the appointment of staff, letting contracts based on open competition and avoiding waste and extravagance. Guidance on standards of conduct, accountability and openness has been issued by the SEHD.

Our work in this area included a review of the arrangements for adopting and reviewing standing orders, financial instructions and schemes of delegation and complying with national and local Codes of Conduct. We also considered controls over tendering and awarding contracts, registers of interest and disposal of assets.

We are pleased to report that our audit identified no significant issues of concern in relation to standards of conduct, integrity and openness.

3.9.1 Freedom of Information Act Response Process

The Freedom of Information Act (2002) (FOI) came into effect on 1 January 2005. To effect compliance with the Act all public bodies are legally obliged to provide information to members of the public within a set time frame when it is requested. Failure to comply with the Act could potentially result in criticism from the Scottish Information Commissioner and potentially the Board could be fined. It is therefore important that NHS Borders is monitoring compliance with the Act.

In general the requirements of the Act are being met, although in our interim management report we noted that two occasions of non-compliance had been identified. There has been one further occasion of non-compliance with the Act during the remainder of 2005/06. Internal audit reviews of the process have highlighted a need to formalise the operation of the FOI system rather than identifying any significant control weaknesses.

3.9.2 Remuneration Committee

In prior years we have noted that some aspects of the remuneration committee were not operating in accordance with best practice. In 2004/05 we noted that during the meeting which determined senior managements' pay increases, the Director of Human Resources, who provides administrative support to the Committee, did not leave the room while his own pay increase was discussed. It is understood this was because this element was part of an overall package relating to a number of senior staff and that the Committee determined not to review on an individual basis. This was not however fully covered in the minute of the meeting. We are pleased to note that our recommendation was followed in 2005/06.

In 2005/06 we noted that the Director of Human Resources wrote to the executive directorate, acting as secretary to the remuneration committee, informing them of their pay increase, including himself. Whilst this aspect was seen as part of the administrative function of the role, this is not in line with best practice. We would expect that when pay increases are decided by the remuneration committee that letters to individuals, with details of their pay increase, should all be signed by the Chief Executive . The Chairman should write to the Chief Executive regarding his salary. We recommend that this is undertaken from 2006/07 onwards.

4. PERFORMANCE

Performance across the Board area is measured in a number of ways. As a result of single system working, performance management is no longer a discreet unit within the Board but has been rolled out to each of the individual departments who are ultimately responsible for meeting performance targets. The Ministerial Annual Review process reassesses overall performance of the Board over the financial year and action points are also identified from this process.

In December 2005, the Scottish Executive Health Department (SEHD) issued guidance on a new national system of performance management to replace the Performance Assessment Framework (PAF). Local Delivery Plans are to focus on a 'core set' of objectives, targets and measures. NHS Borders' first Local Delivery Plan was presented to the Board in draft prior to its submission to the SEHD by the deadline of the end of February.

4.1 Performance Against National Targets / Annual Review

NHS Borders has recognised that its previous timetable of reporting performance information to the Board on only a quarterly basis has not been sufficient to allow the Board to adequately implement recovery plans or realign resources. The Board has agreed that performance reporting should be undertaken on a monthly basis. Previous performance reports were based on identifying differences between the national target or forecast figures and the actual performance. The revised monthly reports will now focus performance reporting against the local delivery plans as well as the national targets.

The Board were required to undertake a significant amount of work in order for the Board to meet the statutory Accident and Emergency (A&E) targets in 2005/06. The Board also faced significant difficulties in meeting the level of compliance required for delayed discharges. Although both of these areas proved problematic for the Board, the Board is committed to meeting these targets and are continuing to identify options for enabling these targets to be met in future years. The table below outlines the Board's performance against high level performance indicators:

High Level Performance Indicators 2005/06

Performance Indicator	Traffic Light	Direction
% Patients treated within 6 months		↑
% Out-patients seen within 26 weeks		↑
48 hour access to primary care		↑
Achievement of delayed discharges targets		↑
Delayed discharges waiting over 6 weeks		↑
Waiting Times in A&E: % admitted within 4 hours		↑
Cancelled Admissions: % of planned admissions for Inpatient or Day case		↑
Did Not Attends: % of first Outpatients Attendances		↔
Staff Sickness Absence		↔
Compliance with NHS Quality Improvement Scotland standards for Healthcare Acquired Infection		↑

Traffic Light Symbols			Direction Symbols	
Better than plan			Better performance than previous year	↑
Close to plan			Same performance as previous year	↔
Worse than plan			Worse performance than previous year	↓

The Scottish Executive has set a target for each NHS Board to reduce its staff sickness absence levels to 4% by March 2008. During the period April – June 2005 NHS Borders staff sickness absence level was 4.1%. This rose steadily during the year to a figure for January – March 2006 of 5.8%. The Board hopes that the introduction of a Staff Governance Information System will ensure more timely and simpler tracking of sickness absence within the organisation. This would then enable the Board to identify key areas of concern and ensure effective monitoring arrangements could be established.

4.1.1 Performance Against National Waiting Time Targets

All Borders residents are being treated within the national waiting time target of 6 months for in-patient treatment. The Board is also continuing to make progress toward meeting the 2007 target that no one should wait longer than 18 weeks for in-patient treatment. As at 31 March 2006 there were no patients waiting over the 18 week waiting time target, without an Availability Status Code (ASC) applied.

For out-patient waiting times, nearly all patients are seen within 26 weeks, with around 0.4% waiting longer than that period. At 31 March 2006 3,494 patients were waiting for a new outpatient appointment, of which 192 were waiting longer than the 2007 target of 18 weeks. This compares with 292 as at March 2005.

The Board has been experiencing significant increases in the level of A&E attendances with an increase of 1,018 attendances when compared with the same period for 2004/05. These increasing A&E attendances have had a negative effect on waiting times in A&E. The Board recognises that significant work is required if they are to meet the statutory A&E targets

4.1.2 Performance Against Delayed Discharges

As at the end of March 2006 the total number of delayed discharges in NHS Borders was 22. This figure compares with 41 at September 2005 and 35 at the end of February 2006.

During the financial year 2005/06 the Board undertook a number of initiatives to support a long-term and sustainable reduction in delayed discharges. These included an improved and proactive reporting mechanism, a value for money review of investments by the Delayed Discharges Steering Group and the implementation of a 'Moving From Hospital – Discharge Choice Procedure.' As a result of this concerted focus and these measures the Board achieved its delayed discharge target for the end of 2005/06. NHS Borders was recently invited to speak at the Community Health Partnership Conference to share its good practice and successes in this area.

The Board should consider how the good practice and experiences from this concerted effort to meet the target can be mirrored and rolled out across the Board.

4.2 Health Improvement

Improving Scotland's health is a national priority for the Scottish Executive. Actions for taking this forward were set out in both the White Paper 'Towards a Healthier Way of Working and in Improving Health in Scotland – The Challenge.' Specific targets have been set by the SE for smoking, alcohol, drugs and for improving diet and exercise.

NHS Borders has indicated that it believes it is on course to achieve the desired 50% reduction for stroke mortality cases by 2010. Targets set for cancer, smoking reduction and coronary heart disease are however proving problematic for the Board and steps must be taken to ensure that these can be achieved. The Board has also indicated that data streams to measure progress against targets are not readily available. Consideration should be given to how the Board can set appropriate measures for these targets and what action is required to ensure that they are met.

4.3 Clinical Outcomes

On a national basis the death rates from cancer, coronary heart disease and stroke are continuing to fall. NHS Borders is currently on target to achieve a 50% reduction in stroke mortality figures from 1995 to 2010. The Board has however acknowledged that the targets for cancer and coronary heart disease (CHD), of 20% and 60% respectively, are proving more challenging. Further work and more focused action are required by the Board if these targets are to be met.

The Board has a CHD Managed Clinical Network (MCN) in place. The CHD MCN has contributed to the development of the Joint Health Improvement Plan to help identify key targets and actions which will prevent CHD and strokes. The CHD MCN recognises that monitoring patient care is central to its work and has been working to establish and implement an electronic clinical management system for cardiac patients linking primary and secondary care.

A stroke unit was established by the Board and guidelines, protocols and discharge information have been prepared during the course of the year. The Board is considering options for cross-board data collection and links are currently being established with NHS Lanarkshire to this end. This will enable both boards to provide immediate discharge summaries of all patients. The Board is also implementing strategies to increase training of staff in this area, as well as working with patients and relatives to promote well-being and independence. The Board acknowledges that this represents a significant level of work and is working on developing a comprehensive stroke strategy. No deadline has been confirmed for the completion of this strategy.

4.4 Waiting Times

In line with all health boards NHS Borders met the requirement to meet the six month national waiting times guarantee for inpatients, day cases and outpatients. It is now looking ahead to meet the 18 week maximum target by the end of 2007.

NHS Borders has not set formal targets for non-national waiting times. Local waiting times performance at 31 March 2006 is shown below.

Local Waiting Times at 31 March 2006

Waiting time area	Outcome
Diagnostic Waiting Times –	Waiting Time in Weeks
• CT Scan	6
• MRI	8
• Ultrasound	7
• Barium Studies	0
• Colonscopy	4
• Colposcopy	2
• Cystoscopy	4
• Endoscopy	3
• Sigmoidoscopy	4

Waiting time area	Outcome
Cancer treatment – • Lung cancer • Breast cancer • Colorectal cancer • Ovarian cancer • Melanoma	Percentage of urgent referrals seen within 2 months 85.7% 100% 87.5% 100% 100%
A&E – • Seen by a Doctor in 60 minutes • Treatment completed in 120 minutes • Patients admitted to wards within 3 hours	 65% 67% 81%
Delayed discharges	Scottish Borders Council and NHS Borders were set a challenging target of no more than 23 delayed discharges by April 2006. The latest validated position on delayed discharges as at 7th April 2006 was 22.

The Board has made good progress against the National Cancer Plan targets set by the Scottish Executive. The Board is committed to continuing to address these targets and are seeking to monitor and improve the patient's journey.

The Board continues to face difficulties in meeting A&E waiting time targets. The Board is considering options for addressing these, such as a new Information Management and Technology system to track a patient's journey. These initiatives are discussed in more detail elsewhere within this report.

4.5 Performance Management

4.5.1 Local Delivery Plans

The Board has recently sought to prepare local delivery plans for each of the service areas. Each of these plans include targets which have been set with the agreement of heads of service and the individual service departments. Each department is now preparing performance monitoring reports, based on the targets, to monitor areas identified within their delivery plans.

4.5.2 Measuring Partnership Working

The Board is engaged in a number of partnership schemes with local public sector partners, with the most notable being the Community Health and Care Partnership (CHCP) with Scottish Borders Council (and which also incorporates the Voluntary Sector, represented by Borders Voluntary Community Care Forum). Due to the infancy of the CHCP (the Committee has only met three times) it is not yet possible to assess the performance and effectiveness of the CHCP. The Board needs to ensure that SMART targets are identified and agreed to effectively monitor the work of the CHCP and its delivery.

The Board has identified through its Local Delivery Plan, Local Health Plan and also the Joint (with Scottish Borders Council) Local Improvement Targets (as part of the Joint Performance and Information Assessment Framework) a number of possible targets and measurable outcomes. Monitoring and reporting timeframes should be identified to enable the regularly reporting on the performance of the CHCP to the Board.

4.6 Service Sustainability

The NHS Borders publication "Getting Fit for the Future" seeks to take account of current national requirements, local priorities, local targets and assesses future service needs across the Borders and how these services can be sustained and how future needs and service delivery requirements can be met

4.6.1 Public Consultation on Service Delivery

As part of "Getting Fit for the Future" NHS Borders has undertaken an extensive public consultation on options for realigning health care service delivery within the Borders. This consultation period opened on 21 November 2005 and closed on 24 February 2006. The proposals within the consultation include the closure of two community hospitals, creating a Scottish Borders emergency care centre and also extended work on improving local health centres. As well as inviting responses from all members of the Borders community and those who are stakeholders within the proposals the Board has established public involvement groups to enable stakeholders to air their views and have their concerns noted.

The final decision on future delivery will require ministerial approval from the Scottish Minister for Health and Community Care.

4.7 Partnership Working and Regional Planning

As previously indicated NHS Borders is actively engaged in a number of joint working partnership arrangements across the Borders region. Partnership working can be evidenced throughout the organisation with officers working directly with officers of other public sector bodies within the Borders and also with neighbouring NHS partners.

4.7.1 Working with Scottish Borders Council

A joint management team between NHS Borders and Scottish Borders Council meets bi-monthly to discuss the practicalities of joint working and the key operational issues arising. This joint management team is reported as making significant progress and encouraging joint working, especially in areas such as mental health and learning disabilities. Through the joint commissioning/planning structures, this management team oversees the development of key joint strategies and plans, including the development of Local Improvement Targets (as part of the Joint Performance and Information Assessment Framework), the aim being to improve outcomes for the users of our services. These targets were approved by the board of NHS Borders and subsequently the Community Health and Care Partnership Committee.

Some difficulties have however been identified in achieving effective joint working with the Council. These include the data incompatibility between the Council and the Board which has resulted in the joint learning disabilities service being unable to effectively access the data held by the two organisations.

4.7.2 Formalised Joint Groups

The key partnership working group is the CHCP as discussed in 3.5. The Board is also actively engaged in partnership working through such bodies as the Scottish Cancer Area Network and the Public Improvement Group (PIG). The PIG has been created and set up by the Board to enable stakeholders to raise their views and concerns, and to feel included in any decision making process.

4.7.3 Regional Planning Group

NHS Borders is a member of the South East of Scotland and Tayside (SEAT) Regional Planning Group (RPG). The SEAT RPG includes the health bodies of NHS Borders, Lothian, Tayside, Fife and Forth Valley as well as the ambulance services for the region. The RPG has recently increased the frequency of its meetings, now meeting on a six weekly basis. The RPG is undertaking work to develop a clear scheme of delegation, incorporating regional planning and the recommendations contained within the Kerr report. There are also a number of Managed Clinical Networks (MCNs) which address various specialist health areas within the SEAT RPG. These MCNs are recognised as affiliations of the RPG and report directly into the RPG.

The RPG regularly monitors the performance and success of the work of the RPG and the affiliated MCNs. Actions and recovery options are implemented where an area of performance is falling or at an unacceptable level. Where recovery plans fail to deliver the desired success the RPG will explore further options. For example, with the MCN for Adult Epilepsy, the RPG recognised that the regional proposal was not working and disbanded the MCN. Further work in this area will be delivered at the local level. Any area where success is evidenced is reported to the Board and beyond to the Scottish Executive Health Department.

4.8 Workforce Management

The Scottish Executive is committed to increasing the number of consultants, nurses, midwives and Allied Health Professionals (AHPs). A number of problems were however highlighted in Audit Scotland's report 'Overview of the Performance in the NHS in Scotland 2004/05' in being able to meet and measure these targets owing to the definitions being unclear and priorities not being set-out. In April 2006 Scottish consultants called on the Health Minister to create a dedicated taskforce to focus the Executive's efforts on expanding consultant numbers. This proposal came from the Scottish Joint Consultants Committee which felt that although a lot of work was underway on wider NHS workforce issues there was still a need for a consultant expansion taskforce to draw together the various strands of the work. This would provide an overview of the situation, identify geographical locations and specialties where consultant expansion is most needed and provide workable short and long-term solutions to achieve this expansion. At this time it is felt to be unlikely that the national target of 600 additional consultants by September 2006 will be met.

4.8.1 Pay Modernisation

As with other Boards, implementing the Agenda for Change (AfC) initiative is proving difficult for NHS Borders and is a significant risk for the Board. To help meet the pressures of implementing the AfC initiative the Board has recruited ten additional temporary posts. Due to the rural locality of the Board the loss of a number of key specialists or staff as a result of AfC grading could have a serious impact on service delivery and effective health care in the region. The Board is proposing to install a staff helpline to address AfC queries, which has the potential to reduce the possibility of appeals or disputes over gradings.

The delays in completing the process and slippages in timescales, though not a unique situation for a health board, further add to the uncertainty and concerns faced by staff. The Board has completed 99% of the job matching processes for nursing posts and is awaiting the responses from the national panel undertaking the consistency checks before assimilating staff through payroll.

There is also the continuing risk of equal pay claims to the Board. Although to date the Board has not received any equal pay claims the likely impact of union claims at other health boards and the national profile which any successful claims will receive may to lead to claims being made against the Board. The potential financial implications of equal pay claims should be closely monitored by the Board as they become clearer.

4.8.2 EU Working Time Directives

There have been a number of recent European Union working time directives which seek to address the working hours of doctors and health staff. To enable health bodies to respond to the requirements of these the directives have a staggered timetable for implementation. Although the Board is able to comply with the current directives there are insufficient staff numbers on certain health rotas to enable the Board to meet future directive requirements. To enable NHS Borders to deliver an effective service and also comply with legislation the Board will require to either undertake a focussed recruitment drive or employ expensive temporary staff. The Board has recognised that there may be significant financial implications and has already set aside £200,000 within its financial plan to help address this risk.

4.8.3 Dentistry Services

Within NHS Borders there are no longer any dentists taking on NHS patients. The provision of NHS dental services is therefore currently being confined to emergency dental services, and services to children and expectant mothers. To address this issue the Board have sought to recruit dentists from other parts of Europe.

The Board has also successfully bid for additional funding for two new dental facilities. The building work on these sites is due to start within 2006/07.

4.8.4 Staff Recruitment

The Board has recognised the difficulties in attracting staff to NHS Borders. The Board is keen to undertake work to identify which areas are difficult to recruit staff to and also to review the age profile of staff within NHS Borders. The Board has also sought to ensure that its strategic aims and objectives can be delivered within the existing human resource levels or that the staffing levels are aligned to ensure that medium to long-term strategic aims and objectives can be identified.

4.8.5 Staff Appraisal Process

A review was conducted by Internal Audit during 2005/06 into the Board's staff appraisal process. The review concluded that the current appraisal process was not effective and improvements were required. It is important that the Board is able to provide a framework within which employees can develop and also effectively contribute to the development of the organisation. An effective staff appraisal and performance management system is essential to achieving this outcome.

4.9 Information Management

4.9.1 Data Protection Act

Weaknesses in the Board's arrangements for the management of the Data Protection Act were identified by internal audit. While it was confirmed that the Board are appropriately registered under the Data Protection Act there were a number of issues which had to be addressed. These issues included the need for the Board to perform data audits, review and approve policies for record culling and storage, retain medical records in line with the guidance from the Scottish Executive Health Department and include clauses within contracts with suppliers for Data Protection Act requirements. The Board is also required to establish contingency plans for all key systems, include Data Protection Act responsibility within the Data Protection Officer's job description and also consider the option of offering Data Protection Act training for all staff. An action plan to address these issues has now been agreed.

4.9.2 Information Management and Technology Reporting

The Information Management and Technology (IM&T) team have recently been involved in the development management reporting. This is seen as an example of good practice in IM&T delivery within NHS Borders. The initiative has enabled a large amount of information usually reported on a quarterly basis to be collated and reported in a clear and concise manner on a monthly basis.

The Board is also introducing an Accident and Emergency IT system. This system will replace the current paper system and enable the Board to track the patient's journey and to identify the treatment and medication they have received. It will also help to address the difficulties the Board is currently facing in meeting A&E waiting time targets.

4.9.3 Adopting an e-Health Strategy

The Board has not approved and adopted a formal e-health strategy and package. An e-health strategy is being prepared for discussion by all NHS Borders advisory boards. The progress of this work is being reported directly to the Clinical Advisory Board which will have responsibility for maintaining targets and performance. The final e-health strategy will be finalised and approved by the full NHS Board.

4.9.4 IT Security

During 2005/06, internal audit contributed to an IT Security self-assessment exercise, comparing the policies, procedures and working practices of NHS Borders IM&T Department with the security standard BS7799, which measures the effectiveness of an organisation to control and protect the information held within its systems.

A number of areas were identified through this review as being below the level required by the standard. These areas included asset classification and control, personnel security, physical and environmental security, computer and operations management, system access control, system development and maintenance, compliance and business continuity planning. Indeed, the study identified that only 6% of business continuity plans were in compliance with security standard BS7799.

5. FINANCE

It is the responsibility of NHS Borders to conduct its financial affairs in a proper manner. As part of our audit we are required to consider the financial standing of the Board, including arrangements for financial planning, budgetary control and financial reporting. It is important that such arrangements are adequate in order to control the organisation's operations and use of resources.

5.1 Annual Accounts and Audit Timetable

The deadline for submission of the audited NHS Board accounts to the SEHD for 2005/06 is 30 June 2006, one month earlier than in previous periods. We are pleased to report that the accounts were approved by the Board of NHS Borders and will be submitted to the SEHD and Auditor General for Scotland prior to 30 June 2006.

We identified no material errors during our audit. Adjustments to the financial statements arising from the audit related mainly to changes in disclosure and presentation. We agreed all adjustments with the Director of Finance.

We are grateful to the Director of Finance and his staff for submitting draft accounts and supporting papers of a high standard within the agreed deadlines.

5.2 Financial Targets

Health Boards are set three budget levels by the SEHD:

Target	Description
Revenue Resource Limit	Stay within the allocated revenue limit, reflecting spend on ongoing health services.
Capital Resource Limit	Stay within the allocation capital limit, reflecting spend on new capital investment.
Cash Requirement	Stay within a cash management requirement which is a financing requirement to fund the cash consequences of the ongoing operations and net capital investment.

The Revenue Resource Limit and Capital Resource Limit are both financial targets for financial reporting purposes.

We are pleased to note that NHS Borders met both of its financial targets for the financial year 2005/06 and also stayed within its budgeted cash requirement as set out below.

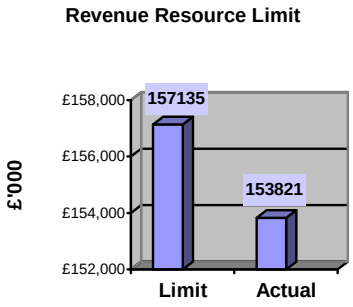

Figure 1 – Performance against Revenue Resource Limit

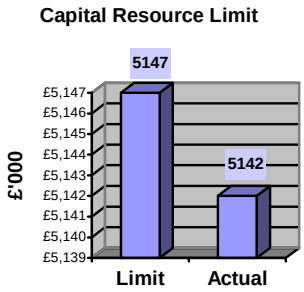

Figure 2 – Performance against Capital Resource Limit

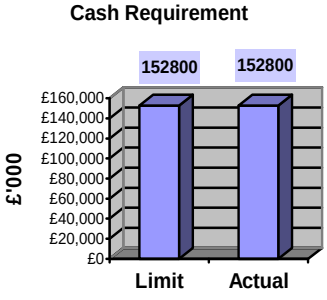

Figure 3 – Performance against Cash Requirement

5.3 Analysis of Financial Targets

Analysis of RRL underspend

	£000
Total in-year deficit	**(£66)**
2004/05 underspend brought forward	£3,380
Saving against RRL at 31 March 2006	**£3,314**

To achieve a balanced in year position in 2005/06 the Board required to make significant savings across all services. A major contributor to the savings programme was the Medicines Management Group. Other savings have been obtained by the use of an alternative asset valuation as reported on in 2004/05 and national initiatives on drug prices which have reduced costs.

A large proportion of the saving against the Revenue Resource Limit at 31 March 2006, relates to an amount also carried forward from 2004/05. This relates to planned expenditure on Galashiels Health Centre which has incurred further slippage in 2005/06 and is not expected to be completed until 2007. The slippage was due to a number of local planning issues around this area of Galashiels. In addition to this some non-recurring allocations received from the SEHD for specific projects are being carried forward to 2006/07 when they will be fully committed.

5.4 In year Financial Activity

As noted above a considerable proportion of the underspend at 31 March 2006 is as a result of the timing of spend against ear-marked allocations and which are fully committed in 2006/07. Other significant variances recorded against budget have been an underspend on GP Prescribing, additional costs associated with the new GMS Contract, Agenda for Change and increases in unplanned clinical activities across NHS Scotland and the rest of the UK. The cost pressures of the new GMS Contract and Agenda for Change have been examined at section 5.5 below

Unplanned clinical activity occurs when people from the NHS Borders area require treatment outwith the Borders area. As the name suggests NHS Borders has little control over what becomes unplanned activity as they receive no advance notification of the impending costs. The unplanned activity spend has increased by 3% year on year and despite a £250,000 (29%) increase in budget in 2005/06 an overspend of £600,000 has been recorded. With a budget of just over £1m for unplanned activity the level of expenditure is significant and will require close monitoring in 2006/07.

Savings Achieved

The financial plan for 2005/06 relied on £2m of savings being made. Of this £2m, £1m was expected to be made on a recurring basis and £1m on a non-recurring basis. We are pleased to report that both of these savings targets have been achieved.

Over half of the savings recorded on a recurring basis were found through measures put in place by clinical boards and departments across NHS Borders. Single significant recurring savings areas came from national drug price changes and enzyme replacement therapy. The impact of new national drug price agreements introduced in February 2005 has given NHS Borders a £250,000 recurring saving. Costs for enzyme therapy have given a £200,000 recurring saving to the financial plan through a new risk sharing arrangement entered into across NHS Scotland.

Non-recurring savings have been identified across NHS Borders, either through specific schemes introduced in departments or through general management of costs and budgets.

5.5 Cost Pressures

Agenda for Change

In common with other NHS bodies in Scotland, work continues at NHS Borders on Agenda for Change. While some groups of staff are now being paid on the Agenda for Change rates no back pay has yet been paid. There is therefore a significant accrual in the financial statements to cover the back pay since October 2005 when Agenda for Change was implemented for all staff. As at 31 March 2006 this amounted to £3.868m.

In order to calculate the affect of Agenda for Change, NHS Borders has developed an Agenda for Change database to facilitate the job matching of each individual member of staff. This allowed NHS Borders to create a more accurate picture of the amounts that needed to be accrued as the new pay scale was matched against each individuals pay history. From this a projection of pay levels for each individual member of staff was calculated and the difference accrued. This was thought to be more accurate than applying a simple percentage to each funded post. .

We have audited the accrual and the methodology for its calculation and are satisfied that the Agenda for Change accrual is not materially misstated in the financial statements.

GMS Contract

The budget for payments to GP's under the new GMS contract has been increased during the year by over £1.3m to take into account increased costs of the Quality Outcomes Framework. As at 31 March 2006, expenditure on the new GMS contract was £160,000 over budget due to an ongoing overspend on enhanced services. In 2005/06 payments under the GMS contract have seen the full year effect of NHS Borders providing Out of Hours services. The cost of this in 2005/06 was £1.67m against a budget of £1.75m

Following the introduction of the new GMS contract in April 2005, GP Practices are paid amounts based on points scored in the Quality Outcome Framework. Across NHS Scotland achievements of GP Practices have been far higher than originally estimated. The cost of quality payments at NHS Borders in 2005/06 was £2.9m, slightly higher than the £2.84m that was budgeted but a significant increase on the £1.7m paid in 2004/05 due to the value of each quality point rising from £75 to £120 in 2005/06. The increasing costs of the new GMS contract will have a recurring impact on the financial plans of NHS Borders and we would recommend that all possible costs are factored into budgets as soon as is possible. The Director of Finance has suggested that a full review of Out of Hours costs should be undertaken and we would agree with this proposal.

National Tariffs

There was no financial impact in 2005/06 as a result of a delay in the introduction of national tariffs. In 2006/07 national tariffs will involve eight specialities moving to a common price which NHS Borders has estimated will affect approximately 60% of its cross boundary activity. The national tariffs may impact financially when they come fully into effect in 2007/08. While the effect of national tariffs across NHS Scotland is intended to be neutral, there is a risk that there could be a noticeable effect in local board areas. Work is currently underway at NHS Borders to assess this impact.

5.6 Financial Plans

The following table analyses the actual 2005/06 NHS Borders performance in terms of recurring and non-recurring income and expenditure. The projected position for 2006/07 is also shown.

Projected financial position 2006/07

	Actual		Projected	
	2005/06 £m	2005/06 £m	2006/07 £m	2006/07 £m
Recurring income	166.22		177.42	
Recurring expenditure	(170.07)		(180.77)	
Underlying recurring surplus / (deficit)		**(3.85)**		**(3.35)**
Recurring savings		1.28		1.07
Underlying recurring surplus / (deficit) after recurring savings		**(2.57)**		**(2.28)**
Non-recurring income	8.94		7.45	
Non-recurring expenditure	(3.07)		(5.17)	
Balance of non-recurring		5.87		2.28
Financial surplus / (deficit)		**3.30**		**0.00**

The analysis shows that NHS Borders continues to experience a core underlying recurring deficit on an annual basis of over £2million. The Board plans to secure savings and intends to return to recurring balance by the end of 2007/08. NHS Borders projects to break even in 2006/07 against its Revenue Resource Limit through the use of non-recurring funding.

Cost pressures and savings

To achieve financial balance in 2006/07 and beyond, NHS Borders requires to secure recurring savings levels of at least £750,000 per annum. Non recurring savings of £800,000 will also be required in 2006/07. At the same time, the Board proposes to invest £3m in key clinical priorities as part of the Getting Fit for the Future Programme.

The financial plan therefore remains tight and shows considerable cost pressures for NHS Borders. Key pressures within the plan are Agenda for Change, drug and energy costs. The recurring cost of Agenda for Change has been included at £4m – which accounts for 6% of the current NHS Borders pay costs. An additional £850,000 has been budgeted for in 2006/07 for the full implementation of the programme. Increases in drug costs account for a large amount of planned expenditure every year and an additional 10% has been added to the budget in 2006/07. This increase should take into account the expected increase in expenditure from new SMC guidelines and the increased usage of cancer drugs. However, drug costs remains a volatile spend of which NHS Borders often has little control. A provision of £750,000 has been set aside for potential increases in energy costs but there are concerns that this may not be sufficient as energy prices continue to rise. This situation should be monitored by the Board carefully in the coming months.

Non-recurrent funding

Non-recurring funding is at its highest in the five year plan during 2006/07. The £7.45m is made up of the carry forward from 2005/06 for specific projects, new ear-marked allocations from the SEHD and an anticipated profit on disposal of a number of properties..

In prior years NHS Borders took part in a capital brokerage scheme operated by the SEHD which enabled them to borrow from their future capital allocations to fund current revenue operations. The amount borrowed was due to be repaid from 2009/10 and the plan did not indicate that there would be sufficient funds for full repayment. Following discussion with the SEHD it has been agreed that NHS Borders will not be required to repay this money. As monies were not due until 2009/10, there is no impact on the 2006/07 financial plan and the effect will be non-recurring. During 2007/08 and onwards the reliance on non-recurring funding is far less than it is in 2006/07 which is mainly due to this.

5.7 Efficient Government

The Scottish Executive launched the Efficient Government initiative in June 2004, to help to implement its vision for public services of the highest quality and offering the greatest possible choice. The initiative is a five year programme that is intended to attack waste, bureaucracy and duplication in the public sector. The initiative differentiates between cash releasing savings (that give additional funds to be reinvested in front line services) and time releasing savings (that allow the level of service to be increased from available resources). The Scottish Executive has set a cash releasing savings target of £367 million for NHS Scotland which amounts to 1% efficiency savings on a yearly basis for every NHS organisation.

5.7.1 Cash Releasing Savings at NHS Borders

To ensure that NHS Borders meets its financial targets the cash savings and efficiency areas identified by the Scottish Executive as part of the Efficient Government initiative have already been identified, and in many cases actioned by the Board. Indicators have been submitted to the Scottish Executive stating the Board's levels of cash releasing savings and the areas and services in which these will be achieved. The achievement of savings is being monitored by a Cost Reduction Task Force, which is made up of senior management within the Board and is representative of all divisions and services.

The Board will be carrying out further work to identify the time releasing savings required by the Scottish Executive.

5.8 Shared Services

NHS Borders' internal audit service is provided by an in-house consortium hosted by NHS Lothian. NHS Lothian incurs the operating costs of this service and the Board pays an annual fee for this service. In 2004/05 the value of services provided by this service was £85,639. Figures for 2005/06 are not yet known.

In common with other NHS Scotland boards NHS Borders is currently involved in the development of shared services support across NHS Scotland. The Board supports the principle of modernising support services and is actively engaged in the Shared Financial Services project. The level of savings to NHS Borders from this area of work is not yet known and NHS Borders has identified a number of key risks associated with this project especially around the sustainability of services. NHS Borders have recorded that they achieved savings of £175,000 within the Finance Department as a result of moving to single system working in 2003.

5.9 Financial Planning, Budgetary Control and Financial Reporting Systems

We have reviewed the arrangements in place at NHS Borders for financial planning and have found them to be satisfactory. Our audit identified no significant weaknesses in the Board's internal financial control systems. In general the systems are well designed and operating effectively.

5.10 Conclusion

Our audit opinions on the truth and fairness of the financial statements and the regularity of transactions are unqualified.

NHS Borders has achieved both of its financial targets for 2005/06 and we are satisfied that adequate arrangements are in place for managing the Board's financial position and maintaining its financial health.

6. ACTION PLAN

6.1 Introduction

The following action plans detail the control weaknesses and opportunities for improvement that we have identified during our 2005/06 audit. The action plan also follows up recommendations made in previous action plans included in our reports to the Board. Where points from previous reports are not included below we are satisfied that the recommended action has been taken within the timescale agreed.

It should be noted that the weaknesses identified are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist.

6.2 Priority rating

The priority rating is intended to assist the Board in assessing the significance of the issues raised and prioritising the action required to address them. The rating structure is summarised as follows:

Priority 1	High risk, material observations requiring immediate action;
Priority 2	Medium risk, significant observations requiring reasonably urgent action;
Priority 3	Low risk, minor observations which require to be brought to the attention of management.

6.3 Key Issues Identified during our 2005/06 final audit

Title	Issue Identified	Risk and Recommendation	Management Comments
Civil Contingencies Act Paragraph Reference 3.7.2	NHS Borders has not yet established its business continuity strategy or set in place arrangements to ensure that the Board is compliant with the Civil Contingencies Act.	This is a key risk for the Board and NHS Borders should ensure that this is seen as a high priority. **Priority 1**	Agreed. The absence of a robust business continuity strategy has been recognised by NHS Borders and the Risk Management Board will be receiving a presentation on 27 June 2006 with the specific aim of putting in place the necessary mechanisms to ensure the development of a robust business continuity strategy. **Responsibility**: Robbie Pearson, Director of Performance and Planning **Timescale**: Strategy to be adopted by Risk Management Board during 2006/2007.
Equal Pay Claims Paragraph Reference 4.8.1	Although to date the Board has not received any equal pay claims the likely impact of union claims at other health boards and the national profile which any successful claims will receive may to lead to claims being made against the Board.	The potential financial implications of equal pay claims should be carefully monitored by the Board. **Priority 1**	The situation with regard to Equal Pay will continue to be closely monitored and regular updates will be provided to the Audit Committee and the Board. **Responsibility:** Robert Kemp, Director of Finance **Timescale:** Ongoing

Title	Issue Identified	Risk and Recommendation	Management Comments
Statement of Internal Control	The Statement of Internal Control describes the following measures to be taken by NHS Borders to improve internal controls during 2006/07: • The formal adoption by the Board of a Records Management Policy Strategy to integrate existing policies. • The need for improved surveillance of infection across NHS Borders has been recognised. • The production of an updated, comprehensive estates management strategy for NHS Borders. • Significant investment in equipment to ensure the effective decontamination of endoscopes • Development and adoption of business continuity and disaster recovery plans in relation to critical information technology systems • Development of routine monitoring systems to ensure compliance with relevant Health and Safety legislation	Progress against these measures should be monitored by the Board during 2006/07 **Priority 1**	Regular progress reports are submitted to the Risk Management Board and reported into the Audit Committee for monitoring. **Responsibility:** Robbie Pearson, Director of Performance and Planning **Timescale:** Ongoing

6.4 Follow up of key issues identified during our 2005/06 interim audit

Title	Issue Identified	Risk and Recommendation	Management Comments	Follow up at Final Audit 2005/06
Delayed Discharges	Delayed discharges continue to be a major pressure area for NHS Borders. As at the end of September 2005 the total number of delayed discharges in NHS Borders was 42 (with a target for April 2006 of 23) with 30 individuals waiting over 6 weeks.	The Board are committed to meeting the compliance levels aimed for with regard to delayed discharges. Without focusing closely on this area the Board will be unable to meet the level required. This must not be at the expense of service delivery or to the detriment of patients who are exercising their 'right to choice over care home residency. **Priority 1**	Revised monitoring and reporting arrangements have now been implemented and progress made towards the April target (23 as at 23 March against target of 23 for April). However continued close monitoring will be required to maintain progress. **To be implemented by:** **Ralph Roberts** **No later than:** April 2006	During the financial year 2005/06 the Board undertook a number of initiatives to support a long-term and sustainable reduction in delayed discharges. As a result of these initiatives NHS Borders achieved its target for delayed discharges. **Action ongoing**

Title	Issue Identified	Risk and Recommendation	Management Comments	Follow up at Final Audit 2005/06
Public Consultation on Service Delivery	As part of "Getting Fit for the Future" NHS Borders has undertaken a public consultation on options for realigning health care service delivery within the Borders. As well as inviting responses from all members of the Borders community and those who are stakeholders within the proposals the Board have established public involvement groups to enable stakeholders to air their views and have their concerns noted.	Contingency plans must be in place for all potential outcomes of the consultation. If the public vehemently oppose the alterations proposed to service delivery the Board must either be prepared to undertake this work without public support or have plans and proposals in place to make the appropriate savings and needed changes to service delivery through alternative measures. **Priority 1**	Consideration of impact of these proposals will be made by NHS Borders as part of the decision making process. Subject to the outcome of the Board meeting on the 30th March a detailed action plan for implementation will be agreed by May 2006. **To be implemented by:** **Irene Morris** **No later than:** 30 May 2006	Following the Board decision on 30 March to accept the proposals included in 'Getting Fit for the Future', approval has been sought from the Scottish Minister for Health and Community Care. Detailed action plans for implementation will require to be prepared following the Minister's determination. **Action ongoing**

6.5 Medium and Low priority issues identified during our 2005/06 final audit

Title	Issue Identified	Risk and Recommendation	Management Comments
Community Health Partnerships Paragraph Reference 3.5	While information sharing is taking place across the CHCP and partner organisations it is too early to assess if performance measures are effective or meeting the requirements of partnership organisations.	Key targets need to be identified and monitored to ensure that information provided is appropriately targeted and enables the partners to effectively monitor performance. **Priority 2**	Joint Local Improvement Targets and the Joint Performance Information & Assessment Framework Reports have been and will continue to be reported regularly to the CH&CP and its Joint Commissioning Teams. The Local Delivery Plan and incorporated Indicators and Trajectories are also reported to the CH&CP. **Responsibility:** Robbie Pearson, Director of Performance and Planning **Timescale:** Ongoing

Title	Issue Identified	Risk and Recommendation	Management Comments
Confirmation of Executive Salaries Paragraph Reference 3.9.2	Following the remuneration committee meeting to appraise the executive directors and senior management and to confirm their pay awards for 2005/06, letters were then sent to individuals confirming the increased salary by the Director of Human Resources. Our audit noted that the Director of Human Resources wrote a confirmation letter to himself.	These letters have been used by payroll staff as a means of updating the executives pay details on the system for executive directors and senior management. As the confirmation letters are not being checked by another party or sent by a neutral party, such as the Chairman, this could result in salaries being amended without the remuneration committee's approval. We would recommend that in future following decisions by the remuneration committee, that confirmation letters are sent by the Chief Executive and that a confirmation letter regarding the Chief Executive's salary is sent by the Chairman. **Priority 2**	The point is noted and agreed. All future letters of notification will be sent by the Chief Executive or Chairman as appropriate. **Responsibility:** John Glennie, Chief Executive **Time:** Ongoing

Title	Issue Identified	Risk and Recommendation	Management Comments
Health Improvement Paragraph Reference 4.1	Targets set for cancer, smoking reduction and coronary heart disease are proving difficult to achieve. The Board has also indicated that data streams to measure progress against targets are not readily available.	Consideration should be given to how the Board can set appropriate measures for these targets and what action is required to ensure that they are met. **Priority 2**	National and Local targets are set within the Local Delivery Plan process and in partnership with the multi-agency Joint Health Improvement Team. The performance against these targets will be evaluated, monitored and reported to the Board and CH&CP. **Responsibility:** Robbie Pearson, Director of Performance and Planning **Timescale:** Ongoing
Local Waiting Times Paragraph Reference 4.4	NHS Borders has not set targets for non-national waiting times. Whilst officers within the Board recognised that this was an area which should be addressed, there were no plans or timescales in place to address this issue.	The Board should seek to set targets for non-national waiting times to enable effective monitoring and performance reporting. **Priority 2**	Achievement against waiting times targets is managed through the Waiting times group. In developing action plans and agreeing investments for priority areas the group used the maximum waits for IP/OP services as a maximum target for services that do not have a specific national target. **Responsibility:** Ralph Roberts, Director of Integrated Care **Timescale:** Ongoing

Title	Issue Identified	Risk and Recommendation	Management Comments
Fixed Asset Verification	Finance staff did not carry out any fixed asset verification during the course of the year.	There is a risk that without a cyclical verification of fixed assets some may be disposed of without the finance department being aware, thus the asset disposed of would remain on the fixed asset register. Any asset that remains on the fixed asset register will incur capital charges. Undertaking a physical verification of fixed assets may also alert finance staff to possible obsolescence of assets or a need to decrease the estimated useful life of the asset. We recommend that a cyclical programme of fixed asset verification should take place during the year as has occurred in prior years. **Priority 3**	Agreed - A cyclical programme will be reintroduced. **Responsibility:** Robert Kemp, Director of Finance **Timescale:** July 2006

Title	Issue Identified	Risk and Recommendation	Management Comments
Use of commercial bank account	Guidance issued by the SEHD in 2000 and 2001 (MEL(2000)39 and HDL(2001)49) requires that monies kept by NHS Boards in commercial bank accounts should not exceed £50,000. Our audit noted that this was not the case at NHS Borders on 31 March 2006. This was also noted on a sample basis at different points during the year.	While there is no penalty attached to failure to meet the £50,000 limit, the guidance should still be adhered to. We recommend that NHS Borders put in place appropriate arrangements to ensure that they are not in breach of the £50,000 limit again. **Priority 3**	Sufficient cash must be retained in the commercial account to meet immediate cash requirements together with a requirement to fund unpresented cheques. This may necessitate a balance in excess of £50,000. The balance is monitored to ensure that it does not become excessive. **Responsibility:** Robert Kemp, Director of Finance **Timescale:** In Place
Banking procedures	It was noted during our audit that NHS Borders are not cancelling cheques they have written that are over six months old and would thus no longer be honoured by the bank.	While this is accepted to be a housekeeping issue it is generally accepted practice to cancel cheques over six months old. By not cancelling such cheques, there is a risk that expenditure will become materially overstated and bank balances become materially understated. NHS Borders should review the cheques outstanding every month and cancel those that are over six months old. **Priority 3**	Agreed - Cheques over six months old are routinely reviewed by the Assistant Director of Finance (Financial Services) and if required they are cancelled. This exercise had not been undertaken at the end of March. All cheques over six months old have now been cancelled. **Responsibility:** Robert Kemp, Director of Finance **Timescale:** In Place

6.5 Follow up of key issues identified during our 2004/05 audits

Title	Issue Identified	Risk and Recommendation	Management Comments	Follow up at 2005/06 Audit
Audit Committee	The Smith Report on Audit Committee's recommends that: "At least one member of the audit committee should have significant, recent and relevant financial experience. It is highly desirable for this member to have a professional qualification from one of the professional accountancy bodies." In an NHS context this would include individuals who had served in a senior finance role or as an auditor.	There is a risk that the audit committee's ability to hold the Board to account on financial issues may be impaired. This will then impact on the Audit Committee's ability to fully discharge its role and responsibilities. NHS Borders should ensure that this issue is addressed during the next round on non-executive appointments. **Priority 1**	The recommendation of the Smith Report will be brought to the attention of the Chief Executive **Responsible Officer:** Director of Finance **Implementation Date:** 31 July 2005	There have been no new appointments to the NHS Borders Board since our recommendation was made in 2004/05. Following the departure of one of the Non-Executive Directors on 31 March 2006 who had served their allotted term, we would recommend that NHS Borders ensures that this matter is addressed in any new appointment. **Action ongoing**

Title	Issue Identified	Risk and Recommendation	Management Comments	Follow up at 2005/06 Audit
Agenda for Change	Agenda for Change became effective from 1 October 2004, with an implementation date of 1 December 2004. NHS Borders have put in place a project implementation team to manage the process of transferring their 4,000 employees from existing terms and conditions to the new agreement. The timetable for the implementation of Agenda for Change is challenging and highly sensitive to local and national issues such as appeals over the job appraisal/matching process. In addition, NHS Borders has concerns over its human resource and payroll capacity to deliver Agenda for Change.	Agenda for Change is a significant risk to NHS Borders in terms of its financial impact but also on partnership working and relationships with staff. Similar experience from the consultants contract implementation process identified that the actual cost of implementation was significantly higher than the estimated original cost. NHS Borders must ensure that the Agenda for Change implementation process continues to be effectively controlled and monitored. Financial assumptions and estimates should be regularly reviewed to ensure any changes are identified at an early stage in the process. **Priority 1**	The Director of Human Resources will report to the Pay Modernisation Board and the Health Board on a regular basis. The involvement of Senior finance staff on the working groups will ensure that financial risks are identified and incorporated into Borders Health Board financial plans when required. **Responsible Officer:** Director of Human Resources **Implementation Date:** Ongoing	As with other Boards, implementing the Agenda for Change (AfC) initiative is proving problematic for NHS Borders and is a significant risk for the Board. To help meet the pressures of implementing the AfC initiative the Board has recruited ten additional temporary posts. The Board has completed 99% of the job matching processes for nursing posts and are awaiting the responses from the national panel undertaking the consistency checks prior to assimilation through payroll. **Action ongoing**

Title	Issue Identified	Risk and Recommendation	Management Comments	Follow up at 2005/06 Audit
Working Time Regulations	The Working Time Regulations 1998 (WTR) came into force on 1 October 1998 and were introduced under the provisions of the Health and Safety at Work Act 1974. NHS Borders have undertaken significant work during 2004-05 on their compliance with the regulations. Despite this work a number of areas within NHS Borders remain non-compliant with the terms of the WTR. In particular concerns remain regarding community hospitals and night duty rotas. Specific areas of concern include the provision of a 20 minute break when working days exceed 6 hours and 11 hours consecutive rest between each working day in a 24 hour period.	NHS Borders are currently in breach of the Working Time Regulations. These are part of health and safety legislation and are statutory requirements. Many of the actions required to ensure compliance in the future will have revenue resource implications. These require to be addressed through the Local Health Plan process. We recognise that NHS Borders are working to obtain compliance with the regulations and have put in place systems to improve their compliance levels. There is a need to ensure that compliance with the WTR is pursued as a priority. The implications of the WTR should be considered during the planning and implementation of all new initiatives such as the In-patient redesign process. **Priority 1**	The Director of Human Resources will ensure that all legislative requirements are fully considered by Borders Health Board **Responsible Officer:** Director of Human Resources **Implementation Date:** Ongoing	Though the Board is able to comply with the current directives there are not sufficient staff numbers on certain health rotas to enable the Board to be able to meet future directives whilst ensuring that there are sufficient staff working to effectively deliver the service. To enable NHS Borders to deliver an effective service and also comply with legislation the Board will be required to either undertake a focussed recruitment drive or employ expensive temporary staff. The Board has recognised that there may be significant financial implications of this area and the Board have already set aside £200,000 within their financial plan to help address this risk. **Action ongoing**

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