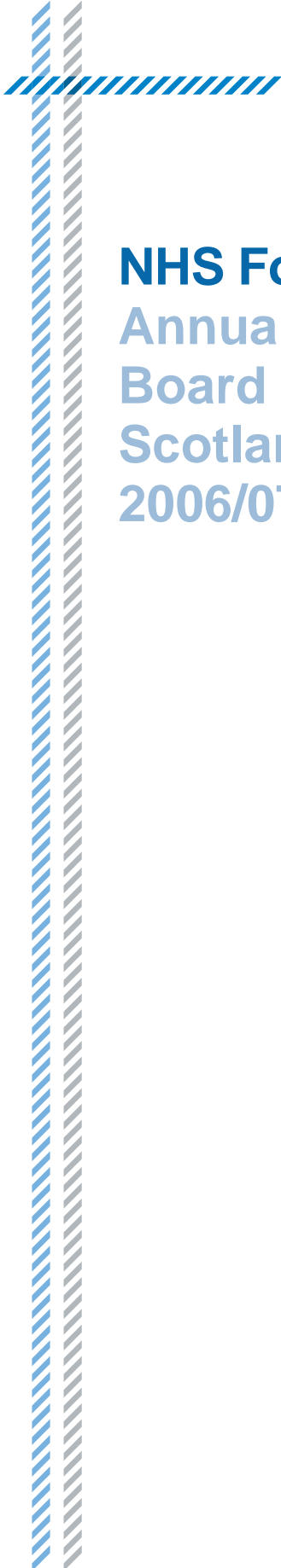




SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW



NHS Forth Valley

**Annual report to Forth Valley Health
Board and the Auditor General for
Scotland
2006/07**



NHS Forth Valley

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1	Summary	1
2	Introduction	3
3	Governance.....	6
4	Performance	15
5	Finance	27
6	Action Plan.....	38

1 Summary

Governance

- NHS Forth Valley has made significant progress with its healthcare strategy during the year, receiving SEHD approval for its plans for a new acute hospital at Larbert and a new community healthcare facility at Clackmannanshire. The PFI contract for the new Larbert hospital achieved financial close on 15 May 2007.
- The Community Health Partnerships (CHPs) are now an established part of NHS Forth Valley's governance framework. The CHP committees reviewed the CHP arrangements during the year and agreed a number of actions to provide further clarity over accountability arrangements.
- The Board took part in an NHS Quality Improvement Scotland (NHS QIS) review of the Board's clinical governance and risk management arrangements on 31 January and 1 February 2007. A draft report has been received from NHS QIS and the Board are currently awaiting final feedback.
- Further work is required to formalise an approach to risk management in the CHPs, to complete all risk register action plans.
- There is a need to establish arrangements for addressing the requirements of the National Fraud Initiative.

Performance

- The Board is required to meet a number of national targets set by the SEHD. Whilst the Board have met the majority of targets or are on course to meet targets by the required date we would highlight the following three targets where further action is required:
- Ongoing work is required to ensure the Board achieves the national waiting time targets for cancer 2007. Overall performance by the Board improved significantly over the 12 month period moving from 62% to 87% in the 4th quarter to December 2006 with 7 of the 9 Cancers recording compliance of 94% or higher with the 62 day target. However the overall trajectory for all 9 cancers of 95% which has now been set as the target for June 07, remains challenging
- The Board's capacity to meet delayed discharge targets remains challenging. As at April 2007 only two out of the three delayed discharge targets were met. The unmet target related to delays over 6 weeks where 29 patients were found to be delayed against a target of 19. The target for total days was however achieved for the first time and delays for short stay wards remained at zero.
- Sickness absence targets are also an area where the Board has challenges to meet if the March 2008 target of 4% is to be met. The Forth Valley trajectory target for March 2007 was 4.7%. The actual position as at March 2007 however was 5.1%. A key area

which the Board will need to address is the absence rates for the CHP's which have been the main contributor to the overall absence rates in February and March 2007. Since April 2007 we understand that absence management has been incorporated into ForthStat to ensure corporate and managerial ownership.

- The Board needs to keep a focus on access targets to ensure the December 2007 targets are met.

Finance

- NHS Forth Valley returned a saving against its Revenue Resource Limit (RRL) of £590,000 and therefore achieved this financial target. The Board also achieved its Capital Resource Limit (CRL) and Cash Requirement,
- Our audit opinions on the truth and fairness of the financial statements and the regularity of transactions are unqualified.
- NHS Forth Valley reported a gain of £7.9 million for the part disposal of its Bellsdyke site. The Board entered into an agreement to sell the site of the former Bellsdyke hospital in 2001. The proceeds are dependant on the purchasers receiving detailed planning permission. The purchasers received detailed planning permission for four of the plots in March 2007 triggering the in-year transaction.
- The Board's £590,000 saving against RRL was achieved through a recurring overspend of £2.5 million offset against a non-recurring underspend of £3.1 million.
- Key financial risks going forward include the implementation of pay modernisation, the outcome of legal deliberations in respect of prospective equal pay claims, as well as risks relating to the Board's estate, including maintenance costs for properties retained, accelerated depreciation for properties closed and restrictions on the use of land sale proceeds for revenue purposes.

Conclusion

This report concludes the 2006/07 audit of NHS Forth Valley. We have performed our audit in accordance with the Code of Audit Practice published by Audit Scotland, International Standards on Auditing and Ethical Standards.

This report has been discussed and agreed with the Chief Executive and Director of Finance and has been prepared for the sole use of NHS Forth Valley, the Auditor General for Scotland and Audit Scotland.

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

Scott-Moncrieff
June 2007

2 Introduction

2.1 Auditor General and Audit Scotland

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. The Auditor General has appointed Scott-Moncrieff as auditors of NHS Forth Valley for the five year period 2006/07 to 2010/11.

Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out his statutory functions, including preparing a Code of Audit Practice setting out the role and responsibilities of the external auditor.

This annual report summarises our 2006/07 audit and highlights the key issues arising from our work.

2.2 Independence and ethical standards

Ethical Standard 1 – *Integrity, objectivity and independence*, issued by the Auditing Practices Board (APB), requires that external auditors ensure that the Audit Committee is appropriately informed on a timely basis of all significant facts and matters that bear upon the auditors' objectivity and independence.

We confirm that we have complied with APB Ethical Standards throughout our audit and that, in our professional judgement, we have remained independent and our objectivity has not been compromised in any way. In particular:

- a) There are and have been no relationships between Scott-Moncrieff and the Board, its directors and senior management that may reasonably be thought to bear on our objectivity and independence,
- b) Scott-Moncrieff has not provided any consultancy or non-audit services to the Board,
- c) Our external audit fees for 2006/07 were (Including VAT):

Statutory audit fee (excluding Audit Scotland charge)	£164,430
Additional audit fees:	
• Larbert PFI contract – opinion on accounting treatment	£6,866
• Clackmannanshire PFI contract – opinion on accounting treatment	£3,849
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	£175,145
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2.3 Key Priorities and Risks

Our audits are risk based. This means that we focus our resources in the areas of highest priority or risk to the Board. To help us identify these areas, Audit Scotland has developed a national planning tool, the Priorities and Risks Framework (PRF), setting out the following key priorities and risks for NHS Scotland as a whole:

- Governance
- Financial management
- People management
- Information management
- Performance management
- Service sustainability
- Partnership working

We used the PRF as a basis for discussions with various directors and senior managers to obtain an understanding of the Board and inform our audit planning and risk assessment.

2.4 Scope of the Audit

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

2.4.1 Audit areas v priorities and risks

Audit area	Audit objective	Key priorities and risks
Governance	To review the Board's governance arrangements in relation to: <ul style="list-style-type: none">• systems of internal control and risk management,• the prevention and detection of fraud and irregularity,• standards of conduct and prevention and detection of corruption,• financial position.	Governance People management
Performance	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 Partnership working Information management

Audit area	Audit objective	Key priorities and risks
Finance	<p>To provide an opinion on the truth and fairness of the Board's financial statements and on the regularity of transactions.</p> <p>To review the Board's financial standing, and financial management arrangements.</p>	Financial management

The remainder of this report sets out the results of our work in 2006/07 under the headings of Governance, Performance and Finance. The action plan in section 6 details the recommendations we have made during the year.

3 Governance

3.1 Introduction

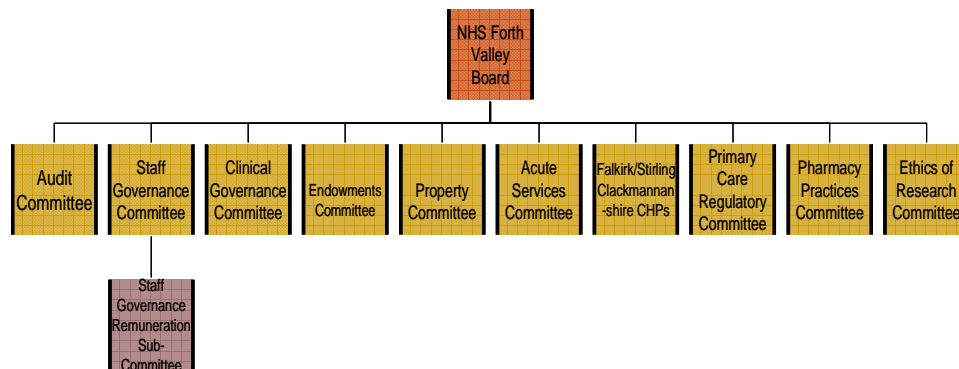
It is our responsibility to review the Board's governance arrangements in relation to:

- systems of internal control and risk management,
- the prevention and detection of fraud and irregularity,
- standards of conduct and prevention and detection of corruption,
- financial position.

3.2 Corporate Governance Framework

The Board approved revised management and governance arrangements in May 2006. Services were previously delivered by the Acute and Primary Care Operating Divisions headed by separate Directors. These service delivery arrangements have been replaced by a single strand of service delivery headed by a Chief Operating Officer who is responsible for Acute Services and Community Health Partnerships.

The Board and Committee structure was revised as follows:



The Board revised its Standing Orders, including the revision of the committee remits, in March 2007. The principal change was that the Property Committee was renamed the Strategic Projects and Property Committee and its remit was extended to include the implementation of the Board's healthcare strategy.

3.3 Community Health Partnerships (CHPs)

The National Health Service Reform (Scotland) Act 2004 required every Health Board in Scotland to establish CHPs. CHPs are seen as key building blocks in the modernisation of the NHS and should have a new role in service planning as part of integrated health and social care systems. NHS Forth Valley established three CHPs in 2005 mirroring the local authorities within the Board's boundaries of Falkirk, Stirling and Clackmannanshire.

The CHP committees carried out a review in the Autumn of 2006 considering and reflecting on the role of the committees and how the CHP agenda had been taken forward. The review considered membership roles, governance arrangements, committee remits and member development needs within the CHPs.

A number of actions were identified from the review including:

- a succession planning framework has been initiated to ensure a continuity of elected members on a phased basis.
- the terms of reference for the three CHPs have been revised, to provide further clarity over the accountability arrangements.

Operational arrangements

The three CHPs operate and have responsibility for healthcare services, including running the community health facilities and mental healthcare services, within the Falkirk, Stirling and Clackmannanshire localities.

Each CHP has its own operational budget, with the General Manager being the overall budget holder. The CHPs budgeting process operates under the management of the Assistant Director of Finance (CHPs) and is coordinated within each CHP by the relevant Senior Finance Manager. The budgets are aligned to the strategic priorities of the CHP and are adjusted to reflect additional allocations received by the Board during the year. This allows the activities of the CHPs to continue to act in support of both the Board's Local Health Plan and specific national initiatives.

The Board works closely in partnership with Falkirk, Stirling and Clackmannanshire local authorities to deliver healthcare. Any services which are carried out by the local authorities on the Board's behalf are funded through resource transfer.

3.4 Acute Services

Acute Services operate alongside the work of the CHPs, and work together to meet the local health needs of the Forth Valley population. Reportable to the Board, the Acute Services Committee (ASC) is charged with ensuring effective organisation and provision of acute health services. An annual report is formally presented to the Board charting the work of the Committee.

3.5 Healthcare Strategy

After extensive internal consideration and public consultation, the Board approved its integrated health strategy in September 2004. This strategy set out "how the future health service in Forth Valley will provide a much more seamless service through greater integration of primary and secondary, supported by a modern information and communication system". A key element of this strategy was the delivery of a new acute hospital at Larbert, new

community Hospitals in Clackmannanshire, Falkirk and Stirling and improved primary and community services throughout Forth Valley. Forth Valley has made considerable progress with the implementation of this strategy during the year.

3.5.1 Larbert Hospitals

The Board approved the Full Business Case (FBC) for the Larbert Acute Hospital Project on 30 January 2007.

The new acute hospital is to be built on the site of the Royal Scottish National Hospital in Larbert. The hospital will be financed through the Private Finance Initiative (PFI) and will be the largest PPP/PFI hospital in Scotland, with an estimated capital cost of around £300 million.

The Board plans to centralise major acute services at the new hospital. Part of the Stirling Royal Infirmary site will be retained for community beds as well as the planned development of an Acute diagnostic and treatment centre. The Board will also retain the Falkirk Infirmary site for community beds. A key component of the Integrated Healthcare Strategy is the ongoing review of models of care in line with the Kerr Report and Delivering for Health.

The contract with the PFI provider achieved financial close on 15 May 2007.

3.5.2 Clackmannanshire Healthcare Facilities

The Board also approved the FBC for the Clackmannanshire Healthcare Facilities Project at a special Board meeting on 13 February 2007. As part of the Board's integrated healthcare strategy, the Clackmannanshire facility will work in tandem with the new Acute Hospital to meet the healthcare needs of the people of NHS Forth Valley. The £20m project will create a new community hospital and healthcare centre on the Alloa site, and will also be funded through the PFI route.

3.6 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.

We have reviewed NHS Forth Valley's arrangements for evaluating and managing risk. NHS Forth Valley has a risk strategy in place, which was approved by the Board in March 2005 and updated in November 2006.

NHS Forth Valley's Statement on Internal Control within its 2005/06 financial statements noted that the establishment of a single risk register was a key objective for 2006. We are pleased to report that the Board now has a single risk register in place. Key risks from the corporate risk register are highlighted in the Board executive report and the corporate risk register is reviewed by the appropriate committee of the Board.

The Head of Performance Management co-ordinates the risk management activity and has responsibility for ensuring that the corporate risk register is maintained and that the annual report on risk management activity is presented to the Board. The Board has appointed a Head of Risk Management who is supported by a dedicated risk management team.

3.6.1 Outstanding issues

While the embedding of risk management throughout the organisation is progressing, the Board has identified risk management within the CHPs as an area for improvement and plans to formalise the approach to risk management with CHPs. We also noted that some action plans to mitigate the risks identified in the risk registers remain outstanding. Both of these issues have been reflected in the Action Plan in Section 6 of this report.

3.7 Statement on Internal Control

The framework of internal controls operating at NHS Forth Valley is reported within the Statement on Internal Control (SIC) included with the annual accounts. NHS Forth Valley has identified the following areas as requiring further development in 2007/08:

- Development of an area wide disaster recovery plan,
- Finalisation of area-wide Financial Operating Procedures which are currently in draft.

These areas have been highlighted within the SIC and the Board intends to address them fully during 2007/08.

We are satisfied that the contents of the SIC are not inconsistent with information gathered during the course of our normal audit work.

3.8 Internal Audit

3.8.1 Review of internal audit service

Internal audit is a key component of the Board's corporate governance arrangements. The Board's internal audit service is provided by FTF Audit and Management Services. We were appointed to perform a detailed review of the internal audit function during 2006/07.

The conclusion from our review was that FTF Audit and Management Services provides an effective internal audit service that complies with the NHS Internal Audit Standards and demonstrates examples of best practice.

The FTF Audit and Management Services' Forth Valley team completed its 2006/07 programme with the exception of one review on Pay Modernisation. While we were unable to place reliance on this report, this did not create a significant problem for our audit as we were able to obtain assurance from alternative sources. A number of other reports remain to be fully signed off but we have placed reliance on draft reports where appropriate.

3.8.2 Co-ordination with internal audit

We discussed our audit approach with FTF Audit and Management Services' Forth Valley team at the start of our audit and have continued to liaise regularly throughout the audit. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work in the following areas:

- Control environment management arrangements
- Clinical governance arrangements
- Workforce planning
- Risk management strategy and development
- Best Value and cost reduction
- Joint working arrangements
- FHS assurances
- Pharmaceutical
- IS/IT security policies
- Financial planning
- Monitoring financial performance
- Financial ledger
- Asset register maintenance & capital charges
- Purchase/Sale/Disposals of fixed assets
- Payroll – departmental processes
- Financial process compliance
- Ordering & receipting of goods
- Accounts payable

We are grateful to the FTF Forth Valley team for their assistance during the course of our audit work.

3.9 Clinical Governance and 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.

We reviewed NHS Forth Valley's arrangements for identifying, evaluating and managing risk as part of our interim audit and concluded that NHS Forth Valley appears to have relatively sound risk management systems in place.

3.9.1 NHS QIS Review

NHS Quality Improvement Scotland (NHS QIS) manages risk management standard setting and accreditation. NHS Forth Valley's Clinical Governance and Risk Management arrangements were reviewed by NHS QIS during their visit to the Health Board on 31 January 2007 and 1 February 2007. The initial feedback to the Board was considered to be positive. The draft report from NHS QIS was received in early April. Factual accuracy and areas of challenge have been fed back to NHS QIS by the Board. The report will be signed off once agreement has been made on the content.

3.10 Staff Governance

The Staff Governance Action Plan for 2006/07 contained key priorities including actions specifically derived from the Staff Survey results. The action plan was developed by the Staff Governance Action Plan Group, a partnership group, and was approved by the Area Partnership Forum and the Staff Governance Committee. In year, additional actions were included and certain timescales were reviewed to reflect prevailing and new priorities.

NHS Forth Valley considers that staff governance has become well-embedded within its culture, in particular through its partnership structures and employment practices, and that its processes for staff governance planning and monitoring are robust. The third Staff Survey was the most successful yet for NHS Forth Valley in terms of staff participation. The Staff Survey Steering Group played a key role in this success.

Upon receipt of the Peer Review and NHS QIS feedback, the Staff Governance Action Plan for 2007/08 will be finalised, however, key priorities will continue to include:

- Reducing sickness absence;
- Workforce modernisation;
- Policy development;
- Staff involvement & communications;
- Inequalities and diversity; and
- Reducing violence and aggression towards staff.

Overall, good progress has been made by the Board in delivering the 2006/07 action plan and the required mandatory statistics. Of particular note is the positive integration of staff governance and clinical governance work, as evidenced in the NHS QIS self assessment process in 2006/07.

3.11 Fraud, Irregularity and Corruption

We are required to consider the arrangements made by management for the prevention and detection of fraud, irregularity and corruption.

3.11.1 National Fraud Initiative

As part of our audit we reviewed NHS Forth Valley's participation in the National Fraud Initiative (NFI). NFI makes use of computerised techniques to compare and match information about individuals held by various public sector bodies to identify potential fraud, error or anomalies. Under the NFI, payroll data is downloaded and matched against other datasets such as housing benefit applicants, local authority employees, pensioners, students, deceased persons, and failed asylum seekers. The results are passed to key contacts within each participating public body for further analysis and investigation.

The NFI has generated significant savings for Scottish public bodies (£27 million to 2005). The Health Department and NHS Counter Fraud Services have strongly supported the involvement of health bodies in the exercise and SEHD circular HDL (2006) 44 set out the requirement for NHS boards to participate in 2006/07.

We reported in our interim report that Forth Valley NHS Board had concerns about data protection laws and did not submit NFI data by the 30 September 2006 deadline. Consequently, NHS Forth Valley did not participate in the first data matching run. The Board submitted its data in January 2007 and Audit Scotland conducted a second matching run in March 2007. The Board was able to download the results of this run from 28 May 2007.

Data Matches

The table below summarises the matches arising from the second matching run.

High Risk	Medium Risk	Low Risk	Total
324	30	398	752

Matches are received in a web based application that includes a filtering tool to help identify matches for investigation. NHS Boards are not expected to investigate all matches but reasons should be determined as to why an investigation has not taken place. At the time of our review the Board had yet to determine the parameters to be used to select samples for investigation.

All staff involved in the investigation process should understand the reports and matches they are reviewing. A documented methodology should be established to ensure a consistent approach to recording results and obtaining evidence. The methodology should include:

- Identification of who is responsible for each type of match
- How the information will be released to responsible individuals
- How the results will be recorded
- The type of supporting evidence to be collected
- How the results will be collated and assessed.

The results of NFI investigations require to be reported to the Audit Commission during 2007. In addition, we would expect the Board to have established arrangements for reporting the findings both internally and externally. As stated above data matches were received by NHS Forth Valley on 28 May 2007. The Board will now require to decide how the results of NFI activity should be reported to the Board.

Staff Briefings

To ensure all potential frauds are identified and followed up, all staff involved in the investigation process should have an adequate understanding of the background to NFI. We recommend that a briefing is held for all staff involved. This would act as an introduction or refresher for the NFI programme and ensure that all are aware of the requirements of the NFI.

Action plan

The Action Plan in Section 6 of this report contains a recommendation for formalising the Board's arrangements in relation to NFI.

3.12 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 ordering and procurement, registers of interest and disposal of assets.

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

3.13 National Shared Support Services

The National Shared Services project proposes bringing together transaction processing functions with a view to releasing savings for front line services and meeting the efficient government agenda in NHS Scotland.

NHS National Services Scotland issued the draft Full Business Case (FBC) in November 2006 for comment. NHS Forth Valley considered the Shared Services FBC in detail and concluded that it did not endorse it. The Board issued a letter to the Chief Executive of NHS National Services Scotland which set out the following concerns with the FBC:

- Lack of evidence to support the listed benefits,

- Robustness of some of the costing information,
- Length of payback period,
- Uncertainty around Human Resources and Organisational Development, and
- Risk to financial stability and deliverability during the transition period.

We understand that similar concerns were raised by other NHS Scotland Boards.

Latest position

As a result of responses received to the FBC, NHS National Services Scotland has revised the approach to meet the objectives of the shared support services project. Over the next few months, a revised project plan will be developed , in conjunction with Health Boards.

NHS National Services Scotland has performed “State of Readiness Assessments” of each health board in Scotland. To enable the move to Shared Services, each health board is expected to meet a common baseline in terms of operations and performance. Each health board was given a report of the assessment which highlighted any areas where they needed to improve.

In addition, NHS National Services Scotland is running a number of “Pathfinder Projects” to pilot new systems. This will involve considering, testing and implementing new ways of working within finance and payroll operations. Subject to satisfactory results it is intended that these new systems will be rolled out across Scotland. The deadline for Boards to express an interest in being involved in Pathfinder was the 31 May 2007. NHS Forth Valley has not applied to be part of this exercise . Instead, the Board is in initial discussions regarding consortium working with Tayside, Fife and Borders Health Boards as the next step forward in shared services.

NHS National Services Scotland expects that, by the end of June 2007, all Boards should have an Action Plan, covering activities such as:

- Delivering against State of Readiness Assessment Action Plans,
- Implementing a common Chart of Accounts,
- Full adoption of Cedar Finance System,
- Tracking the economic and qualitative benefits

4 Performance

4.1 Introduction

This section of the report looks at key performance areas for NHS Forth Valley. The first section focuses on the key points arising from the ministerial Annual Review whilst the second part focuses on the Local Delivery Plan and some of the core ministerial objectives encompassing health, efficiency, access and treatment objectives, more commonly referred to as the HEAT targets. Some of NHS Forth Valley's key corporate objectives are also highlighted within this section.

The performance information in this section has been taken from the Board's own reports. While we have reviewed this information, we have not performed any detailed audit work on the figures.

4.2 Service Sustainability

NHS Forth Valley has continued to operate the transitional arrangements put in place in October 2005 with Stirling Infirmary being principally responsible for unscheduled or emergency care and Falkirk Infirmary for planned care.

4.3 Information Technology

One of the critical elements of delivering improved performance in all NHS Boards is the effectiveness of information communication and technology arrangements. As part of our audit we therefore reviewed the Board's IT governance arrangements and how these ensure effective development and integration of technical and eHealth strategies, both locally and nationally. We also sought to assess how IT governance arrangements are recognised and defined as an integrated part of the Board's corporate governance arrangements.

The IT department at NHS Forth Valley has been formed following a merger of the three IT departments from what were the Health Board, Acute Trust and Primary Care Trust. Notwithstanding the changes that have impacted on IT we were concerned to note the absence of a number of key policies and procedures which we would have expected to have been in place. The key areas where we believe improvements are required are detailed below.

ICT Technical Strategy

Although there is an eHealth Strategy (which is in the process of being updated), there is no ICT technical strategy which clearly outlines the standards and direction for the technology platform deployed by the Board. We recognise that there is an ICT Telecoms Strategy which covers some aspects of what we would expect of a technical strategy. There is however work

underway to develop and ICT Infrastructure Strategy as part for the overarching eHealth Strategy which is under review.

IT (Technical) Security Assurance

There is no IT security officer at NHS Forth Valley to assume responsibility for technical security and security assurance. There is however an Information Security Adviser, who is a member of the Information Governance Team, who provides independent advice on security matters but not on the technical aspects of security. Technical aspects are covered by the IT department as part of their general responsibilities. The Security Adviser of the Board attends the National Information Technology Security Officers forum

Network access management

Powerful user accounts (which grant the user full access to manage the network) are known to all IT staff and are often used by staff. Therefore, it is impossible to attribute access and network configuration changes to a specific user. Additionally, the password for powerful user accounts has not been changed for some time during which time staff who know these passwords have left the Board. We note from our discussions with IT management that it is planned to address this immediately.

Network disaster recovery and resilience

There is no consistent approach to back-up of the Board's data. Whilst there are multiple systems for back-up of data and systems, procedural differences exist between the Acute and Primary Care services and there is no formal Board-wide back-up policy, strategy or procedures. We also noted that back-up tapes are stored in the same area as the servers which are backed-up, exposing the Board to the risk of loss of data in the event of a disaster affecting either or both Stirling and Falkirk Royal Infirmarys.

There are no formal IT disaster recovery or business continuity plans. ICT are currently working to adopt the broad principles of ICT disaster recovery planning and have recently completed the third of four workshops. It is essential however that formal IT disaster recovery or business continuity plans are put in place as soon as possible.

Action plan

The Action Plan in Section 6 of this report contains key recommendations arising from our review of IM&T at the Board.

4.4 Performance Management

4.4.1 Performance reporting

NHS Forth Valley reports performance to the Board and thereby ensures public accountability through the Board Executive Performance Reports. The Board is seeking to enhance the

performance framework and has taken the opportunity to develop CitiStat as part of the national programme.

NHS Forth Valley is an 'early adopter' of CitiStat with four other board areas also participating. The CitiStat methodology (known locally as ForthStat) is being adopted to support and develop its existing performance management systems. The Board feels that this will be integral to taking performance to the next level within NHS Forth Valley

4.5 Ministerial Annual Review

The ministerial Annual Review process reassesses overall performance of the Board over the financial year and identifies action points to take forward.

Below we have outlined the Board's progress during 2006/07 against some of the key recommendations from the 2005/06 annual review.

4.5.1 Summary

The Board has made progress in taking forward a number of the recommendations arising from the 2005/06 Annual Review. The capacity to meet delayed discharge targets remains a challenge for the Board, along with the delivery of the cancer targets. Progress in this area has however been seen to be made in the last quarter of 2006/07.

4.5.2 Performance against 2005/06 Annual Review

Action Point 1: Delayed discharges

Keep the SEHD informed of progress on meeting targets to reduce delayed discharges.

- The April 2007 census indicates that two out of three delayed discharge targets were met. NHS Forth Valley is a national outlier in relation to delays over 6 weeks.
- The April 07 target for delays over 6 weeks was not achieved. 29 delays were recorded against a target of 19.
- The target for total delays was however achieved for the first time.
- Delays in short stay wards remains at zero.

The Board's capacity to meet delayed discharge targets remains challenging. The number of patients delayed in their discharge has remained more or less static for the Board since October 2006 at between 84 and 93. The March 2007 figure was 88. However the April 2007 figures indicate that, for the first time, the target for total delays was met, with only 47 patients being delayed against a target of 59. The focus for the Board is however to ensure that the target for delays over 6 weeks are met.

Action Point 2: Waiting Times

Achieve national waiting times targets, including cancer. (Note, the figures stated below are based on local data systems and are subject to review and validation by Information Services Division (ISD))

- A new management and monitoring framework was implemented during 2006/07. This brought focus to managing the patient journey.
- At the beginning of 2006, NHS Forth Valley was reporting a performance level of 61.7% of patients treated within the 62 day target for cancer waiting times - overall performance has improved to 87% in quarter three to December 2006.
- 7 of the 9 cancers recorded compliance of 94% or higher. The two outliers for the Board are Urological and Upper GI cancers.
- Urological cancers showed a significant improvement on the previous quarter from 38% to 64%. If Urological Cancer is excluded from the overall position the compliance of the 8 remaining cancers is c94% which is just below the national target of 95%. The achievement of the 95% trajectory has now been set for June 2007.

We understand that the SEHD Cancer Support Team is now happy with the progress being made by the Board and has publicly indicated that they are withdrawing from NHS Forth Valley. The targets however remain challenging and as the Board will now be aware, the new Health Secretary is now looking for weekly updates on the cancer position for all boards to ensure that the December 2007 target is met.

Action Point 3: Availability Status Codes (ASCs)

Progress actions to eliminate Availability Status Codes.

- There are several approaches in place which includes a trial of non-application of ASCs, offering General Surgery patients the opportunity to be treated at the Golden Jubilee and a validation of all ASC patients. This approach has led to the first significant reduction in numbers waiting in this category. The impact of this trial is being monitored.
- The planned trajectory for the end of March 2007 was 1157. The actual position was 1139, representing a 2% improvement on plan.
- The year on year improvement was 6.6%.

Action Point 4: Infection Control

Secure compliance with all NHS QIS standards for infection control..

- The Board is undertaking interviews for an Infection Control Doctor in May 2007 and a locum doctor is currently in place. An Infection Control Manager has been appointed.

- Infection Control are involved in the planning of all major projects. Consequently the Area Medical Equipment Committee has the remit for strategic management for medical equipment and there is a Procurement Policy in place which reflects this need.
- The HAI Project Board monitors the status of all policies.
- The average cleaning specification audit compliance for the year 2006/07 was 94.5% for Forth Valley. The target for compliance is 95%.

4.6 Local Delivery Plan

NHS Forth Valley's Local Delivery Plan (LDP) for 2007/08 was developed in line with Scottish Executive Health Department guidance. It covers the 3-year period from 2007/08 to 2009/10, and focuses on the four Ministerial Key Objectives of Health Improvement (H), Efficiency (E), Access to services (A) and appropriate Treatment (T). Key Targets have been set under each of the four objectives with key performance measures related to each. The LDP was presented to the Board in March 2007 after draft comments were received from the Executive Team in January. The LDP was submitted to the Scottish Executive Health Department (SEHD) by the target date of 16 February 2007, subject to subsequent approval by the Board, and was signed off by the SEHD on 30 March 2007.

NHS Forth Valley has continued to take a strategic view of the position of the LDP within planning and performance management. There remains to be a significant number of activities and priorities within the current Local Health Plan (LHP) that are not encompassed in the Local Delivery Plan but underpin overall performance at a high level with significant financial impact.

The Plan constitutes the delivery agreement between the Board and the SEHD. The Key Performance Measures (KPM's) contained in the LDP are measured mainly on an annual basis with analysis of Scottish Morbidity Records (SMR) from the Information Statistics Division (ISD). These measures can be reviewed up to two years retrospectively which can make more routine reporting against target difficult. Work is underway both locally and nationally to develop intermediary measures to enable progress to be monitored timeously and make delivery more meaningful at CHP and local level. The Board expects that this work will complement the local development of ForthStat data.

4.7 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.'

As table 4.7.1 highlights, NHS Forth Valley still has some way to go to meet some of the targets set by the SEHD which are included in the table. In particular, steps need to be taken to meet the smoking targets and also the alcohol consumption rates for women. Alcohol consumption rates for women is proving to be a national cause for concern. Better

performance against these targets should however have a positive impact on the overall health and therefore life expectancy of the Forth Valley population.

Only a few targets have been included in the table as a number of the targets rely on the Adult Lifestyle Survey and this has not been repeated since 2004.

Table 4.7.1 – Health Improvement

Target	Outcome	Commentary
Smoking targets		
Adults (aged 16+)	33%	The 2005/06 Annual Review highlighted that the Board had found that the anti-smoking legislation had made a positive difference in the Forth Valley area. The Board has also set a target to reduce the number of smokers by 10,000 from 57,000 in 2004 to 47,000 in 2010. NHS Forth Valley has set up a Tobacco Action Group (TAG) which will have a key role co-ordinating and integrating smoking cessation services across FV. Although there are specific groups being targeted (young people, pregnant women, people in deprived circumstances) smoking cessation projects are open to anyone.
National target 22% by 2010	(2004 Adult Lifestyle survey)	
Alcohol consumption		
Men (aged 16+) – 29% by 2010	25% drinking over 21 units p.w. 7% drinking over 50 units p.w. (2004 Adult Lifestyle survey)	The national trend for women drinking has increased from 13% in 1995, to 15% in 1998 and to 18% in 2003. The most recent comparison of hospital admissions related to alcohol in Forth Valley shows a year on year increase in line with the national trend. From 2004 to 2005 admissions rose from 1310 to 1458.
Women (aged 16+) – 11% by 2010	17% drinking over 14 units p.w. 5% drinking over 35 units p.w. (2004 Adult Lifestyle survey)	The NHS Forth Valley Health Promotion Alcohol Programme aims to work on two separate but ultimately linked priorities: <ul style="list-style-type: none"> To reduce hazardous or at risk drinking by children and young people because of the particular health and social risks.

Target	Outcome	Commentary
		<ul style="list-style-type: none"> To reduce binge drinking, because of the harmful social and individual consequences.
<p>Immunisation Rates</p> <p>MMR uptake rates (at 24 months old)</p>	<p>FV – 91.5% (Dec 06)</p> <p>Scotland – 92.8% (Dec 06)</p>	<p>NHS FV has for many years achieved and maintained one of the highest rates of childhood immunisation in Scotland. Apart from the Dec 06 position Forth Valley has always been above the Scottish position.</p> <p>A web based immunisation training programme for Forth Valley commenced in Dec 06 for all staff involved in immunisation including GPs, Practise Nurses and Pharmacists.</p>
<p>Teenage Pregnancies</p> <p>Teenage pregnancy per 1000 for 13 – 15 year olds</p>	<p>NHS FV – 6.6 Mar 06</p> <p>6.0 Mar 07</p> <p>Scotland – 7.5 Mar 06</p> <p>Trajectory – 7.2 Mar 07</p>	<p>Reduction in teenage pregnancy is one of the strategic priorities in the Local Health Plan 2007-2011 and is being reviewed by a multi-agency Sexual Health Strategy Group following the launch of the National Sexual Health Strategy “Respect & Responsibility” within NHS Forth Valley.</p> <p>A Task Group to coordinate the relevant actions, with Implementation Groups in each local authority area, is being established. CHPs are addressing the implications of the Forth Valley Sexual Health Strategy locally through Health Improvement processes and Clinical Implementation processes and these will link to the Implementation Groups.</p>

4.8 Efficiency

4.8.1 Sickness Absence

NHS Forth Valley requires to comply with “Building a Better Scotland: Efficient Government – Securing Efficiency, Effectiveness and Productivity” (November 2005). This includes the delivery of cash-releasing savings (see section 5.15) and time-releasing saving. Reducing sickness absence is key to securing time-releasing savings on work-force productivity. The national target to be met by March 2008 is 4%. The Forth Valley Trajectory Target for March 2007 was 4.7%. The actual position as at March 2007 however was 5.1%. Whilst this represented a 0.2% favourable movement on the February position the Board has work to do to turn around the overall CHP position which was 5.81% at this time. This rate was far higher than for the Board generally or for acute services. Overall absence levels peaked in January 2007 at 7.31%

Being able to meet this target will require focussed action during 2007/08 if the March 2008 target is to be met. We understand that monthly meetings have been arranged with key stakeholders to discuss issues facing hot spot areas and to take forward action plans to address this. The ForthStat approach to performance management and improvement is also to be used to support and challenge work being undertaken in this area.

4.8.2 Community Health Index (CHI) Usage

The CHI number is the unique patient identifier for NHS Scotland. Everyone who is registered with a GP practice in Scotland has a CHI number.

Using CHI helps to ensure that:

- Patients can be correctly identified more quickly and more easily
- A more complete picture of a patient's healthcare can be accessed
- More informed decisions can be made about a patient's care

CHI is also important in the wider strategic context. Using CHI throughout NHS Scotland is a vital building block for several important national initiatives, including: Picture Archiving and Communications System (PACS), SCI Store, the Emergency Care Summary and the Electronic Health Record.

Achieving the use of CHI on clinical correspondence is predominantly concerned with changing the patient identification culture within secondary care to the CHI number. Compliance with the use of CHI across NHS Scotland is a key target and formed one of the Supporting Measures of the LDP under efficiency moving to a key measure in 2007/08.

Usage in March was 95%, which represented a further increase on the January and also the February positions. This position is also only 2% of the March 2008 target.

4.8.3 Agenda for Change (AfC)

Progress has been made with implementing Agenda for Change during 2006/2007. National delays in the turn round by the Joint Evaluation Monitoring Group (JEMG) have however impacted on the Board's achievement of local deadlines. Despite this however, by the end of March 2007, 84% of staff employed at October 2004 have been paid on their new AfC bands and 67% have had their arrears paid. The Board expects that 90% of staff will be assimilated by the end of April 2007. This remains ahead of the national average.

There is still a significant amount of implementation and follow up work to be undertaken by the Board therefore AfC must remain to be a priority for NHS Forth Valley during 2007/08.

4.9 Access

The Board uses checklist modelling to model capacity, with activity and capacity tested against historical trends. Plans are developed on the assumption that urgency profiles will either be maintained or improved. The Board has also developed a risk management matrix and sensitivity assessment in order to manage risks, which may impact on achieving waiting time targets and guarantees. The sensitivity assessment builds in a percentage confidence assumption. The risk matrix is scored by likelihood and severity of impact and reviewed on a monthly basis. The following issues have been considered:

- Financial impact of achieving targets
- Consultant recruitment, varying specialities particularly radiology and ophthalmology
- Nursing recruitment - linking to Modernising Medical Careers (MMC) and emerging impact
- Changes in referral patterns which may impact on capacity and demand assumptions
- Physical resource and space constraints particularly local theatre capacity
- Modernising Medical Careers (MMC) 2007/08 – reduction in service input by Foundation Year (FY) 2's in all areas

As table 4.9.1 highlights NHS Forth Valley has made significant progress in most of the areas outlined in the table. There are however some areas where the Board will need to keep a significant focus on if they are to meet the December 2007 targets, particularly for unscheduled care, outpatient waits, availability status codes and ophthalmology.

Table 4.9.1 - Access

Target	Outcome	Commentary
A&E 4 hour target	94.6% (Mar 07)	<p>March recorded the highest monthly performance achieved by the Board. This point clearly surpassed the Feb 07 – 88.3% and Jan 07 - 90.7% positions.</p> <p>The Board's trajectory for April 07 is however 96% with a target of 98% to be met and maintained by Oct 07.</p>
GP access within 48 hours	Practices are continuing to meet the 48 hour access target.	A process is being initiated to monitor this more frequently for 07/08.
Dental access	Registration target achieved.	
Inpatients	No patients waited over 18 weeks.	The overall inpatient / daycase waiting list size in March 07 was 2559. The published position in March 06 was 3305, representing a year on year reduction of 21%
Outpatients	628 patients waited over 18 weeks for an appointment. This is an improvement on the planned position of 830.	Whilst the outturn is an improvement on the planned position the Board still has work to do to ensure that all outpatients are seen within 18 weeks by December 2007.
Availability status Codes (ASC)	Target achieved	The planned trajectory for the end of March 2007 was 1157. The actual position was 1139. The Board will however need to be in a position of zero ASCs by Dec 2007.
Maximum wait for hip surgery following fracture	At March 07 performance was 96% against trajectory of 93%.	The Board will need to meet the national target of 98% by December 2007.
Coronary Heart Disease (CHD)	No patients with a guarantee have waited longer than 4 weeks for angiography or longer than 8 weeks for angioplasty.	
Ophthalmology	Total number of patients waiting longer than 9 weeks at 31 March 2007 was 203.	This was an improvement on the LDP plan of 25%. However a target of zero patients waiting longer than 9 weeks has to be met by Dec 07.

4.10 Treatment

4.10.1 Complaints

Complaint response times proved challenging in the earlier part of the year for NHS Forth Valley, however, significant progress has been made since this time. The overall percentage performance for responses within 20 days between April 2006 and March 2007 was 55.6%. The target of 70% was however achieved in the third quarter with significant improvements being achieved over November to December 2006. This improvement in performance was maintained with the Patient Liaison Team achieving the 70% target in the last three months of the fourth quarter with 84% achieved in January, 88% in February and 84% in March.

4.10.2 Patient Experience

Understanding the patient's experience of NHS Forth Valley's hospital services is considered key to providing the highest quality of care. Two major audits were undertaken during 2006/07. These aimed to find out the actual patient experience as opposed to merely their levels of satisfaction.

The first audit was undertaken shortly after the transitional changes were made but despite this, 83.5% of patients questioned said the care they received was very good or excellent.

The second audit was undertaken on the 27 February 2007 and used the same audit tool with the addition of 5 extra questions. A 68.28% response rate was achieved with 413 patients responding. The results highlight that overall 93% rated their care as excellent, very good or good.

This audit work was highlighted at the Ministerial Annual Review for NHS Forth Valley and was considered to be good practice. The approach will be mainstreamed over time and modified for use in other healthcare settings across Forth Valley.

4.10.3 Rate of emergency re-admissions per 100,000 population (aged 65+)

Within NHS FV work by the Unscheduled Care Collaborative, Long Term Conditions Management and the Out of Hospital Care Project supports the work at the interface between acute services and the CHPs by reviewing and assessing preventable admissions.

Significant work has been undertaken around introducing intensive co-ordinated case management for patients with the most complex health care needs and vulnerability to emergency hospital admission. NHS Forth Valley have agreed to pilot SPARRA (Scottish Patients At Risk of Readmission and Admission) locally. The outputs to this will be a list of vulnerable people for whom intensive co-ordinated case management may be appropriate.

As at March 2006, NHS Forth Valley was ahead of the national trajectory, which possibly reflects the transitional arrangements changes over 2004/05. Data is awaited for 2006/07.

4.10.4 Cervical Screening

The Cervical Screening Programme in NHS Forth Valley continues to offer an optimum service to all eligible women in the 20-60 age categories. In March 2006, NHS Forth Valley continued to be slightly above the Scottish average at 85%. This was a slight decrease on performance in 2004 and 2005 but was still above the board's trajectory of 80%. Data for 2007 has however been delayed owing to changes in the computer systems.

The most recent review of the Cervical Screening Programme was successfully completed by NHS QIS and all the quality standards were met with NHS QIS concluding that NHS Forth Valley continues to provide a high quality cervical screening service for its population.

5 Finance

5.1 Introduction

It is the responsibility of the Board to conduct its financial affairs in a proper manner. As part of our audit, we are required to consider NHS Forth Valley's financial standing, including:

- performance against financial targets,
- financial projections, including cost pressures in future years,
- internal financial control systems,
- financial planning, budgetary control and financial reporting systems.

It is important that such arrangements are adequate to enable the organisation to properly control its operations and use of resources.

5.2 Annual Accounts and Audit Timetable

We are pleased to report that the accounts are due to be approved by the Board of NHS Forth Valley on 8 June 2007 and are due to be submitted to the SEHD and the Auditor General for Scotland prior to the 30 June 2007 deadline.

NHS Scotland Health Boards are required to comply with SEHD financial reporting guidelines when preparing their financial statements. These guidelines are laid out in the Financial Reporting Manual (FReM). The Board's 2006/07 accounts comply with the requirements of the FReM in all material respects.

We received draft accounts and supporting papers of a high standard on 1 May 2007 in line with our agreed audit timetable. We are pleased to report that the audit process ran smoothly, and our thanks go to the Finance team for their assistance with our work.

5.3 Unqualified Audit Opinion

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

5.4 Financial Targets

Health Boards are set the following targets by the SEHD:

- To remain within the Revenue Resource Limit (RRL), i.e. revenue expenditure should not exceed the RRL;
- To remain within the Capital Resource Limit (CRL), i.e. capital expenditure should not exceed the CRL; and
- To remain within the cash limit.

5.4.1 NHS Forth Valley performance against targets

As shown below, we are pleased to report that NHS Forth Valley achieved all of its targets.

Table 5.4-1 Performance against budget levels 2006/07

Financial Target	Target £000	Actual £000	(Excess) / Saving £000	Target achieved
Revenue Resource Limit	386,242	385,652	590	Yes
Capital Resource Limit	9,154	9,139	15	Yes
Cash Requirement	386,134	386,134	0	Yes

(Source: NHS Forth Valley Annual Accounts 2006/07)

Outturn against RRL

The Board's saving against the RRL is the sum of the brought forward saving of £407,000 and an in-year saving of £183,000. The saving against the RRL was in line with the Board's financial plan for the year.

Outturn against CRL

The outturn against the CRL is equal to the gross expenditure of £13.5 million less the net book value of the disposed assets of £4.4 million. The gross expenditure was within £15,000 (0.1%) of the Board's capital plan for 2006/07.

5.5 Audit Adjustments

During our audit of the 2006/07 financial statements we identified an error in the Board's brought forward balances. The error related to a debtor balance of £5.124 million which had in previous years been netted off against the Board's Family Health Services (FHS) accrual.

The Board's investigation of this error concluded that the balance was brought forward from Forth Valley Primary Care Trust's financial records and was originally a debtor between the Primary Care Trust and the Health Board. Under the current NHS accounting regulations, funding is recognised on a cash basis in the general fund and health bodies do not recognise debtors for funding. These accounting regulations were introduced in 2002/03. On introduction of the new regulations in 2002/03, Forth Valley Primary Care Trust should have transferred funding debtors to its general fund. It appears that the Primary Care Trust did not process this adjustment and that the balance remained in its financial records. The balance was recognised in the Board's 2004/05 annual accounts when the Health Board and Trusts were unified.

As shown in note 19 to the financial statements, the debtor balance has now been written off to the general fund to correct the original oversight. In line with Financial Reporting Standard 3, *Reporting Financial Performance*, prior year errors should be corrected in the current year unless the error is fundamental. A fundamental error is one which is of such significance as to destroy the truth and fairness and hence the validity of the financial statements. NHS Forth Valley does not consider the prior year error to be fundamental and consequently it was correcting in year. We agree with the Board's entries to correct the error.

5.6 Financial Management

NHS Forth Valley has a responsibility to conduct its financial affairs in a proper manner. As part of our audit, we are required to consider NHS Forth Valley's arrangements for financial planning, budgetary control and financial reporting.

During the year, the internal audit service performed reviews of the Board's arrangements for financial planning and monitoring financial performance and found the systems to be broadly satisfactory. This is consistent with the findings from our work.

5.7 Achievement of surplus

Performance against financial targets can be affected by non-recurring items. To gain a better understanding of the Board's financial position it is helpful to analyse the Board's position into recurring and non-recurring items. Reports showing the recurring/ non-recurring split are presented to the Board as part of the financial planning process. The table below shows the achievement of the 2006/07 surplus.

Table 5.7-1 Achievement of 2006/07 surplus

	Total £M
Recurring income	371.1
Recurring expenditure	<u>(373.6)</u>
Underlying recurring deficit	(2.5)
Non-recurring income	18.1
Non-recurring expenditure	<u>(15.0)</u>
Balance of non-recurring	3.1
FINANCIAL SURPLUS	0.6

(Source: NHS Forth Valley Finance Director)

The Board's 2006/07 surplus was achieved by a surplus of non-recurring funding of £3.1. The Board's reliance on non-recurring funding in 2005/06 was estimated at £3.9 million. Whilst NHS Forth Valley continues to rely on non-recurring funding as a means of satisfying its revenue expenditure needs, this reliance is decreasing.

The method for determining the split of NHS Scotland's allocation between health boards is calculated using the Arbuthnott formula. NHS Forth Valley is an 'Arbuthnott gainer' as the Board has benefited from the revised formula relative to other health boards. The Board has decided to 'ring fence' its additional Arbuthnott allocation on a recurrent basis to fund the healthcare strategy.

5.8 Achieving Financial Balance

The Board has prepared a 5 year financial plan covering the period 2007/08 to 2011/12. This forecasts the organisation achieving recurrent financial balance by the end of 2007/08, and has already been presented to and approved by the Board. We have reviewed these forecasts and we do not consider the assumptions on which they are based to be unreasonable. The plan clearly identifies the risks which may prevent the Board from achieving its forecasts and, in doing so, aims to give a balanced assessment of the future funding position to be faced by NHS Forth Valley. The table below provides a high level summary of the 2007/08 financial plan:

Table 5.8-1 Forecast 2007/08

	Total £M
Recurring income	391.3
Recurring expenditure	<u>(391.3)</u>
Underlying recurring surplus/(deficit)	0
Non-recurring income	27.2
Non-recurring expenditure	<u>(27.2)</u>
Balance of non-recurring	0
FINANCIAL SURPLUS	0

(Source: NHS Forth Valley Finance Director)

5.9 Savings plans

Savings plans are identified as being a key means by which to improve efficiency and eliminate waste. Achieving recurring savings helps enable the Board to meet to reduce its underlying deficit and meet its stated objective of recurring financial balance. These savings are also crucial in light of the cost pressures the Board will face in future years, as noted at section 5.10, below.

Table 5.9-1 (below) notes the savings achieved by the Board in 2006/07. Such savings are identified through a mixture of specific efficiencies highlighted at the start of the financial year and “in-year” programmes identified on an ongoing basis. The savings themselves usually stem from four main areas: transitional arrangements, procurement, prescribing and more general savings. The Board receives regular updates on efficiency savings, as a standing item in the month-end financial report presented at each Board meeting.

Table 5.9-1 Savings achieved 2006/07

Element of programme	Recurring Savings £M	Non-recurring Savings £M	Total £M
Transitional Arrangements	1.441	-	1.441
Prescribing management	0.272	-	0.272
Mental Health	0.510	-	0.510
Procurement	0.064	-	0.064
General savings	1.700	-	1.700
Accommodation Review	0.320	-	0.320
Other	0.050	-	0.050
Corporate management savings	0.266	-	0.266
Total savings achieved	4.623	-	4.623
Planned savings	4.623	-	4.623
Variance from plan	0	-	0

(Source: March 2007 SEHD Monthly Monitoring Return)

As can be seen from the table above the Board met its planned savings target for 2006/07.

5.10 Cost Pressures

Inaccurate estimation of new cost pressures could result in expenditure overspends and prevent the Board from achieving its financial targets.

Pay modernisation is currently one of the largest cost pressures faced by the NHS, resulting in substantial additional recurring costs. The vast majority of the Board’s cost pressures in future years will arise from recent pay modernisation initiatives, particularly the ongoing implications of Agenda for Change and Modernising Medical Careers.

Other cost pressures identified by the Board, and which are similar to those faced across the NHS in Scotland, are demographic change, price increases, drug bill cost increases, health improvement initiative costs and expenditure in relation to reducing patient waiting times.

5.11 Risks Associated with Financial Plan

The Board has been presented with a risk assessment which underpins the 5 year financial plan. The risk assessment sets out a range of specific issues which must be managed if the financial position of the Board is to continue to be upheld, and ensure that the 5 year projections are realised. Some of the key risks for 2007/08 (those which received the highest risk ratings in the assessment exercise and/or those with significant financial impact) are noted below:

Table 5.11-1 Risks to 2007/08 financial plan

Issue	Potential Impact (£M)	Risk Score (likelihood/impact) out of 25
SEHD retain profit arising from sale of Bellsdyke.	7.9	25
Agenda for Change incremental drift	5.0	25
Receipt of funding for accelerated depreciation/impairments /loss on sale	10.6	20
Future years uplift lower than 3.7% (each 1% change different to 3.7%)	3.1	20
Achievement of efficiency savings required	2.25	20
Delayed discharges – achievement of targets	1.5	20

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The Board has documented responses to mitigate the impact of each risk identified.

5.12 Gain on disposal of Bellsdyke

NHS Forth Valley entered into a development agreement in July 2001 with partners Persimmon Homes Limited and Cala Management Limited ('the developers') to develop surplus land at Bellsdyke and Hill of Kinnaird. The Board had previously received a deposit of £1million repayable had planning permission not been achieved.

The transfer of land title to the developers is dependant on the developers receiving detailed planning permission. The site is divided into a number of plots. The developers are required to obtain outline planning permission for the whole site and submit detailed planning applications for each individual plot

The developers received outline planning permission for the whole site in May 2006 and received detailed planning permission for four of the plots in March 2007. The Board recognised the disposal of the four plots in the financial statement, recognising a gain of £7.9 million.

The Board has agreed with the SEHD that its 2006/07 RRL is decreased by any revenue gains on disposal. The Board's future RRL will be increased to ease the transitional costs associated with the Healthcare Strategy.

The development agreement set out the payment term. The Board has received £3 million to date and has recognised a total debtor of £8.939 million at 31 March 2007.

Guaranteed Minimum Price

The development agreement includes a 'Minimum Guaranteed Price' clause. The 'Minimum Guaranteed Price' is based on the open market value at the time of receiving detailed planning permission. The Board should be aware that any future receipts are therefore dependant on developers receiving detailed planning permission and are not guaranteed.

5.13 Public Private Partnerships (PPPs)

As set out in Section 3: Governance, the Board has opted for the PPP funding route for the new Larbert Acute Hospital and the Community Hospital Facility in Clackmannanshire. The contract for the Larbert Acute Hospital achieved financial close on 15 May 2007. The Clackmannanshire Community Hospital PPP contract had not been signed at the date of this report.

Financial implication of Larbert Acute Hospital

The Board has incorporated the required unitary charge for the new Acute Hospital into its future budgets. In order to maintain financial balance, savings plans have been developed to release £2.4 million from the Board's recurring cost base by the time the new hospital opens. Achievement of this savings target is essential to ensure that the new facility is affordable.

The unitary charge is subject to potential deductions for non-availability of facilities and under-performance of agreed performance criteria. If the operator continually fails to meet defined performance criteria, the contract includes clauses to allow the Board to terminate the contract.

Land

The Board will grant a licence for the land to the operator for the duration of the contract. At the end of the contract the ownership of the hospital building will transfer to the Board. The operator will incur penalties if the hospital is not returned in the condition as specified in the contract.

5.13.1 Accelerated depreciation

The Board has declared that specific elements of the following properties will become surplus to requirements. This is to reflect the plan to develop Stirling Royal Infirmary and Falkirk and

District Royal Infirmary as community hospital sites, to complement the new Acute Hospital at Larbert.

Property (specific elements thereof)	Non-operational Date (for elements thereof)
Stirling Royal Infirmary (SRI)	30 September 2012
Falkirk Royal Infirmary (FDRI)	30 June 2011

Where the Board has approved a decision to close a property (or a part thereof), the Financial Reporting Manual (FRM) requires the Board to write the value of the property down to its net realisable value over the asset's remaining life. This is known as accelerated depreciation. NHS Forth Valley incurred accelerated depreciation charges of £5.499 million in 2006/07 in relation to the above hospitals. The SEHD provided additional funding to match this expenditure.

Originally, the Board planned to write down the non-operational elements of both properties by 31 October 2009 (to coincide with the planned opening of the new Acute Hospital at Larbert). This approach has since been revised due to a change of policy, per ongoing discussion with the Scottish Executive Health Department. Business Case 3 is due in 2007/08, and will better inform the timescales, as the overall aim is to match availability of new facilities with the developments on the existing sites.

5.14 Equal Pay Claims

Article 141 of the Treaty of Rome requires member states to ensure and maintain "the application of the principle that men and women should receive equal pay for equal work". This was expanded on in the Equal Pay Directive which made it clear that all such discrimination should be eliminated from all aspects of remuneration.

The National Health Sector in Scotland has received a number of claims for backdated pay increases, arising from this requirement.

As at 31 March 2007 NHS Forth Valley had received over 600 claims and these had been referred for attention to the Central Legal Office, the Board's legal advisers. Even taking account of the work which has been undertaken in relation to Agenda for Change, it is still possible that these claims represent a current liability for NHS Forth Valley; although it is worth noting that we have not been able to obtain from the Central Legal Office any estimate of the potential liability being faced by the Board.

For 2006/07 we have accepted this position because of its stage of development and as a result of the Board including within its annual accounts, a contingent liability note setting out relevant details on the matter. Nevertheless, we would have expected further details to have been available to management beyond those currently received from the Central Legal

Office, including a reasonable estimate of the Board's liabilities determined in accordance with financial reporting standards. We would strongly encourage Board management, working with the SEHD, to resolve this matter in advance of compilation of next year's financial statements.

As a result, for 2007/08, particularly as this matter will have progressed further by then, we would anticipate receiving from the Central Legal Office a detailed response setting out in financial terms and as a minimum the potential liability as at 31 March 2008, being faced by NHS Forth Valley.

Should such information not be made available, it is possible that we would be forced to include a statement concerning this matter within our audit opinion on the annual accounts. This would refer to the position that the scope of our audit had been restricted, as a result of appropriate evidence relating to a potentially material matter not being made available to us.

We strongly encourage management, working with the SEHD, to resolve this matter in advance of next year's audit.

5.15 Cross Boundary Tariffs

Delivering for Health included a commitment to introduce national tariffs for hospital procedures. The national tariff will set prices for activity carried out by one NHS board for patients who reside in another area. This is intended to simplify the process for service level agreements for cross boundary work. The application of standard tariffs is to be phased in over time. Two specialities, Orthopaedics and Cardiothoracic Surgery, started in 2005/06 and a further six specialities were added in 2006/07.

NHS Forth Valley has been involved in various ongoing discussions with other NHS Scotland Boards in relation to cross boundary tariffs.

The impact of National Tariffs is set to be more visible in 2007/08, as all specialities will move on to the National Tariff during the year. The move to National Tariffs is part of the Executive's key health policy measures and has led to the superseding of regional agreements which had been previously negotiated by the Board. The inflationary uplifts built in to the National Tariff scheme are set higher than those the Board have operated under in agreements such as the West of Scotland Regional agreement. The Finance function are well aware of the need to manage and monitor this move to the National Tariffs.

5.16 Efficient Government

National initiative

The Scottish Executive launched the Efficient Government initiative in June 2004. The initiative is a five year programme that is intended to attack waste, bureaucracy and duplication in the public sector.

The NHS in Scotland is now expected to deliver cash releasing savings (that release additional funds to be reinvested in front line services) of £342 million, including £50 million achieved through more efficient procurement. A further £173 million of time releasing savings (that increase the level of service provided from existing resources) are planned by 2007/08, including £55 million achieved through reducing sickness absence to 4%.

Efficient Government savings should be recurring, against a 1 April 2005 cost baseline. This will be a challenge given the difficulties experienced in delivering recurring savings across the NHS in Scotland. A number of the savings identified are national initiatives, such as the national shared support services project which is expected to contribute £10 million savings from 2007/08. These national projects are being managed by the SEHD but boards may also have these identified as local savings – leading to a risk of double counting.

5.16.1 Local impact

NHS Forth Valley is required to deliver significant efficiency savings as part of the Efficient Government Initiative. The total recurring savings NHS Forth Valley aims to deliver in the three years to 31 March 2008 are highlighted below.

Table 5.16.1 - Efficiency savings to be delivered

Year	Cumulative Target (£M)	Actual Cumulative £(M)
2005/6	3.149	3.290
2006/7	6.511	7.613
2007/8	10.075	

2007/08 is the final year of the Efficient Government targets. In order for the Board to meet its target, savings of £2.462m are required in 2007/08. Detailed plans have yet to be prepared, although higher-level analysis has highlighted that review of the following areas could yield significant elements of the saving:

- Document Management / Imaging : reduce storage costs
- Review of Cross Boundary Flow
- Transport
- Energy
- Administrative Services
- Ideas for invest-to-save schemes

Once detailed plans are in place, these will be presented to the Board for consideration and approval.

5.17 Financial Operating Procedures

NHS Forth Valley continued with work during the year to combine the financial operating procedures of the two former Trusts and Board into area-wide procedures. The Board has

not yet completed this task and this issue has been highlighted in the Statement on Internal Control.

5.18 International Financial Reporting Standards (IFRSs)

The Chancellor announced in his 2007 budget speech the decision to adopt IFRSs for in public sector accounting by 2008/09. Whilst this does not have an immediate impact on NHS Forth Valley's accounts the Board should be aware of this issue as it could have significant implications in future. For example, the application of IFRS may result in PPP schemes currently off balance sheet going on-balance sheet.

6 Action Plan

Our annual report action plan details the control weaknesses and opportunities for improvement that we have identified during 2006/07. These are the issues that we believe need to be brought to the attention of the Board.

It should be noted that the weaknesses identified in this report 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.

6.1 Audit Recommendations - Follow Up Processes

The Board has an effective process in place for following up audit recommendations. The Board coordinates responses from those nominated as responsible officers for each recommendation raised. This is backed up by a signed statement to confirm the action being taken in response to the issue. We have found the system in place to be regularly updated and well maintained.

We have assessed the process the Board have in place to record, action and monitor previous audit recommendations, and have found this to be generally robust and effective. As at 18 May 2007, of the 40 issues currently on the follow up register, 37 have been actioned (92%), 2 require no further action (5%), 1 action date has not yet passed (3%).

6.2 Issues from the 2006/07 audit

To assist the Board in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. 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 action to improve the efficiency, effectiveness or economy of operations or which otherwise require to be brought to the attention of senior management.

6.3 Issues from 2006/07 Final Audit

Title	Issue Identified	Risk and Recommendation	Management Comments
Risk Management and the CHPs	<p>There is no formalised approach to risk management in the three CHP's.</p> <p>Priority 1</p>	<p>The absence of regular reporting/monitoring requirements may result in risks not being reported in a timely manner or in the worst instance not being reported at all. The lack of scrutiny may also be detrimental to the risk management process.</p> <p>We recommend that a formalised risk reporting channel is established between the three CHP's and the Board.</p>	<p>Formal reporting of risk has been established at the 3 CHP Committees as of June 07. This links to explicit risk management activities and risk register reviews within CHP's and their management teams</p> <p>Lead: E McRae</p> <p>Timescale: Aug 07</p>
Risk Management Action Plans	<p>Action plans for some risk registers are outstanding.</p> <p>Priority 2</p>	<p>Action plans are required to ensure that the processes identified for mitigating a risk to an acceptable level are carried out in a timely manner. They allow the mitigation process to be monitored and responsible persons identified. The absence of action plans will therefore impact negatively on the mitigation, control and monitoring processes of risk management.</p> <p>We recommend that the Board ensures all risks identified in the risk register have an attached action plan.</p>	<p>This is being addressed with associated ongoing training in risk assessment and action planning linked to the roll out of the Safeguard Risk Management system.</p> <p>Lead: Judy Stein/E McRae</p> <p>Timescale: Dec 07</p>

Title	Issue Identified	Risk and Recommendation	Management Comments
<p>Revaluation Reserves</p>	<p>The Board's asset register records the indexation and revaluation per asset. However, the revaluation details for some assets were not correctly entered onto the fixed asset register.</p> <p>Consequently the total revaluation and indexations per the fixed asset register do not agree to the revaluation per the financial statements.</p> <p>Priority 2</p>	<p>The Board cannot readily identify the revaluation reserve per asset and the transfer from the revaluation reserve to the general fund is based on inaccurate figures.</p> <p>We understand that the Board plans to undertake an exercise to review and reconcile the revaluation reserve differences. We would recommend that this is undertaken as soon as possible.</p>	<p>An exercise has been commenced by the Board incorporating appropriate assistance from the Asset Register provider to ensure revaluation reserve balances on the asset register are accurate.</p> <p>Lead: Simon Dryburgh</p> <p>Timescale: Process has started. Timescale dependent on software solution.</p>

Title	Issue Identified	Risk and Recommendation	Management Comments
National Fraud Initiative	<p>Our audit had identified a number of areas where the Board has still to formalise its arrangements for dealing with the National Fraud Initiative.</p> <p>There is a risk that the Board may fail to derive optimum benefit from this initiative or to comply with Scottish Executive guidance.</p> <p>Priority 2</p>	<p>We recommend that the following arrangements be put in place in relation to NFI:</p> <ul style="list-style-type: none"> • A timetable should be developed as to how the initiative will be taken forward; • Team briefings should be provided to all staff involved in NFI; • A methodology for recording results and obtaining evidence prior to starting the exercise should be established; • Internal reporting mechanisms should be formally established. • External reporting mechanisms should be established to ensure that all members of the public who may be involved in a data match are aware of the match. 	<p>A detailed action plan will be prepared to take forward the National Fraud initiative. The recommendations raised by Audit will be considered as part of this process.</p> <p>Lead: Fiona Ramsay</p> <p>Timescale: Exercise commenced with output currently being examined to determine future action plan.</p>
ICT Technical Strategy	<p>There is currently no ICT technical strategy in place at the Board.</p> <p>Priority 1</p>	<p>We recommend an ICT strategy which clearly outlines the standards and direction for the technology platform at the Board is drawn up and approved.</p>	<p>An ICT Infrastructure Strategy is being developed as part of the overarching eHealth Strategy.</p> <p>Lead: S Jaffray</p> <p>Timescale: October 2007</p>

Title	Issue Identified	Risk and Recommendation	Management Comments
IT Security Assurance	<p>There is currently no IT security officer at the Board to assume responsibility for technical and security issues.</p> <p>Priority 1</p>	<p>We recommend the appointment of an IT security expert to take overall responsibility for IT technical security and security assurance.</p>	<p>A Security Adviser is in place. The role of an independent Officer will be reviewed.</p> <p>Lead: S Jaffray</p> <p>Timescale: Dec 07</p>
Network Access	<p>User accounts which grant the user full access to the network are known by all IT staff. Passwords for other powerful user accounts have also not been changed for some time and are therefore known to staff who have left the Board.</p> <p>Priority 1</p>	<p>Access to powerful user accounts should be restricted to authorised staff only and passwords to such accounts routinely changed.</p>	<p>Access rights are under review.</p> <p>Lead: S Jaffray</p> <p>Timescale: July 07</p>
Back-up procedures	<p>There is no agreed strategy, policy or procedure towards the back-up of systems data. In addition back-up tapes are stored in the same area as the servers which are being backed-up.</p> <p>Priority 1</p>	<p>A review of backup policies and procedures should be undertaken and standardised across all NHS Forth Valley sites.</p>	<p>Work is underway to review and address this issue with the financial impact under consideration.</p> <p>Lead: S Jaffray</p> <p>Timescale: Oct – Dec 2007</p>

Title	Issue Identified	Risk and Recommendation	Management Comments
<p>Network disaster recovery</p>	<p>No formal IT disaster recovery or business continuity plans have been approved at the Board.</p> <p>Priority 1</p>	<p>We recommend that such plans are established as a matter of priority.</p>	<p>Disaster Recovery project is underway to investigate the current state of the infrastructure, produce a GAP analysis , and a recommended way forward. To implement depends on funding and resources available - financial impact under consideration.</p> <p>Lead: S Jaffray</p> <p>Timescale: March 08 onwards for completion</p>

Title	Issue Identified	Risk and Recommendation	Management Comments
<p>Equal status pay claims</p>	<p>In order to ensure there is no adverse audit comment in 2007/08, it is important that as part of the 2007/08 accounts closure process the Board obtains a detailed response from the Central Legal Office setting out in financial terms and as a minimum the potential liability of any equal pay claims as at 31 March 2008.</p> <p>Priority 2</p>	<p>We strongly encourage management, working with the Scottish Executive Health Department, to resolve this matter in advance of next year's audit.</p>	<p>We will be working with the Scottish Executive to apply a consistent approach across the NHS in Scotland.</p> <p>Lead: Fiona Ramsay</p> <p>Timescale: Will be raised at next National Director of Finance meeting</p>



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