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Healthcare Improvement Scotland

Annual Report to Members and the Auditor General for Scotland

2011/12

June 2012

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Contents

The principal objective of our audit procedures is to enable us to express our opinion, in line with the requirements of the Audit Scotland Code of Audit Practice, on the financial statements as a whole. Our audit opinion does not guarantee that the financial statements are free from misstatement. Our audit responsibilities and their limitations are explained in our letter of appointment.

Any oral comments made in discussions with you relating to this report are not intended to have any greater significance than explanations of matters contained in the report. Any oral comments that we make do not constitute oral advice unless we confirm any such advice formally in writing.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks at Healthcare Improvement Scotland NHS Body or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

1. Executive Commentary

Introduction - Section 2

Our overall responsibility as external auditor of Healthcare Improvement Scotland is to undertake our audit in accordance with the principles contained in the Audit Scotland Code of Audit Practice ("the Code"), revised and published in May 2011. We have a dual reporting responsibility for the audit: to the Board Members of Healthcare Improvement Scotland and to the Auditor General for Scotland.

Financial Statements and Audit Opinions - Section 3

The financial statements of Healthcare Improvement Scotland for the year ended 31 March 2012 have been prepared to comply with accounting requirements contained in the NHS Board Accounts Manual for Directors' Report and Accounts of NHS Boards and for Scottish Financial Returns, and supplementary guidance, as issued by the Scottish Government Health and Social Care Directorates (SGHSCD) and approved by the Scottish Ministers. We are pleased to report that our opinion on the financial statements for the year ended 31 March 2012 is **unqualified**.

We also provide a view as to whether those parts of the Remuneration Report subject to audit have been properly prepared. Our opinion on the Remuneration Report is **unqualified**. Our audit opinion does not extend to any other part of the Directors' Report.

As a result of our work, we proposed a number of disclosure adjustments. All of these have been processed by management in the finalised version of the 2011/12 financial statements.

2011/12 Performance - Section 4

The 2011/12 financial plan set out the statutory obligation to achieve a break-even position, and was underpinned by a brought forward amount of £0.150 million to support the move to Gyle Square.

However, Healthcare Improvement Scotland recorded a range of underspends in-year across almost every area of the business, and these underspends were used to fund additional voluntary severance and supplement the delivery of the IT Strategy. In addition, a sum of £0.425 million was returned to the SGHSCD, resulting in a final reported surplus of £0.131 million.

As a result of these continued underspends, management engaged external consultants to review the reasons and make recommendations for resolution. The review highlighted a number of areas of good practice, it also raised some significant issues around ownership and accountability, competency and overall budget setting and monitoring.

Although an action plan has been drafted, it has yet to be finalised. We remain concerned around the magnitude of the change in culture required to resolve the issue, and it will require strong leadership, ownership and direction to achieve the (finalised) action plan. The recently appointed Head of Finance will be integral to the resolution of the issue.

Management have reported recurrent savings of £0.969 million (£0.974 in total) have been delivered for the year against a planned recurrent target of £0.906 million representing additional delivery of £0.063 million in year.

Looking Forward - 2012/13 - Section 5

The 2012/13 plan includes carry forward funding of £0.131 million and forecasts to use this funding non-recurrently in year to support the delivery of an overall break-even financial position.

The Healthcare Improvement Scotland's financial plan identifies the requirement to deliver recurring cash releasing efficiencies of £0.866 million to remain in recurring financial balance. However the Board agreed in October 2011 to set a more ambitious target of £1.700 million.

The Board should be commended for setting an ambitious savings target, and for identifying the areas across which the savings will be made. However, a more detailed analysis should be presented to the Board to enable Members to differentiate between an actual saving and a managed underspend.

In addition, an exercise to identify the risks around each savings scheme should be completed to enable both appropriate focus and relevant monitoring and action to be undertaken throughout the year.

Governance and Control - Section 6

We have assessed Healthcare Improvement Scotland's overall governance arrangements including a review of Board and key Committee structures and minutes, financial reporting to the Board, and risk management. We consider that appropriate arrangements and reporting appear to be in place. We have also considered key areas of risk to the Board including partnership working; service sustainability; performance management; and people management. Appropriate evidence of activity has been provided by Healthcare Improvement Scotland.

The Code of Audit Practice requires us to review and report on the health body's Annual Governance Statement. The health body has used the correct format for its Statement and has outlined the processes it had employed to identify and evaluate risks. In addition, key elements of Healthcare Improvement Scotland's control framework have been highlighted.

Based on our normal audit procedures, **we do not disagree** with the disclosures contained in the Statement.

2. Introduction

Purpose of this report

Our Annual Audit Report which follows is designed to set out the scope, nature and extent of our audit, and to summarise our opinion and conclusions on issues arising. Specifically this will direct your attention to matters of significance that have arisen out of the 2011/12 audit process and to confirm what action is planned by management to address the more significant matters identified for improvement.

Scope, nature and extent of our audit

Our overall responsibility as external auditor of the Board is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011. In this regard, the Code sets out the need for public sector audits to be planned and undertaken from a wider perspective than in the private sector involving not only assurance on the financial statements but also consideration of areas such as regularity, propriety, performance and the use of resources. It also sets out the need to recognise that the overall audit process is a co-ordinated approach involving the "appointed auditor", the Auditor General for Scotland and other auditors such as Audit Scotland's Health Performance and Public Reporting Group.

Our audit has been planned and conducted to take account of these wider perspectives. Under the requirements of International Standard on Auditing (UK and Ireland) ('ISA') 260 (revised and re-drafted): "Communication with those charged with governance", we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Report to Members, and our separate ('ISA') 260 (revised and re-drafted): "Communication with those charged with governance" together with previous reports to the Audit Committee throughout the year, discharges the requirements of ISA 260.

Acknowledgement

We would like to formally extend our thanks to Healthcare Improvement Scotland's managers and staff for the assistance they have given us during this year's audit process.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Appointed Auditor
141 Bothwell Street,
Glasgow
28 June 2012

3. Audit Opinion and Financial Statements

Audit Opinion

Our audit opinion concerns the true and fair statement of Healthcare Improvement Scotland's financial results for the year ended 31 March 2012 and the regularity of its income and expenditure for the year. We are pleased to report that our opinion on the true and fair view on the financial statements and on the regularity of income and expenditure is **unqualified**.

We also provide a view as to whether those parts of the Remuneration Report subject to audit have been properly prepared. Our opinion on the Remuneration Report is **unqualified**. Our audit opinion does not extend to any other part of the Directors' Report.

Audit Process

The financial statements and supporting schedules presented to us were satisfactory, although some were behind schedule. In particular, the preparation of the governance statement presented particular issues.

This resulted in a delayed audit and reporting process. We will seek a debrief meeting with management to agree improvements for the 2012/13 process.

Basis of Preparation

The financial statements were prepared in accordance with the accounting requirements contained in the NHS Board Accounts Manual for Directors' Report and Accounts of NHS Boards and for Scottish Financial Returns, and supplementary guidance, as issued by the Scottish Government Health and Social Care Directorates (SGHSCD) and approved by the Scottish Ministers.

Approval

The Financial Statements will be submitted to the Audit Committee on the 25 June 2012 and are to be approved and adopted at the Board meeting on 27 June 2012.

Unadjusted Misstatements

Under ISA 260 (revised and re-drafted) - "Communication of audit matters to those charged with governance", we are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those which we deem to be of a trivial nature.

As a result of our work, we proposed a number of financial and disclosure adjustments, all of which were accepted and processed by management in the finalised version of the 2011/12 financial statements.

4. 2011/12 Financial Position

NHS Body (2011/12)		£m
Recurring income	A	17.666*
Recurring expenditure	B	18.504
Recurring savings	C	0.969
Underlying recurring surplus/(deficit) (X)	***(A-B)+C=X***	**0.131**
Non-recurring income	D	2.656
Non-recurring expenditure	E	2.661
Non-recurring savings	F	0.005
Non-recurring surplus/(deficit) (Y)	***(D-E)+F=Y***	**0**
Financial surplus/(deficit)	***X+Y***	**0.131***
Underlying recurring surplus/(deficit) as a percentage of recurring income	***(X/A)*100***	**0.742%**

*Total surplus is as reported in the financial statements. £0.425 million had been returned to Scottish Government as a result of an underspend identified in the fourth quarter of 2011/12.

Confirmed on the 14th June 2012 by NHS Body Acting Head of Finance:

Performance against Key Financial Targets - Summary

Healthcare Improvement Scotland has achieved all of its financial targets in the year, as follows:

	Limit set by SGHSCD £m	Actual Outturn £m	Variance (over)/under £m
Revenue Resource Limit	20.322	20.191	0.131
Capital Resource Limit	0.345	0.338	0.007
Cash Requirement	21.000	20.537	0.463

Performance against Key Financial Targets - Revenue

The Finance Strategy and budget allocation proposals for 2011/12 were approved by the Board of Healthcare Improvement Scotland on the 27 April 2011. The 2011/12 Financial Plan set out the statutory obligation to achieve a break-even position, underpinned by a brought forward amount of £0.150 million to support the move to Gyle Square.

A formal mid-year review was completed based on the August 2011 outturn. This involved budget holders critically reviewing spend and making formal assessments of projected spend to the year end. The resultant projection was an underspend of just under £0.6m. These underspends were across almost every area of the business, with the common themes reported as " lower than anticipated spend on programme budgets and pay costs".

At the time of identification of these underspends, the Board accepted the recommendation to use these resource to fund additional voluntary severance and supplement the delivery of the IT strategy.

However, as the underspends indentified as part of the mid year review continued into the second half of the year, a sum of £0.425 million was returned to SGHSCD, resulting in a final out-turn of reported surplus of £0.131 million.

Performance against Key Financial Targets - Capital

In May 2012 the Board approved a three year capital plan for 2012/13 to 2014/15. This reflected the changing allocation of capital funding across the NHS in Scotland, with available funding being top sliced to those approved projects where a legal commitment already existed. The remainder of funding is now distributed through formula allocations as derived by the NHS Scotland Resource Allocation Committee.

Expenditure on 2011/12 schemes was £0.338 million, giving rise to an under spend of £0.007 million. The majority of this spend was incurred on the refurbishment of Delta House of £0.110 million and ICT Strategy expenditure of £0.228 million.

Savings Programme 2011/12

The 2011/12 CRES plan included a target of £0.906 million. Management have reported to the Board that recurrent savings of £0.969 million (£0.974 in total) have been delivered for the year against a planned target of £0.906 million representing additional delivery of £0.063 million in year.

It was recognised from the outset that the target represented a considerable challenge, as with approximately 60% of costs being pay related, this area had to be the source of the majority of the eventual cash efficiencies. The targeted savings and the year-end out-turn are detailed as follows;-

Efficiency Scheme	Target 2011/12 £'000	Outturn 2011/12 £'000	Excess £'000
Pay costs	750	764	14
Procurement costs	156	210	54
Total	906	974	68

As part of the budget exercise a number of vacant posts were identified throughout the organisation and a conscious decision was taken not to fill these during the course of the financial year unless a persuasive case could be made to depart from this position. In terms of the procurement savings, cost savings across a range of generic types of expense were identified, which included office supplies, cleaning services, events handling, consultancy and printing costs.

Detailed monitoring of all the efficiency schemes is carried out on an ongoing basis by the Efficiency Group, supported by the Senior Finance Team, to assess and highlight risks of CRES delivery.

Managing Financial Performance and Budgetary Control

Following the mid-year review, weakness were identified in financial management arrangements that impacted on Healthcare Improvement Scotland's ability to adhere to in-year financial targets, resulting in an increased projected underspend of £1.008 million.

As a result, the organisation engaged the Chartered Institute of Public Finance and Accountancy's (CIPFA) Consultancy to carry out an external assessment of the issues and to recommend amendments to controls and processes to help resolve the issue. The review focused on "Evaluating Budget Monitoring and Forecasting", and highlighted a number of areas of good practice. However, the report also identified a range of issues, such as;

- Lack of ownership and accountability for financial management within the Non Finance Community;
- Financial management competence gaps not clearly being identified and dealt with on a timely basis;
- Maximising budget utilisation is seen as more important than improving Value For Money;
- Undue reliance placed on finance team in supporting budget holders; and
- Budgets need better alignment with Business needs – more precision.

The report also concludes that "given the willingness of Healthcare Improvement Scotland to challenge its own financial management arrangements we are confident that the organisation can successfully meet these challenges." An action plan was included within the report, and a further report on the implementation of these actions is due to be considered by the Board on 27 June 2012.

Although an action plan has been drafted, it has yet to be finalised. We remain concerned around the magnitude of the change in culture required to resolve the issue, and it will require strong leadership, ownership and direction to achieve the (finalised) action plan. The recently appointed Head of Finance will be integral to the resolution of the issue.

Action 1

In addition, a revised framework has been developed to address concerns from Board and Committee members that the financial and performance reporting was not providing them with enough information at an appropriate level of detail to enable them to discharge their governance responsibilities. Appropriate implementation of this process will be essential to ensure that unanticipated budget variances do not occur late in future financial years.

5. Looking forward - 2012/13

NHS Body (2012/13)		£m
Recurring income	A	16.676
Recurring expenditure	B	18.246
Recurring savings	C	1.570
Underlying recurring surplus/(deficit) (X)	***(A-B)+C=X***	**0**
Non-recurring income	D	2.749
Non-recurring expenditure	E	2.879
Non-recurring savings	F	0.130
Non-recurring surplus/(deficit) (Y)	***(D-E)+F=Y***	**0**
Financial surplus/(deficit)	***X+Y***	**0**
Underlying recurring surplus/(deficit) as a percentage of recurring income	***(X/A)*100***	**0**

Confirmed on the 14th June 2012 by NHS Body Acting Head of Finance:

Financial Plan and Service Sustainability

In May 2012 the Board approved a three-year financial plan through to 2014-15, submitted to the SGHSCD with the Local Delivery Plan. The key element of the plan is to carry forward funding of £0.131 million from 2011/12 (refer above) into 2012/13 and is forecast to use this funding non-recurrently in year to support the delivery of an overall break-even financial position by the end of 2012/13.

The baseline Revenue Allocation uplift for 2012/13 has been confirmed by the Scottish Government at £0.139million (0.8%).

Savings Plans

The financial plan identifies the requirement to deliver recurring cash releasing efficiencies of £0.866 million to remain in recurring financial balance. However the Board agreed in October 2011 to set a more ambitious target of £1.700 million.

Key savings target areas for 2012/13 include:

Description	Recurring Savings £m
Pay	0.750
General Non-pay	0.150
Accommodation	0.200
Improvement on Allocation Assumptions	0.100
External Secondments & Fixed Term Appointments	0.250
Delivery Plan Disinvestment Plan	0.250
Total	**1.700**

The Health Body should be commended for setting an ambitious savings target, and for identifying the areas across which the savings will be made. However, a more detailed analysis should be presented to the Board to enable Members to differentiate between an actual saving and a managed underspend.

In addition, an exercise to identify the risks around each savings scheme should be completed to enable both appropriate focus and relevant monitoring and action to be undertaken throughout the year.

Action 2

Cost Pressures and Key Risks to Achieving Financial Balance

Healthcare Improvement Scotland has identified several key pressures and risks to the achievement of financial balance in-year, such as the revised organisational structure, preparation for the budget loading process and the move Gyle Square.

These will be monitored and reported throughout the year.

Capital

In line with the revised method of calculating capital allocations, and the resultant reductions in amounts available to NHS Boards, Healthcare Improvement Scotland is anticipating expenditure of £0.200 million in 2012/13.

6. Governance and Control

Overall Governance Arrangements

Committees

The established Committee framework at Healthcare Improvement Scotland remains in place, incorporating:

- Audit;
- Evidence, Improvement and Scrutiny;
- Executive Remuneration;
- Finance and Performance;
- Scottish Health Council; and
- Staff Governance.

Each of the Committees meets regularly and has at least one non-executive director present. Our audit work covering Governance highlighted that Committees were operating effectively with a suitable level of detailed information provided.

Executive Management

During 2011/12 there has been change in a number of key roles. This has been part of the organisation restructuring planned since the inception of the organisation in 2010/11, and has included a number of redundancies in the year under review. This applied to 25 members of staff and the costs highlighted in the accounts amount to £1.126 million.

There has been a new Director of Scrutiny and Assurance. The Head of Finance left office in October 2011, this role has been undertaken on an acting basis until the end of the financial year. This post has now been filled on a permanent basis.

Partnership Working and Shared Services

A key part of Healthcare Improvement Scotland's remit is to liaise with other Scottish Health Boards and Bodies. A number of reports have been issued in the year including:

- Healthcare Services for Patients with Learning Disabilities improvement work final report;
- Neurological Standards improvement work;
- Pre Joint Advisory Group (JAG); and
- Draft Healthcare Quality Standard.

Healthcare Improvement Scotland engages in SLAs with other NHS Boards and bodies including with NSS for shared Cedar e-financials systems and payroll services.

Annual Governance Statement

The Code of Audit Practice requires us to review and report on the Health Bodies Annual Governance Statement, this requirement replaces the Statement on Internal Control that has been previously required.

This is to align with the UK Corporate Governance Code, due to the timing of confirmation of the guidance in relation to the requirements NHS Boards have been permitted to explain any departures from the code as an interim measure in 2011/12.

Healthcare Improvement Scotland has used the correct format for its Statement and has outlined the processes it has employed to identify and evaluate risks. In addition, key elements of the Health Bodies control framework have been highlighted. Based on our normal audit procedures, we do not disagree with the disclosures contained in the Statement.

Systems of Internal Control

The results of our work on systems of internal control were communicated to the Audit Committee in our Interim Management Letter April 2012. The report contained four recommendations to improve controls, none of which were considered high risk. Management has completed an action plan detailing those individuals responsible for implementing our recommendations and the timetable for completion.

Follow up of outstanding recommendations

In 2010/11 it had been found that Healthcare Improvement Scotland needed to further strengthen a number of key areas of internal control which were commented on in the Statement on Internal Control. Management had committed to address these issues in 2011/12. Additional work had been undertaken with Internal Audit to address outstanding recommendations and will continue to be an area of focus in 2012/13. Control of budgetary processes remains a key priority which is highlighted by the return of allocated funding to Scottish Government within the year.

During the course of our audit work we followed up the Health Bodies progress in implementing recommendations made by the previous auditors. We have found that the prior recommendations have been superseded in the course of our audit work by those raised within our Interim Management Letter and ISA 260 report.

Information Technology General Controls

ISA (UK&I) 315.93 requires auditors to "... obtain an understanding of how the entity has responded to risks arising from IT". IT General Controls (ITGCs) are controls put in place by management to mitigate those risks. ITGCs help ensure the continued proper operation of information systems to maintain the integrity of information and security of data.

Several of the Health Bodies IT operations are outsourced to service organisations such as the NHS NSS. As a result, we are able to gain assurance over the General Ledger systems through the receipt and review of service organisation auditor reports, such as ISAE 3402. Our review of these reports did not uncover any instances whereby we were unable to place reliance upon the outsourced key financial systems. In other areas, we perform our own ITGC procedures.

From our own ITGC work, no specific control weaknesses were noted in respect of the Health Bodies IT control environment.

Internal Audit

The role of internal audit is determined by management and therefore its objectives differ from ours. Part of our overall audit approach involves gaining an understanding of the internal audit function to determine if it would be effective and efficient to use their work.

During 2011/12, the Health Body continued to have an in outsourced internal audit function provided by Scott Moncrieff. Internal audit have completed 14 reviews within the year, and have no remaining reviews that are currently work in progress.

We have gained an understanding of the work of internal audit. Internal Audit have found that they are able to provide reasonable assurance regarding the effective and efficient achievement of the organisation's objectives and the management of key risks which supports the Governance Statement with the information available from the work undertaken within Internal Audit.

National Fraud Initiative

The National Fraud Initiative (NFI) brings together data from health bodies, councils, police and fire rescue bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud.

Healthcare Improvement Scotland chose to investigate recommended matches. To 31 May 2012 all recommended matches had been reviewed to determine a suitable course of action and to investigate and conclude on the reason for the match. This includes reviewing payroll records, liaising with the Human Resources Department or other Boards and Local Authorities.

The majority of the matches Healthcare Improvement Scotland received related to employees working on multiple jobs.

As at 31 May 2012 no frauds have been identified through the 2011/12 NFI exercise.

In addition, Management reported to the Audit Committee that no frauds had been identified within Healthcare Improvement Scotland throughout the year under review.

Best Value

Audit Scotland continues to develop its approach to the audit of Best Value in the NHS. For 2011/12 auditors are required to be aware of the Best Value Toolkits developed by Audit Scotland, and use one or more toolkit(s) as appropriate in agreement with the NHS Board as set out in Audit Scotland's planning guidance. The selection of the toolkits for Healthcare Improvement Scotland has been based on an appropriate consideration of local circumstances. We have agreed with Management and the Audit Committee to make use of the Procurement toolkit in 2011/12.

The toolkits take the form of a series of key questions based on identified best practice. They set out four descriptors which capture levels of development or performance:

N	**Does not meet basic requirements**	An organisation may not yet demonstrate the basic practice level in any particular category.
B	**Basic practices**	Minimum acceptable standards, which would be sufficient to allow an organisation to demonstrate sound performance.
BE	**Better practices**	As basic, with some elements of good or even best practice, but not on a consistent basis.
A	**Advanced practices**	Consistently demonstrating good or best practice and contributing to innovation.

The toolkit aims to establish how each Board or Body has achieved the main objectives which are:

- Is there clear direction from the top with clear support for getting best value in procurement?
- Is there a clear, systematic, holistic and well-researched framework to guide the organisation's purchasing decisions?
- Can the organisation demonstrate a clear understanding of how it can best satisfy its core supply needs?
- Does the organisation manage its suppliers and contracts effectively?
- Does the organisation have efficient and robust processes and systems to support advanced procurement activity?

- Does the organisation have people with sufficient capability to ensure effective performance?
- Does the organisation have a sound approach to assessing and demonstrating its procurement performance?

In three of the seven modules of the Procurement Toolkit the Healthcare Improvement Scotland has been classified as performing at a "better level" of performance with the other areas being assessed as performing at the basic level.

Our full reporting on these areas will be presented at the September 2012 Audit Committee.

Audit Scotland Reports

Audit Scotland requires us to undertake reviews of the Board or Bodies responses to national reports. In 2011/12 the focus has been on:

- Scotland's Public Finances 2 – Addressing the Challenges.

The report has been reviewed by either the Board or Body and/or Audit Committee and where relevant other sub committees of the Board.

An self assessment has been undertaken to take forward the necessary actions. Review of key risks is a standing agenda items for the Executive and Governance Committee meetings.

Role of Boards

The Role of the Boards was published by the Auditor General in September 2010. The report covered central government bodies (executive NDPBs, executive agencies, non-ministerial departments and Scottish Water), NHS bodies and colleges. It examined:

- the system of accountability of Scottish public bodies and colleges;
- the public appointments system; and
- the performance of Boards.

The report stated that the appointments process for non-executives is improving but there are still weaknesses. The length of time it can take to make an appointment remains too long and there has been mixed progress in widening the diversity of applicants to become non-executives.

Our work focused on the progress that Healthcare Improvement Scotland has made in seeking to improve the performance and operation of its board in particular:

- How effective is the board and is it seeking to continuously improve its performance and ways of operating; and
- How is the Board ensuring that it has the skills and expertise to enable it to perform effectively.

Our full reporting on these areas will be presented at the September 2012 Audit Committee.

Equal Pay

The National Health Service in Scotland has received a number of claims for equal pay including related back pay. The NHS Central Legal Office (CLO) has been instructed by the Management Steering Group of NHS Scotland in this regard and is co-ordinating the legal response of NHS Scotland to this issue. We have confirmed with CLO that no other grievances or tribunals are outstanding against the Body.

Sickness Absence

Healthcare Improvement Scotland has reported a sickness absence rate of 2.85% in 2011/12, whilst this is deterioration from the 2010/11 position (2.70%) this is currently outperforming the external target of 4%.

Appendices

Action Plan

Ref	Recommendation	Management Response
1	As a result of continued underspends, management engaged external consultants to review the reasons and make recommendations for resolution. The review highlighted a number of areas of good practice, however, raised some significant issues around ownership and accountability, competency and overall budget setting and monitoring. Although an action plan has been drafted, it has yet to be finalised. We remain concerned around the magnitude of the change in culture required to resolve the issue, and it will require strong leadership, ownership and direction to achieve the (finalised) action plan. The recently appointed Head of Finance will be integral to the resolution of the issue.	The CIPFA report recommendations, action plan and revised internal controls were approved by the Finance & Performance Committee on 23 May 2012 and an update will be considered by the Board on 27 June 2012. Workshops are proposed for July 2012. **Responsible Officer:** Acting Head of Finance **Due Date:** 27 June 2012 with regular position statements thereafter.
2	The Board should be commended for setting an ambitious savings target, and for identifying the areas across which the savings will be made. However, a more detailed analysis should be presented to the Board to enable Members to differentiate between an actual saving and a managed underspend. In addition, an exercise to identify the risks around each savings scheme should be completed to enable both appropriate focus and relevant monitoring and action to be undertaken throughout the year.	Whilst a saving may contribute towards an under spend the converse does not automatically score as a saving. This approach was adopted in 2011/12 and will continue to be followed in 2012/13. Action is currently being taken to reassess the levels of efficiency savings achieved and to evaluate the level of risk associated with each savings target. **Responsible Officer:** Acting Head of Finance **Due Date:** Ongoing