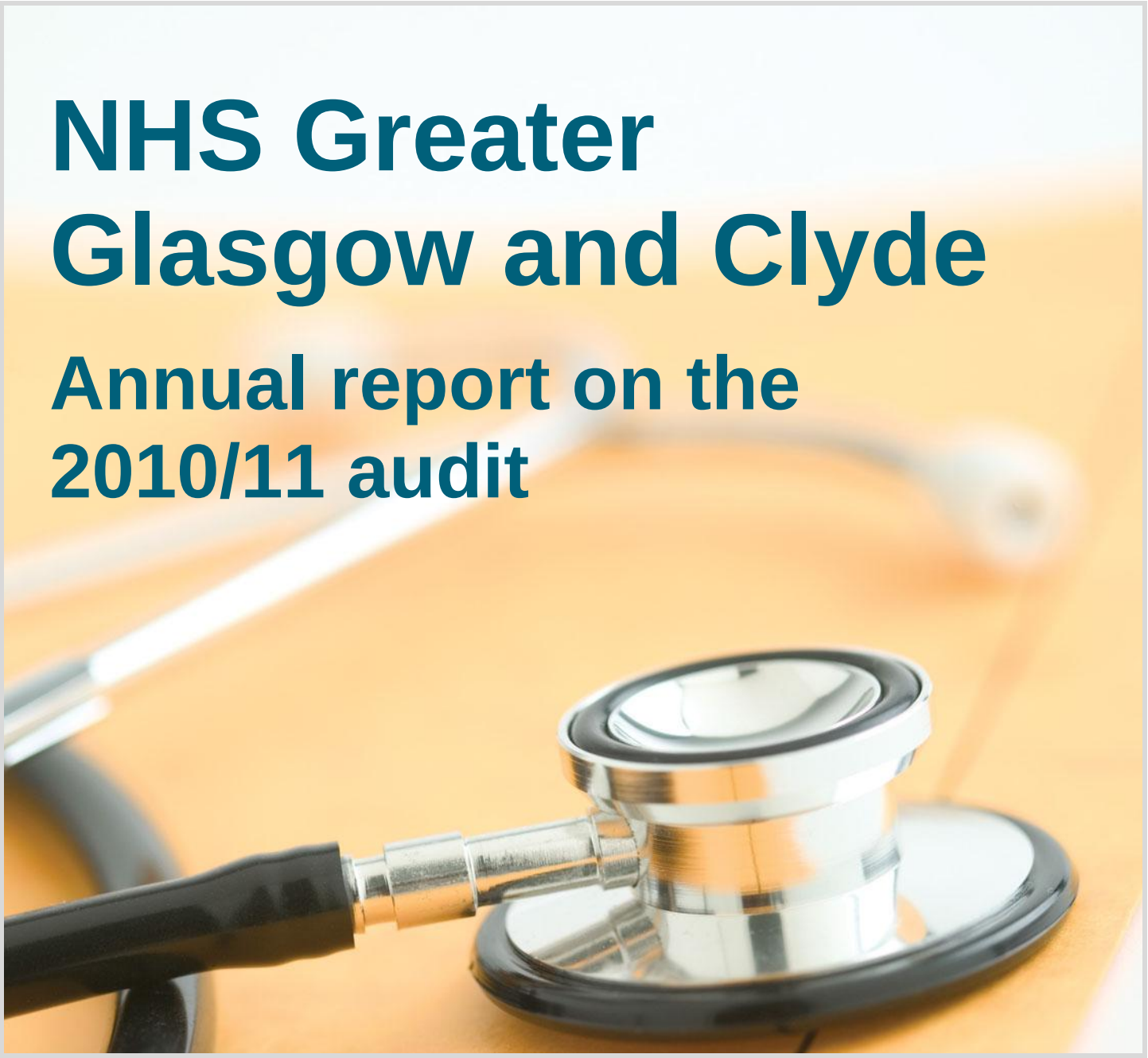
NHS Greater Glasgow and Clyde

Annual report on the 2010/11 audit



AUDIT SCOTLAND

Prepared for NHS Greater Glasgow and Clyde and the Auditor General for Scotland
July 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds

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Key messages

2010/11

The Scottish public sector faces significant challenges in balancing budgets while also delivering on its commitments. In 2010/11 we assessed the key strategic and financial risks being faced by NHS Greater Glasgow and Clyde (NHSGGC). We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

We have given an unqualified audit report on the 2010/11 financial statements of NHSGGC. We also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

The board achieved all its financial targets in the current year and returned a saving against its total Revenue Resource Limit of £0.685 million. The board also achieved its savings target of £56.9 million. The board's sound financial planning arrangements include regular monitoring, reporting and updating of information to allow potential risks to be addressed promptly.

In 2010/11 the board met or exceeded a number of challenging performance targets set by the Scottish Government and in a number of areas performance continues to improve. However some performance targets were not fully achieved and in those cases the board has established actions to improve performance.

NHSGGC is committed to a process of continuous development and improvement. This is particularly evident through the regular organisational reviews carried out within the board. The board also has arrangements in place to consider national performance reports issued by Audit Scotland with local action plans to address any recommendations for improvement. Furthermore, as stated in the Statement on Internal Control, the board will prepare a detailed Best Value framework as part of the annual review of the system of internal control for 2011/12.

Through its Acute Services Review the board continues to deliver significant developments to rationalise and reconfigure acute services across the board area. The most substantial development is the new South Glasgow Hospitals and Laboratory project. Work is progressing steadily with the structure of the new laboratory building now being complete. Work on the South Glasgow Hospitals is expected to be completed in 2015. The SGHD remains committed to funding the £842million cost of this project.

The board remains committed to ensuring that workforce plans are properly aligned to service and financial plans. In 2010/11 the board's workforce reduced by 3% (888 full time equivalents) with the majority of this achieved through natural turnover and redeployment.

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

Outlook

The position going forward is becoming even more challenging than in previous years with limited increases in funding, increasing cost pressures and significant savings targets. For 2011/12 the board is dependant on achieving savings of £57 million, which is the fourth year in succession that the board has been required to make savings in excess of £50m in order to maintain its financial position. This is particularly challenging given cost pressures arising from the effects of pay growth, increasing prescribing costs and volatile energy costs.

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

During the year the board and its then partner, Glasgow City Council, experienced problems in the operation of its Community Health and Care Partnerships and the board revised its arrangements for the delivery of NHS primary care and community care services within the Glasgow City boundary. Our national report on Community Health Partnerships also concluded that, nationally, previous arrangements had not demonstrated an integrated health and social care service that clearly improved people's health and quality of life. The board should ensure that the new partnership arrangements demonstrate the anticipated re-focusing of the balance of care between acute and primary care provision.

The achievement of the board's 2011/12 cost savings plan is likely to bring about a reduction in staff numbers. The board recognises that not all staff reductions will be achieved through natural wastage and redeployment and has therefore set aside a provision of £6 million in its financial plan for any staff who wish to leave voluntarily. It is important that this process is well managed and aligned with business and financial plans. In particular, the board should ensure appropriate knowledge and experience is retained among key officers to maintain the board's capacity to deliver its services.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of NHS Greater Glasgow and Clyde (NHSGGC). The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.

2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of NHSGGC.

3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that NHSGGC understands its risks and has arrangements in place to manage these risks. The board and Accountable Officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.

4. This report is addressed to the board and the Auditor General for Scotland and should form a key part of discussions with the audit committee, either prior to or as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public as audit is an essential element of accountability and the process of public reporting.

5. This report will be published on our website after consideration by the board. The information in this report may be used for the Auditor General's annual overview of the NHS in Scotland's performance later this year. The overview report is published and presented to the Public Audit Committee of the Scottish Parliament.

6. The management of the board is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.

8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
   - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
   - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
   - the regularity of the expenditure and income.

9. Auditors review and report on, as appropriate, other information published with the financial statements, including the Director's Report, Statement on Internal Control and the Remuneration Report. This section summarises the results of our audit of the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of NHS Greater Glasgow and Clyde for 2010/11 give a true and fair view of the state of the body's affairs and of its net operating cost for the year.

11. NHSGGC is required to follow the 2010/11 Government Financial Reporting Manual (the FReM) and we confirm that financial statements have been properly prepared in accordance with the FReM.

12. We have also reviewed the board's statement on internal control and concluded that it complies with Scottish Government guidance.

Regularity

13. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.

Accounting issues

14. As agreed, the unaudited accounts were provided to us on 09 May 2011 supported by a comprehensive working papers package. The good standard of the supporting papers and

the timely responses from NHSGGC staff allowed us to conclude our audit within the agreed timetable and provide our proposed opinion to the Audit Committee on 21 June 2011 as outlined in our Annual Audit Plan.

15. A number of presentational adjustments and some monetary adjustments were made to the accounts submitted for audit. The overall net impact of the monetary adjustments was to increase the total revenue surplus from £352k to £685k.

16. We reported to the audit committee on 21 June 2010 the main issues arising from our audit of the financial statements as required by auditing standards. The main points were as follows:

Equal Pay Claims

17. The National Health Service in Scotland has received in excess of 10,000 claims for equal pay and 4,198 of these relate to NHSGGC. These have been referred for the attention of the NHS Scotland Central Legal Office (CLO) to co-ordinate the legal response to this issue.

18. Developments over the past year have slowed the progress of claims and led to a reduction of claims going forward. The number of claims relating to NHSGGC has reduced from 4,846 in 2009/10 to 4,198 in the current year (i.e. a 13% reduction). The CLO have stated that claims still do not provide sufficient detail about the comparator jobs to allow an estimate to be made of the likelihood of the success of the claims or any financial impact they may have. The CLO and Equal Pay Unit are monitoring the progress of claims as well as developments relating to NHS equal pay claims elsewhere that may further inform the position

19. Discussions have been held between Audit Scotland, their partner firms, the Scottish Government, the CLO and board representatives to ascertain the appropriate accounting treatment of equal pay claims in 2010/11. Given the CLO's advice that, although some liability is probable, it is not possible to estimate the impact of the claims, it has been agreed that disclosure as an unquantified contingent liability remains appropriate for the 2010/11 financial statements of affected NHS boards.

20. We continue to strongly encourage NHSGGC management, working with Scottish Government Health Directorates, the CLO and other NHS boards to form a view of the potential liabilities as soon as possible taking into account the progress of cases in Scotland and England.

21. As with other boards, NHSGGC has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities could have an impact on the board's financial position.

Risk Area 1

Disposal of Woodilee Hospital

22. The board's balance sheet at 31 March 2001 includes a debtor balance of £21.5 million which is in respect of the disposal of the former Woodilee Hospital site. This sum is due to be paid over a number of years in accordance with a payment structure agreed with a consortium of developers. We sought and obtained formal assurance from the board, in a letter of representation, that the income due from Woodilee would be fully recovered. There is a risk that, given the current economic climate and the reduction in land values that the income due from the site may not be fully realised.

Risk Area 2

Disposal of part of the Western Infirmary

23. The board disposed of part of the site at the Western Infirmary to the University of Glasgow in 2010/11 with the sale proceeds being received on 31 March 2011. The sale price was £9.277m. As the board will continue to occupy the site under a lease agreement until the completion of the Southern General Hospital site, a number of accounting issues emerged, particularly in relation to how the proceeds of sale should be disclosed in the accounts and how this might best match the various funding streams provided by the Scottish Government Health Directorates (SGHD). These matters have now been discussed and resolved with the assistance of the SGHD and appropriate disclosures have been made in the financial statements.

Pharmacy stocks

24. During our pre-year end testing we identified that most pharmacy sites were not carrying out perpetual inventory checks. This was brought to management's attention in order to allow remedial action to be taken at the year-end. The value of pharmacy stock was £9.5 million with most held at the Pharmacy Distribution Centre. The year-end pharmacy stock reconciliations lacked sufficient detail and clarity to allow us to fully agree the pharmacy stock value included in the balance sheet.

25. We sought and obtained formal assurance from the board, in a letter of representation that the value of pharmacy stock included in the balance sheet was reliable and supported by detailed working papers. We are satisfied with the response from the board and that there is no material misstatement.

Accrual of centrally allocated funds

26. In the course of the 2010/11 audit we noted £17.9 million of unutilised SGHD funding allocations where the related expenditure has been accrued as a liability by the board as at 31 March 2011. The position in respect of these allocations is variable in that there are some accruals which clearly reflect irrevocable commitments, particularly in relation to ICT projects (approximately £7.1 million), while in others, the evidence of an irrevocable commitment to use these funds is less clear. It has been noted by auditors at a number of NHS boards that there is a lack of consistency across organisations on how allocations unutilised at the year

end are treated in the financial statements. We have advised NHSGGC that there would be merit in reviewing this area with other NHS boards, in conjunction with the SGHD, to ensure a more consistent treatment in future years.

Prior year adjustments - cost of capital

27. The 2010/11 FreM removed the requirement for boards to charge a notional cost of capital in their accounts. This was a change in accounting policy which was reflected in the financial statements of NHSGGC with an appropriate adjustment of £34.7 million made to prior year statements.

Change in estimation of asset lives

28. During 2010/11 the board conducted a review of the methodology for determining the useful life of assets. The exercise was carried out by the board's internal auditors (PricewaterhouseCoopers) and was supported by the SGHD. The revised methodology takes account of patterns of consumption and maintenance and preservation spending. This approach aligns the lives of the less significant elements with the overall life of the building so that they can be depreciated over that period. As a result, it is intended that the annual depreciation charge more faithfully reflects the pattern of consumption of the asset. The revised methodology resulted in a significant reduction in the board's annual depreciation charge (£8.5million) and contributed to the management of the board's cost base. In our opinion this approach is reasonable and consistent with accounting standards.

Outlook

Endowments

29. As a result of an agreed derogation from the FReM NHS Scotland boards were not required to consolidate endowment funds within their 2010/11 financial statements. The Treasury and Scottish Government have delayed the consolidation of NHS Endowment Funds until financial year 2013/14.

Heritage assets

30. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. From 2011/12 the board will be required to separately disclose any heritage assets. The board should conduct a review to identify any such assets.

Audit appointment for 2011/12

31. Audit appointments are made by the Auditor General, either to Audit Scotland staff or to private firms of accountants for a five year term; 2010/11 is the last year of the current audit appointment. The procurement process for the next five years was completed in May 2011. From next year (2011/12) the auditor for NHSGGC will be Audit Scotland. As Audit Scotland has again been appointed as the auditor for NHSGGC, we look forward to continuing the good working relationship that exists and thank officers and members of the board and committees for their assistance during the last five years.

Financial position

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

33. Auditors consider whether audited bodies have established adequate arrangements and examine:

- financial performance in the period under audit
- compliance with any statutory financial requirements and financial targets
- ability to meet known or contingent, statutory and other financial obligations
- responses to developments which may have an impact on the financial position
- financial plans for future periods.

34. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

The board's financial position as at 31 March 2011

35. NHS Greater Glasgow and Clyde is required to work within the resource limits and cash requirement set by the SGHD. In 2010/11, the SGHD required NHS boards to differentiate between core and non-core expenditure for both revenue and capital.

36. The board achieved all its financial targets in 2010/11 as outlined in Table 1 below:

Table 1: 2010/11 Financial Targets Performance £'000s

Financial Target	Target	Actual	Variance	%
Revenue Resource				
Core	2,038,898	2,038,242	**656**	**0.03%**
Non Core	145,646	145,617	**29**	**0.02%**
Capital resource				
Core	146,835	146,834	**1**	**0.00%**
Non Core	15,800	15,800	**-**	
Cash position				
Cash requirement	2,425,000	2,424,542	**458**	**0.02%**

37. The board has achieved a saving against its total Revenue Resource Limit of £0.685 million. Historically, boards have relied upon a measure of non recurring funding to achieve financial targets. However, with the tighter financial settlement compared to the past and reduced flexibility within expenditure budgets, there is less scope for reliance on non recurring income to achieve financial balance as NHS boards seek to rationalise their cost base.

38. In 2010/11 the board recorded an underlying deficit of £2 million which represented the excess of recurring expenditure commitments over recurring funding carried forward into 2011/12. This represents an additional cost challenge for the board to manage in 2011/12.

Financial sustainability and the 2011/12 budget

39. Uplifts in financial settlements have been reducing in recent years. In 2009/10 there was a general uplift of 3.15%, in 2010/11 the corresponding figure was 2.55% (inclusive of a supplementary uplift of 0.4%) while the funding uplift for 2011/12 is 2.7%. Given the current economic conditions and the impact of national spending priorities, there is also a risk that funding uplifts will be lower in future years. These pressures will have a significant impact on long term financial planning and in the control of pay and non pay costs

40. The board plans to break even in 2011/12 although it is facing significant cost pressures with projected expenditure growth of £81 million. This includes the full year impact of the increase on VAT (£6 million) and the board's share (£6 million) of sharply increased annual expenditure levels on the settlement of clinical / medical negligence claims across NHS Scotland. Other cost pressures include:

- **Growth in prescribing costs:** The rate of growth in prescribing costs in 2011/12 is estimated to be 5.9% in primary care and 7.9% in acute services before any saving initiatives. For 2011/12 prescribing growth and inflation cost increases are likely to be in the order of £22.4 million. The board expects to achieve cost savings of £8.1 million in 2011/12 through a wide range of initiatives thereby containing net overall prescribing expenditure growth within £14.3 million. The scale of the cost savings and the wide range of initiatives which require to be successfully implemented present a high level of risk for the board.
- **Pay growth:** The board anticipates that pay growth in 2011/12 will be £20 million as a result of the provision for a living wage, incremental pay progression, changes to National Insurance Contribution thresholds and Agenda for Change (AfC) low pay bands. The board has carried out extensive modelling of costs associated with AfC related pay progression. As a result the board expects that of total pay growth in 2011/12 some £13 million (or 65%) is attributable to the impact of AfC related incremental pay progression.
- **Energy costs:** The board estimates that additional energy costs will amount to £6.5 million in 2011/12 due to the additional cost of advance purchase contracts and other regulator imposed charges. Fixed price contracts are in place for gas and electricity raw supply costs. However, recent substantial increases in regulator imposed charges mean that the board is still exposed to further increases of energy costs in 2011/12.

- **Investment to secure delivery of access targets:** The board incurs significant expenditure to achieve national access targets. In compiling its financial plan for 2011/12, the board has assumed that it will require to deploy an additional £2 million of recurring funding each year. This is in addition to the current level of earmarked funding provided by the SGHD to secure the achievement of national access targets on an on going basis. The key risk is that this provision may not be sufficient.

Financial planning to support priority setting and cost reductions

41. The cost challenges facing the board, as outlined above, are significant and in some cases there is an element of uncertainty about further potential increases in costs. The board's financial plan is dependent on its ability to implement a comprehensive cost saving plan which will release £57 million of recurring cost savings in 2011/12.

42. The board plans to achieve around £33 million (58%) of cost savings from the Acute Division, £7 million (12%) from CHCPs, £11 million (19%) from cross cutting exercises and £6 million (11%) from corporate services.

43. The cost savings are to be achieved through a number of means, including service redesign, accelerated Acute Services Review implementation, more efficient procurement practices, productivity improvement, and a review of management and administration costs.

44. The delivery of the cost savings plan in 2011/12 will be more challenging than it has been in recent years. The level of flexibility within expenditure budgets is considerably reduced by the release of cost savings in previous years. Failure to achieve planned cost savings will impact on the board's ability to achieve a break even position.

45. The cost saving plan is very challenging and there is a risk that some elements may not be achievable. It is therefore important that the board closely monitor costs in order to take any required remedial action through supplementary cost saving schemes.

Risk Area 3

Workforce planning

46. Staff costs account for approximately 60% of board expenditure and therefore any significant cost savings are likely to have some staffing impact. In 2010/11, the workforce reduced by 888 Full Time Equivalents (FTE) or 3% of the total workforce. The majority of this reduction was due to natural turnover and redeployment although £0.6 million was incurred a result of voluntary severance for 25 staff.

47. With a cost savings programme of £57 million for 2011/12 it is likely that the board will look for further savings in staff costs to reduce its cost base. The board plans to achieve the majority of manpower savings through natural wastage and redeployment. The board also recognise that these measures alone may not be sufficient to generate the planned savings. Therefore, a specific provision of approximately £6 million has been included within the board's 2011/12 financial plan to cover the cost of severance arrangements. The board has stated that, in so doing, it will comply with current local and national policies on workforce change.

48. It is important that the board retains the right staff with the right skills and has effective succession planning arrangements in place to maintain its capacity to deliver. This is particularly relevant as a number of senior staff and managers have recently left or may leave the organisation. These officials have extensive knowledge and experience of the health service which will be difficult to replace.

Risk Area 4

Outlook

Financial forecasts beyond 2011/12

49. The board's 2011/12 financial plan provides indicative figures for the level of cost savings needed in 2012/13 (£43.8 million) and 2013/14 (£45.5 million) in order to achieve financial balance. The majority of the cost savings in each year are expected to be generated from recurring sources. These levels of savings will be extremely challenging since, in the previous four years, many of the readily achievable savings initiatives will have been implemented.

50. The financial plan assumes that future funding uplifts will be of the order of 1%. This combined with growing cost pressures, will make the delivery of cost savings even more important.

Risk Area 3

Significant financial risks

51. In 2010/11 the board's cost savings plan was pivotal to the achievement of financial balance. The plan set a cost savings target of £56.9 million which was achieved. The board's ability to achieve financial balance is again largely dependent on it successfully developing and implementing a comprehensive cost savings plan. For 2011/12, the board needs to achieve £57 million of recurring cost savings which is the equivalent to 3% of its Revenue Resource Limit. This is a significant challenge to the board particularly as this is the fourth consecutive year in which it is required to achieve a cost savings target exceeding £50 million to maintain a balanced financial position. The board's cost savings plan for 2011/12 includes 387 initiatives designed to reduce costs. The acute division alone will be responsible for delivering 250 of these initiatives and generating savings of £32.9 million (58% of the total).

Risk Area 3

Pension costs

52. Following the advice of the Scottish Government, Note 24: Pension Costs reflects a net liability of £370 million for the NHS Superannuation Scheme arising from the most recent actuarial valuation. Note 1 of the accounts, Accounting Policies, states that the most recent actuarial valuation was for the year 31 March 2004. Given that the Scheme ought to be subject to a full actuarial valuation every four years, a more up to date valuation would have been expected to have been reflected in the 2010/11 accounts.

53. While there was a more recent actuarial valuation carried out at 31 March 2008, the publication of this valuation has been placed on hold by HM Treasury pending the outcome of public sector pension reforms. Given periodic actuarial valuations are key to determining the adequacy of employer and employee contributions to the Scheme, publication of the latest actuarial valuation will bring clarity as to the adequacy of current contributions to meet the future commitments of the Scheme.

Governance and accountability

54. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.

55. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.

56. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
    - corporate governance and systems of internal control
    - the prevention and detection of fraud and irregularity
    - standards of conduct and arrangements for the prevention and detection of corruption.

57. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

58. The corporate governance framework within NHSGGC is centred on the board which is supported by a number of standing committees that are accountable to it.

- Audit
- Clinical Governance
- Performance Review Group
- Research Ethics Service Governance
- Discipline (for primary care contractors)
- Staff Governance
- Involving People
- Pharmacy Practices Committee
- Area Clinical Forum
- Partnership Committees

59. The following paragraphs provide a brief comment on some of the main standing committees of the board including their roles and responsibilities.

Audit Committee: Its purpose is to assist the board to deliver its responsibilities for the conduct of its business, including the stewardship of funds under its control. In particular, the Committee provides assurance to the board that an appropriate system of internal control has been in place throughout the year. The Committee is attended by both internal and external audit while, senior officials are invited to attend to respond to auditors' reports.

- **The Clinical Governance Committee:** It assists the board in delivering its statutory responsibility for the provision of quality healthcare. In particular, the Committee seeks to give assurance to the Board that appropriate systems are in place, which ensure that clinical governance and clinical risk management arrangements are working effectively to safeguard and improve the quality of clinical care.
- **Staff Governance Committee:** Its role is to provide assurance to the Board that NHS Greater Glasgow and Clyde meets its obligations in relation to staff governance under the National Health Service Reform (Scotland) Act 2004 and the Staff Governance Standard. In particular, the Committee seeks to ensure that staff governance mechanisms are in place that establish responsibility for performance against the Staff Governance Standard and ensure progress towards its achievement.
- **Performance Review Group (PRG):** The PRG delegated responsibility from the NHS Board to monitor organisational performance, resource allocation and utilisation and the implementation of NHS Board agreed strategies. The PRG also has delegated responsibility for property matters and ensures that there is a coordinated overview of performance across all domains of the Performance Assessment Framework.
- **The Involving People Committee:** This Committee has been established to ensure that the NHS Board discharges its legal obligation to involve, engage and consult patients, the public and communities in the planning and development of services and in the decision-making process about the future pattern of services.

60. Overall, the board's governance arrangements in 2010/11 were soundly based and operated effectively.

Patient safety and clinical governance

61. In 2010/11, the board continued to work with NHS Quality Improvement Scotland (NHSQIS) to support the implementation of the clinical governance and risk management standards to ensure that clinical governance principles are embedded in local practice. This will be continued with the successor organisation Healthcare Improvement Scotland.

62. NHSGGC is continuing to make progress in implementing the Scottish Patient Safety Programme (SPSP) which was launched in 2007. The board aims to achieve full implementation of the core programme in Acute Services by December 2012. The core programme includes improved staff capability in all wards and creation of reliable processes for every relevant element in every ward.

63. The Healthcare Environment Inspectorate (HEI) carried out a number of planned and unannounced inspections visits to several hospital sites within the board during 2010/11

including Glasgow Royal Infirmary and Inverclyde Royal Hospital. Overall, the results of these inspections were satisfactory and action plans have been put in place to address any issues raised by the HEI. In addition, a HEI Steering Group has been established to ensure that actions and learning points from each inspection are cascaded to all hospitals within NHSGGC.

64. An independent public inquiry ordered by the Cabinet Secretary into the C.Diff outbreak at the Vale of Leven commenced in June 2010. This is not due to report until September 2012. The Medical Director has advised that NHSGGC now had one of the lowest incidences of C.Diff in Scotland.

Partnership Working

65. Partnership working in the NHS covers a number of areas, including partnerships with staff groups, local authorities, the voluntary sector, private healthcare providers and regional planning with other NHS boards. The board has undertaken significant work in partnership with local authorities in establishing Community Health Care Partnerships (CHCPs) and Community Health Partnerships (CHPs).

66. A CHCP involves the local authority and NHS board working closely together to provide integrated social care and public health services in a local setting to meet the needs of the local population. On the other hand a CHP is a health-led partnership model.

67. In 2010/11 partnership working with local authorities underwent significant changes. The two existing CHPs which had been created in the Inverclyde and West Dunbartonshire areas became CHCPs with a more integrated involvement with the Councils' social work services.

68. The other main change, however, involved the dissolution of the five City of Glasgow CHCPs and their replacement by a single health-led CHP model from 1 November 2010. The revised arrangements include the creation of a single NHS CHP with a substructure of three sectors - North-East, North-West and South. The CHP is governed by a single Committee chaired by a NHS non Executive and includes Glasgow City councillors representing the three sectors.

69. Our national report on Community Health Partnerships (June 2011) found some local examples where the board's partnership arrangements were helping to improve community based services. But it did draw attention in a case study to the particular problems of partnership working which emerged in relation to the Glasgow CHCPs. Overall, it concluded that across Scotland existing arrangements are not yet demonstrating an integrated health and social care service that clearly improves people's health and quality of life.

Internal control

70. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.

71. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2010/11 PricewaterhouseCoopers, the board's internal auditors, provided their opinion that, based on the internal audit work undertaken during the year, there were no significant weaknesses that required specific mention in the Statement on Internal Control.

72. As part of our audit we reviewed the high level controls in a number of NHS Greater Glasgow and Clyde systems that impact on the financial statements. This audit work covered a number of areas including trade receivables, procurement and general ledger. Our overall conclusion was that NHS Greater Glasgow and Clyde had adequate systems of internal control in place in 2010/11. We identified some areas where controls could be strengthened and agreed an action plan of improvements with management. This will be followed-up at a future date to confirm that improvements have been made.

Internal Audit

73. A key element of our work on internal controls is the extent of reliance that we can place on the work of internal audit in terms of International Standard on Auditing 610 (Considering the Work of Internal Audit). We carried out a review of the internal audit function (provided by PricewaterhouseCoopers) in November 2010 and concluded that the internal audit service operates in accordance with Government Internal Audit Standards and has sound documentation standards and reporting procedures in place.

74. We placed reliance on internal audit work in a number of areas including trade payables, bank reconciliations, Family Health Services expenditure and capital accounting. This not only avoided duplication of effort but also enabled us to focus on other significant risks.

Statement on internal control

75. The Statement on Internal Control (SIC) provided by the NHS Greater Glasgow and Clyde Accountable Officer reflected the main findings from both external and internal audit work. This SIC records management's responsibility for maintaining a sound system of internal control and summarises the process by which the Accountable Officer obtains assurances on the contents of the SIC.

76. The SIC also drew attention to significant progress in the area of Information Governance. A complete set of Information Governance and IT Security Policies is now in place, along with a programme to develop staff awareness of these policies, supported by the development of a number of e-learning training modules. It also refers to the NHS Board's commitment to best value principles, with processes in place to ensure that it continuously focuses on improving performance. In particular through the on going developments within the Acute Services Review, the board aims to be able to deliver more efficient and effective delivery of patient care.

Review of staff earning over £100,000 per annum

77. The Cabinet secretary had asked NHS boards for assurance that earnings paid to those staff earning over £100,000 complied with relevant policies and guidance. Auditors were also requested to sample check earnings over £100,000 to give additional assurance on the validity of the figures. We did not identify any matters that in principle indicated that the board had been in breach of relevant national policies and guidance relating to pay matters. We reported our findings to the Chairman of the board on 29 March 2011 to enable him to reply to the Cabinet Secretary by the required date of 31 March 2011.

ICT data handling and security

78. During 2010/11, the board have continued to progress the area of Information Governance. The Information Commissioners Office (ICO) carried out a review of the board's data protection compliance, focusing on five areas: Governance, Training & Awareness, Records Management, Subject Access Requests and IT Security. The board received an overall grading of 'reasonable assurance' from the ICO who identified areas for improvement as 'low priority'.

79. While progress has been made NHSGGC recognises the importance of staff awareness of data handling and security and continues to give this area a high profile. The key NHSGGC policies and strategies on data security have also been reviewed and revised, while a single information strategy is in place.

80. Furthermore, Internal Audit reviewed information governance as part of their programme of work in 2010/11. They concluded that progress has been made in recent years although there is scope for further improvement.

ICT Project Management

81. In 2010/11 we carried out a review of ICT project management arrangements to assess whether they were consistent with good practice and to identify areas of improvement. The review focused on two specific projects - Strathclyde Electronic Renal Patient Record (SERPR), and Chemotherapy Electronic Prescribing and Administration System (CEPAS). Our findings have been reported in draft and a response and completed action plan is due from management in early course.

82. The main findings arising from our review include the following:

- the implementation of the CEPAS and SERPR projects took longer than anticipated.
- the CEPAS project was affected by communication difficulties between the implementation team and software development team. Also, Issue and Risk Logs were not shared between the two teams.
- in contrast good communication within the SERPR project allowed major design difficulties to be addressed effectively.
- the SERPR project lead team received the British Computer Society (BCS) award as recognition of the best NHS Scotland IT Service Delivery Team.

83. The report also highlighted that post implementation reviews of both projects should be used to identify areas of good practice for wider dissemination and also 'lessons learned' which can be used to make improvements in project management.

Prevention and detection of fraud and irregularities

84. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.

85. NHS Greater Glasgow and Clyde has a comprehensive range of measures in place to prevent and detect fraud including Standing Financial Instructions, a Code of Conduct for Staff and policies covering 'whistleblowing' and fraud. The board has also entered into a formal partnership agreement with NHSScotland Counter Fraud Services (CFS).

86. The board's internal audit function has a formal programme of work, which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud. Additionally, the board has agreed a formal protocol covering a programme of Payment Verification checks with the Practitioner Services Division of NHS National Services Scotland. In 2010/11 these checks included verification against patient records, visits to practices and examination of patients.

NFI in Scotland

87. In 2010/11 NHS Greater Glasgow and Clyde took part in the National Fraud Initiative (NFI). This is a counter-fraud exercise that uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error.

88. It allows public bodies to investigate these matches and, if fraud or error has taken place, to stop payment and attempt to recover the amounts involved. It also allows auditors to assess the arrangements that the bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.

89. As part of our local audit work we monitor the board's approach to the NFI. The board is proactive in preventing and detecting fraud including participation in the NFI. The board's Financial Governance and Audit Manager and his team systematically review NFI data matches to identify areas for further investigation. In addition, the Audit Committee and Audit Support Groups receive regular reports on anti-fraud activities including updates on NFI.

90. The Audit Scotland report 'The National Fraud Initiative in Scotland - Making an impact (May 2010)' highlighted that much of the information used in the last NFI round was collected before the recession really took hold. An economic downturn is commonly linked to a heightened risk of fraud, and public bodies need to remain vigilant.

91. The current NFI round is being carried out under new powers approved by the Scottish Parliament in terms of the Public Finance and Accountability (Scotland) Act (as amended) and which came into force from 20 December 2010. These provide for more collaboration with other UK agencies to detect 'cross border' fraud, extend the range of public sector bodies involved, and allow data matching to be used to detect other crime as well as fraud.

Standards of conduct and arrangements for the prevention / detection of bribery and corruption

92. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. A single Code of Conduct for Staff was launched in early 2009, taking into account the existing national guidance on the Standards of Business Conduct, the Whistleblowing Policy and the Fraud Policy.

93. The board's Code of Conduct for Staff and on-line registration arrangements are currently under review with the need to ensure that it reflects the requirements of the new Bribery Act 2010 which is to be implemented later in 2011. We have concluded that the arrangements in NHS Greater Glasgow and Clyde are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Outlook

Processes and committees

94. With the publication last year of the Quality Strategy, the board has been considering its governance structure with a view to introducing an integrated approach to governance across clinical (including quality), performance management (i.e. against the HEAT targets, including finance), staff and involving and engaging people in services and developments.

95. In April 2011, the board approved changes to its standing committee arrangements by establishing a new integrated Governance Committee i.e. the Quality and Performance Committee. It replaces the Performance Review Group, Health & Clinical Governance Committee and Involving People Committee.

96. The new committee has been given responsibility for quality, patient safety, clinical governance, financial monitoring, performance monitoring, workforce planning and involving people/patients. This streamlining of governance arrangements is designed to improve the review and scrutiny of governance arrangements. However, its responsibilities are extensive and challenging and it will be important to carry out a post implementation review to assess the effectiveness of the new committee.

Partnerships

97. During 2010/11 the board introduced revised arrangements for the delivery of NHS primary care and community care services within the Glasgow City boundary. There is a risk that the new partnership arrangements may not provide the expected benefits or improvements to the quality of services provided and the board will require to maintain its focus on this area.

Risk Area 5

Best Value, use of resources and performance

98. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.

99. The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where no requirements are specified for auditors in a period they may, in conjunction with their audited bodies, agree to undertake local work in this area.

100. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:

- a performance audit which may result in the publication of a national report
- an examination of the implications of a particular topic or performance audit for an audited body at local level
- a review of a body's response to national recommendations.

101. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments. Audit Scotland has prepared a series of Best Value toolkits to facilitate its reviews in these areas.

102. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.

103. This section includes a commentary on the Best Value / performance management arrangements within NHSGGC. We also note any headline performance outcomes / measures used by NHSGGC and comment on any relevant national reports and the board's response to these.

Management arrangements

Best Value

104. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The new guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement.

105. The guidance identifies the themes which an organisation needs to focus on in order to deliver the duty of Best Value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

106. The five themes and two cross-cutting themes (some of which we have commented on earlier in this report) are:
    - vision and leadership
    - effective partnership
    - governance and accountability
    - use of resources
    - performance management
    - equality (cross-cutting)
    - sustainability (cross-cutting).

107. NHSGGC is committed to best value and has arrangements in place to help ensure continuing performance improvement. The board also has arrangements in place to develop systems in response to relevant reviews and developments, including consideration of Audit Scotland national reports.

108. In addition the board conducts bi-annual organisational reviews for each business area, with action plans to address any recommendations for improvements. The board is also subject to an annual review process by the Scottish Government Health Directorates, again with plans developed to address any issues raised.

Service Redesign

109. Through its Acute Services Review (ASR), the board is committed to developing a sustainable healthcare service to serve local communities and address the specific issues of health inequality and accessibility. This will result in the rationalisation and reconfiguration of acute services across the board area.

110. The ASR has already delivered a number of key developments, including the two new Ambulatory Care Hospitals (ACHs) which opened in the spring of 2009 and the Beatson Oncology Centre, which was officially opened in February 2008.

111. During 2010/11 the ASR has delivered further developments, including the transfer of casualty and inpatient services at Stobhill hospital to Glasgow Royal Infirmary and the construction of a new 60 bedded inpatient unit at Stobhill hospital. In addition there has been the centralisation of vascular, renal and urology services in preparation of services transferring to the new South Glasgow Hospital in 2015.

112. The final stage of the ASR is the re-development at the Southern General hospital site which represents an investment of £842 million to be met from public funds. The new facilities will include a specialist adult acute hospital, a children's hospital and laboratory facilities. The completion date for this development is during 2015 and SGHD remains committed to funding the cost of this project.

Performance management

113. The NHS Scotland Quality Strategy, launched in May 2010, is underpinned by the three Healthcare Quality Ambitions: person centred, safe and clinically effective. In order to implement the Quality Strategy the board has pulled together its existing quality and improvement activities and initiatives into one overall strategy. This has resulted in the following three strand approach to improving quality:

- Quality Policy Development Group
- specific quality programmes and initiatives
- outcomes focused planning and performance arrangements

114. NHSGGC has a well established performance management framework in place for monitoring and reporting on performance. The main elements of this framework are:

- bi-annual organisational performance reviews for all activities within NHSGGC, covering performance against development plans.
- the Acute Division's balanced scorecard.
- the Mental Health Partnership's performance monitoring framework.
- performance reporting to the corporate management team.
- reports on waiting times and access targets at each meeting of the CMT.
- quarterly reporting to the Performance Review Group on HEAT targets.
- individual performance appraisal of all Directors and senior managers.

115. In addition, the board's policy and planning frameworks, which inform the annual planning and performance cycle, include a quality framework that sets out the required outcomes and actions to deliver a quality service. These policy and planning frameworks are used to establish the annual development plans produced by each part of the organisation.

116. NHSGGC is subject to an annual review which is chaired by the Cabinet Secretary for Health and Wellbeing and held in public. As part of the review the Cabinet Secretary met with the Area Clinical Forum and the Area Partnership Forum. The annual review highlights good performance and identifies areas where specific action would be required to improve health and treatment.

People Management

117. As with other health boards in Scotland, NHSGGC faces a major challenge in achieving the national sickness absence target of 4%. The current sickness absence rate for the board is 4.69% which although above target is an improvement on last year when the rate was 4.75%. Sickness absence is a key focus of performance reviews and each area has a detailed plan in place to reduce absence levels.

118. It is crucial for NHSGGC to have effective workforce planning arrangements in place in order to secure best value and meet challenging performance targets. The board continues to develop its planning arrangements, including corporate guidance, to help ensure workforce plans are properly aligned to service and financial plans.

Information management – follow-up audit

119. As part of our 2010/11 audit we conducted a follow-up audit of our 2009 review of use of resources in relation to information management at NHSGGC which was based on one of Audit Scotland's Best Value toolkits. The follow-up audit focused on five key areas of the original review – information governance and leadership; information for decision making; service delivery; compliance and control and knowledge management. Management were asked to carry out a self-assessment using the original toolkit, highlighting areas of progress and providing documentary evidence in support of any progress made.

120. Overall, we found that NHSGGC has made progress since our last review in September 2009. Better practices status (as defined in our Best Value toolkit) has been maintained in four of the key areas of information management. In relation to knowledge management, NHSGGC has progressed from basic to better practices.

Improving public sector purchasing – follow-up audit

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

122. In carrying out the study we used a checklist based on the key issues identified in the national report. This was issued to the Head of Procurement to carry out a self-assessment of performance. The completed checklist and supporting evidence were subsequently reviewed by us. Our findings are positive and indicate that procurement is well managed within NHSGGC. The board's Performance Capacity Assessment (PCA) rose from 78% to 85%. These results confirm that NHSGGC's procurement department is one of the better performing teams within the health service although there are some areas where improvements can be made (e.g. key purchasing processes and systems). Management have produced a detailed response and action plan to address the areas of improvement identified in the PCA.

Use of consultancy services

123. As part of our review of the board's performance arrangements we looked at the arrangements for use of consultants. We have issued a draft report to management for comment and confirmation of factual accuracy. Our preliminary findings indicate that the board follows good practice in the use of consultants at project level. However, arrangements for monitoring and overseeing the use of consultants could be further developed at a corporate level.

Overview of performance in 2010/11

124. The board receives regular reports on progress towards achieving the key performance targets set by the Scottish Government (HEAT targets and standards). In March 2011 the board reported success in achieving most of the challenging targets relating to inpatients; outpatients; diagnostics, and cardiac intervention. In most areas performance continues to improve.

125. Examples where 2010/11 performance has met or exceeded the targets include inequalities targeted cardiovascular health checks, all cancer treatments within 31 days, 48 hour access to appropriate GP practice team and balance of care for older people with complex care needs. Also, the board has made significant efforts with its local authority partners to ensure that the delayed discharge target is achieved.

126. Some targets were not fully achieved. These include child healthy weight interventions, electronic management of referrals, A&E waits to be a maximum of four hours, did not attend rates for new outpatient appointments and sickness absence rates. In each case management have established actions to improve performance.

National performance reports

127. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. The findings and key messages of these studies are published in national reports. These reports are considered in detail by the board members and where appropriate relevant senior managers are invited to outline the impact of the national report and indicate how the board will address any recommendations made. Reports in the last year that have been considered by the board include:

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

- Using locum doctors in hospitals (June 2010)
- Emergency departments (Aug 2010)
- Role of boards (Dec 2010)
- Management of the Scottish Government's capital investment programme (Jan 2011)
- Community Health Partnerships (June 2011)

Source: www.audit-scotland.gov.uk

Using locum doctors in hospitals

128. Scottish health boards spend around £47 million a year on locum doctors in hospitals. This spending has doubled in the past decade but, in many cases, health boards are not always clear about why locum doctors are being hired and how long they are being used.

129. The report also says the NHS needs to get better at managing the potential risks to patient safety of using locum doctors. This is particularly important for locum doctors who are hired through private agencies as they may be unknown to the board and unfamiliar with the hospital in which they are working. Health boards across Scotland need to be consistent in the way they screen and induct locum doctors and the way they manage their performance. There are no formal systems for sharing information about individual locum doctors between boards.

130. A new National Locum Framework was established in June 2010. However NHSGGC still relies on its previous supplier to fill a significant number of its requests. In response to the national report the board is reviewing arrangements for providing appropriate and effective provision of medical locums.

Emergency departments

131. Patient satisfaction with emergency care services is high. However there is widespread variation in the services provided at hospital emergency departments and a lack of clarity about where best to treat different patients. Attendances, costs and workforce pressures are rising, and the NHS in Scotland can do more to manage these services more efficiently. The report highlights that attempts to reduce attendances at emergency departments are not underpinned by an assessment of what works or how much it would cost to have people treated in another setting, such as a minor injuries clinic, where this is appropriate. Closer working across the whole health and social care system is needed to make further improvements.

132. The board has an Unscheduled Care programme in place which looks at measuring, reviewing and improving the performance of the A&E service. However, in light of the national report's findings the board has identified a number of specific improvement actions. These actions included the establishment of an A&E Attendance Steering Group and a strong focus on increasing the attendance at minor injury units by patients who would normally attend A&E.

Role of boards

133. Public bodies and their boards have evolved over time. There is a great variety in the size and make-up of boards and the roles that they have. Accountability can be complex, with chief executives and boards reporting in different ways to the Scottish Government, ministers and the Scottish Parliament. This risks causing confusion about who leads an organisation and is responsible for its decisions.

134. The key messages of this national report were included in a board session as part of a wider discussion on improving the board's corporate governance arrangements. This resulted in a number of agreed improvement actions.

Management of the Scottish Government's capital investment programme

135. The Scottish Government has improved its scrutiny of its programme in recent years. However, improvements have been slow in the information about the status and performance

of individual projects, which would help with management of the programme. Information about whether capital projects were on time and within budget is not always available. Where information is available, it shows that cost estimating has improved in recent years. Many projects still run late, although delays tend to be at the early stages before contracts are signed and are less likely to affect costs.

136. The largest capital project within NHSGGC is the new Southern General Hospital and Laboratories project at an estimated cost of £842 million. Specific governance arrangements have been established to oversee the project, including the Acute Services Strategy Board (ASSB). The ASSB regularly receives information on progress and performance against budget.

Community Health Partnerships

137. The review looked at the impact community health partnerships (CHPs) have in improving people's health and quality of life by joining up health and social care services and moving more services from hospitals into the community. It was found that few CHPs have the authority to influence how resources are used in their area.

138. A joint approach involving all partners is needed to make the significant changes needed to tackle Scotland's complex and long-standing health and social care issues. The report also calls for a fundamental review of partnership arrangements to ensure they focus on meeting individuals' needs. The report highlights examples of good practice where CHPs are providing enhanced community-based services. But these local initiatives are small scale and there is limited evidence so far of wide-spread sustained improvements. The report highlighted the problems of partnership working which emerged in relation to the Glasgow CHCPs.

139. Publication of the national report on Community Health Partnerships (June 2011) was delayed because of the moratorium on reporting due to the Scottish Parliament general election in May 2011. This report will be discussed at a future Audit Committee.

Outlook

Best Value

140. During 2011/12 the board intends to establish a detailed framework to demonstrate how the board implements each of the seven themes identified in the Scottish Government's revised guidance on Best Value.

Service Redesign

141. The current ASR will conclude during 2015 with the completion of the new Southern General Hospital project. The board has established a small development group with the aim of developing a single framework for a revised acute services strategy that focuses on shifting the balance of care and re-assesses the use of new estate against updated performance and clinical benchmarks.

Performance

142. A set of quality indicators will be developed to ensure that quality has a high profile in the board's new governance and committee arrangements, with regular reporting on key indicators.

143. Over recent years the board has invested substantial resources in order to achieve challenging performance targets set by the Scottish Government. The board's 2011/12 Financial Plan assumes that it will require to deploy an additional £2 million funding to meet the national access targets. The significant financial challenges that will be faced in 2011/12 and beyond may force the board to prioritise its resources. This will make maintaining or improving performance even more challenging.

Risk Area 6

People Management

144. As with other NHS Scotland bodies, NHSGGC will find it a challenge to achieve the sickness absence target of 4% during 2011/12.

Risk Area 7

Appendix A: audit reports

External audit reports and audit opinions issued for 2010/11

Title of report or opinion	Date of issue	Date presented to Audit Committee
Internal Audit Reliance Letter	30 November 2010	25 January 2011
Annual Audit Plan	18 January 2011	25 January 2011
Review of staff earning over £100,000 p.a.	29 March 2011	29 March 2011
Internal Controls Management Letter	26 May 2011	7 June 2011
Report to Audit Committee in terms of ISA 260	17 June 2011	21 June 2011
Independent auditor's report on the financial statements	17 June 2011	21 June 2011
Best Value: Information Management – Follow-up audit	20 May 2011	25 October 2011
Use of Consultancy services – Follow-up audit	18 July 2011 (Draft)	25 October 2011
ICT – Programme Management Review	23 June 2011 (Draft)	25 October 2011
Improving Public Sector Purchasing – Follow-up audit	25 July 2011	25 October 2011
Annual report to members and AGS	26 July 2011	25 October 2011

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	21	**Equal Pay** NHS Greater Glasgow and Clyde as with other boards has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities will have a significant impact on the board's financial position**.**	The Board will continue to progress the equal pay claim through being led across NHS Scotland by the Equal Pay Unit and participate fully in this process. If and when the outcome of the litigation process becomes clearer, the potential risk to the Board's financial position will be assessed.	Director of Human Resources	On going
2	22	**Disposal of Woodilee Site** The board's balance sheet includes a debtor balance of £21.5 million in respect of the disposal of the Woodilee Hospital site. There is a risk that, given the current economic climate and the reduction in land values that the income due from the site may not be fully realised**.**	There is a legal payment structure in place with the consortium of developers and to date, a number of payments have been received by the Board in respect of the Woodilee site.	Director of Finance	On going
3	45 50 51	**2011/12 Savings Target** The board faces a wide range of financial challenges and there is a risk that it may not be able to make its savings target in 2011/12. The longer term financial plan remains at risk of not	The Board reports to SGHD monthly on the progress of the cost savings plan. The Corporate Management Team (CMT) meets monthly to review the plan to ensure that schemes remain on target. If existing schemes fall short of their planned savings, the CMT will	Director of Finance	On going

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		being affordable and is a significant challenge to the board moving forward.	agree supplementary schemes and/or additional management action to bring existing schemes back on track. The Board recognises that achievement of its cost savings target is crucial to the affordability of the financial plan. Financial Monitoring Reports are presented to meetings of the NHS Board and the Quality and Performance Committee.		
4	48	**Workforce Planning** It is likely that the board will require to reduce staff numbers in order to achieve its 2011/12 cost savings plan. There is a risk that this may result in key personnel leaving the board with a consequent loss of essential knowledge and experience.	The implementation of the Board's Workforce Plan will continue to be monitored by the Director of HR on a monthly basis ensuring that while the proposed reductions in workforce headcount and whole time equivalent are achieved, key vacancies are filled and staff are appropriately redeployed to maintain quality of services.	Director of Human Resources	On going
5	97	**Partnerships** During 2010/11 the board introduced revised arrangements for the delivery of NHS primary care and community care services within the Glasgow City boundary. The risk is that that these new partnership arrangements may take	The new CHP was established on November 2010 with a new governance structure including the CHP Committee which oversees the operation and performance of the CHP. A Joint Partnership Board has also been established with Glasgow City Council to oversee the budget and service planning process for joint services within	Director, Glasgow City CHP	On going

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		some time and development before they become effective.	the City. A number of joint planning groups have been established as part of the joint planning structure to ensure the effective development and implementation of joint strategies. An appointments process was quickly established for the senior management team in the CHP and the three sectors to ensure the continued delivery quality and quantity of patient care services and the successful disengagement of the joint arrangements with Glasgow City Council. The CHP has put in place a series of governance arrangements including prescribing, clinical governance, staff partnership and is working with Glasgow City Council to develop new policies and ways of working.		
6	143	**Performance Targets** The board's 2011/12 Financial Plan assumes that it will require to deploy an additional £2 million funding to meet the national access targets. There is a risk that the additional funding will be insufficient to meet the targets. There is also a	The Acute Division is sighted on this risk; a robust framework has been deployed across the Division, headed by the Chief Operating Officer, where capacity planning methodology will be central to our decision making re resource allocation. Significant effort is being deployed to achieve performance improvement	Chief Operating Officer	On going

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		risk that SGHD funding for access targets will reduced from the 2010/11 level.	through productivity and efficiency gains, as well as reduce duplication and waste. Particular emphasis has been placed on system oversight, and bringing clarity to the 18 week definition. Waiting Times and Access Targets Reports are received by the Corporate Management Team and by the NHS Board.		
7	144	**Sickness Absence** As with other NHS Scotland bodies, NHSGGC will find it a challenge to achieve the sickness absence target of 4%.	The Board will continue to implement its absence management policy, and staff health action plan, to seek to continue to reduce sickness absence. This will be monitored on a monthly basis and will continue to be a component of the Board's performance management process.	Director of Human Resources	On going