

NHS Fife

Annual report on the 2011/12 audit



Prepared for NHS Fife and the Auditor General for Scotland
July 2012

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Key messages

2011/12

The Scottish public sector faces significant challenges in balancing budgets while also delivering on its commitments. In 2011/12 we assessed the key strategic and financial risks being faced by NHS Fife. 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 financial statements of NHS Fife for 2011/12. We also concluded that in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance issued by Scottish Ministers.

The board achieved its financial targets in 2011/12 and returned a saving against its total Revenue Resource Limit of £0.348 million as at 31 March 2012. In achieving this saving the board fully achieved its 2011/12 planned savings total of £15.212 million, although over £6.5 million of these savings were achieved on a non-recurrent basis. The board also received £1.110 million of financial support from the Scottish Government Health and Social Care Directorates (SGHSCD) during 2011/12 to support the achievement of financial balance in 2011/12. These monies were advance allocations of 2012/13 monies by the SGCSHD and as a result, NHS Fife has been required to adjust their 2012/13 financial plans to account for the impact of the advanced sums. Overall, the board recorded an underlying deficit of £4.02 million in 2011/12, representing the excess of recurring expenditure commitments over recurrent funding. This represents an additional cost challenge for the board to manage in 2012/13.

Overall, we have concluded that the Board's governance arrangements in 2011/12 were soundly based and operated effectively. The board also has a strong internal audit function and good anti-fraud arrangements. We reviewed high level controls in key financial systems and our overall conclusion was that NHS Fife had adequate systems of internal financial control in place in 2011/12. We identified some areas where controls could be strengthened and agreed an action plan of improvements with management.

The board has a well developed framework in place for monitoring and reporting performance. In 2011/12 the board has 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.

The board has arrangements in place to consider national performance reports issued by Audit Scotland, with local action plans developed to address any recommendations for improvement and monitored by the Senior Management Team.

During 2011/12 NHS Fife approved an updated Best Value framework to provide assurance to the Accountable Officer that arrangements are in place to secure Best Value. The Framework attached responsibility to the Board and to standing committees for specific aspects of the best value duty. As part of this approach, each standing committee provided the Board with assurance that the best value duty had been fulfilled for the characteristic for which they had been assigned responsibility.

Outlook

The position going forward is becoming even more challenging than previous years with limited increases in funding, increasing cost pressures in respect of prescribing growth and utility costs, and challenging savings targets. To achieve continuing financial balance the board's cost savings plan for 2012/13 has identified £17.5 million of savings and includes £7.4 million of non-recurring savings. This will represent a major challenge to the board and expenditure during the year will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage.

The significant financial challenges that the board will face in 2012/13 and beyond will require the board to prioritise further its use of resources. This will make maintaining or improving on the performance targets set by the Scottish Government even more challenging.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of NHS Fife (also known as Fife Health Board). The nature and scope of the audit were outlined in the Audit Plan presented to the Audit Committee in January 2012 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is 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 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 NHS Fife.
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 NHS Fife 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 financial 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, governance statement 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 in that the financial statements of NHS Fife for 2011/12 give a true and fair view of the state of the body's affairs and of its net operating cost for the year.
11. NHS Fife is required to follow the 2011/12 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 governance statement 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 income 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 4 May 2012 supported by a working papers package. The overall good standard of the supporting papers allowed us to

conclude our audit within the agreed timetable and provide our proposed opinion to the Audit Committee on 20 June 2012, as outlined in our Annual Audit Plan.

15. A number of presentational and monetary issues were identified during the audit and all but one was adjusted for. These adjustments did not result in any amendments to the balance on the Statement of Comprehensive Net Expenditure or to the Balance Sheet totals. The unadjusted sum would have resulted in an increase of £30k in the savings on the core revenue resource limit and an equivalent reduction in the savings on the non-core revenue resource limit, however the sum is considered to be immaterial to the accounts as a whole and would not affect the overall outturn position.
16. As required by auditing standards we reported to the Audit Committee on 20 June 2012, the main issues arising from our audit of the financial statements. 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 as at 31 March 2012, 524 of these relate to NHS Fife. 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 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 NHS Scotland 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 2011/12. 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 2011/12 financial statements of affected NHS boards.
20. We continue to strongly encourage NHS Fife management, working with Scottish Government Health and Social Care 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. There is a risk that these liabilities could have an impact on the board's financial position.

Risk Area 1

Statement of Cash Flows

21. A significant change was reflected in the Statement of Cash Flows since the initial unaudited financial statements were prepared. The unaudited statements included Private Finance

Initiative (PFI) transactions under 'purchase of property, plant and equipment' totalling £191million and 'capital element of payments in respect of finance lease and on balance sheet PFI contracts' totalling £156 million, a net sum of £35 million, which were not cash transactions and therefore should not have been included in the Statement of Cash Flows.

22. This presentation arose solely as a result of the mechanics of the template provided by the Scottish Government Health and Social Care Directorates (SGHSCD). However, the mechanics of the template do not meet proper accounting practice in this respect and therefore these sums were removed from the Statement of Cash Flows with a corresponding adjustment of £35 million made in the Statement to the 'adjustments for non-cash transactions'. This had no impact on the net cash figure of £0.5 million reported in the Statement of Cash Flows.

Other Matters

Prior Year Adjustments

23. The 2011/12 FReM required boards to change the accounting treatment for donated assets which led to the removal of the donated asset reserve from their accounts. This requirement was a change in accounting policy which was reflected in the financial statements of NHS Fife with appropriate amendments made to prior year statements. The net effect of the adjustment in 2010/11 was to increase net operating costs by £0.07 million.

Outlook

Endowments

24. As a result of an agreed derogation from the FReM NHS Scotland boards were not required to consolidate endowment funds within their 2011/12 financial statements, in terms of *IAS 27, Consolidated and Separate Financial Statements*. The Treasury and Scottish Government have delayed the consolidation of NHS Endowment Funds until financial year 2013/14.

Financial position

25. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
26. 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.
27. 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 2012

28. NHS Fife is required to work within the resource limits and cash requirement set by the Scottish Government Health and Social Care Directorates (SGHSCD). The SGHSCD has required NHS boards to differentiate between core and non-core expenditure for both revenue and capital.
29. Subject to the matter noted at paragraph 15 above, the board achieved its financial targets in 2011/12 as outlined in Table 1 below:

Table 1: 2011/12 Financial Targets Performance £'000s

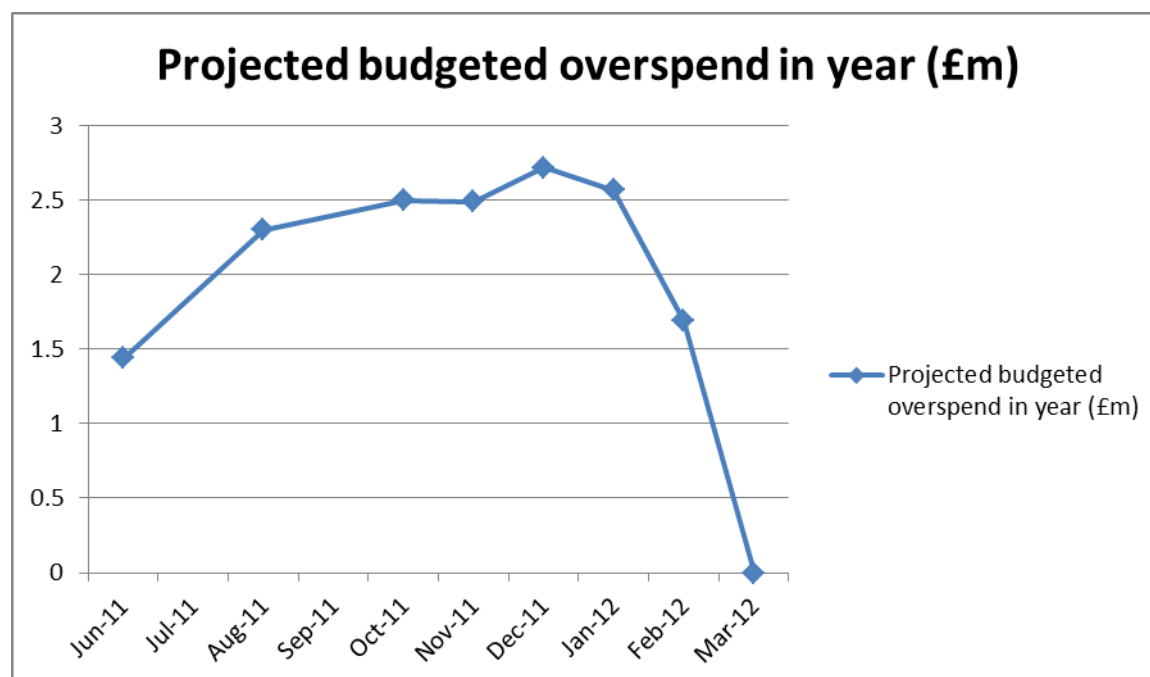
Financial Target	Target	Actual	Variance
Revenue Resource			
Core	556,155	555,808	347
Non Core	51,351	51,350	1
Net revenue resource outturn			348
Capital resource			
Core	22,340	22,337	3
Non Core	191,349	191,349	-
Cash position			
Cash requirement	630,000	629,838	162

30. The board has achieved a cumulative surplus of £0.35 million compared to a planned breakeven position. The current year's surplus was achieved through a combination of recurring and non-recurring funding. Historically, boards have relied upon a measure of non-recurring funding to achieve financial targets. However, due to the one-off nature of this type of funding, tighter financial settlements 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.
31. In 2011/12 the board recorded an underlying deficit of £4.02 million (0.71% of recurring expenditure) which represented the excess of recurring expenditure commitments over recurrent funding carried forward into 2011/12. This represents an additional cost challenge for the board to manage in 2012/13.

Budgetary Control

32. The financial position was regularly monitored and reported to the board throughout the year. Table 2 below demonstrates the financial performance against break even for the year. While overspends were reported during the year, rising to £2.72 million in December 2011, a break even position was achieved by the year end.

Table 2: NHS Fife Financial Position



33. The improvement in financial performance after December 2011 was a result of a combination of financial recovery actions taken by NHS Fife and additional support provided by the SGHSCD in the form of advanced allocations of 2012/13 monies. As a result, NHS Fife has been required to adjust their 2012/13 financial plans to account for the impact of the advanced sums.

Capital Resource Limit

34. The board underspent against its total Capital Resource Limit (CRL) in 2011/12 with total capital expenditure of £213.686 million. The total capital allocation was made up of £22.340 million of core capital allocations and £191.349 million of non-core capital allocations. The non-core allocation of £191.349 million relates wholly to the new Victoria Hospital, the final phase of which was brought on to the board's balance sheet during 2011/12.
35. NHS Fife has two Public Finance Initiative commitments, which are disclosed in Note 23b in the accounts. These commitments are reported on balance sheet at a combined capital value of £193.6 million, with the first contract having commenced in July 2009 for St. Andrew's Community Hospital and the second in October 2011 for the major extension at the Victoria Hospital site in Kirkcaldy. The term for both contracts is 30 years from the date of commencement and the associated recurrent revenue cost of these schemes is £20.67 million, with a total future commitment recorded in the balance sheet of £187.3 million (£30.4 million for St Andrew's Community Hospital and £156.9 million for the new facilities at the Victoria Hospital).

Financial planning to support priority setting and cost reductions

36. 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 2.15% while the baseline revenue funding uplift for 2011/12 was 1.1% (after adjusting for the loss of prescription income and the introduction of the Change Fund). This pattern has continued into 2012/13, with the board's baseline revenue funding uplift being confirmed as 1%. After taking account of earmarked recurring funding, (for example NRAC parity funding of £4.028 million and access support and change fund of £5.337 million), NHS Fife has received a funding uplift of £14.43 million (2.77%) for 2012/13.
37. Looking forward, indications are that funding uplifts are likely to be around 2.76% in 2013/14 and 2.69% in 2014/15. However, given the current economic conditions and the impact of national spending priorities, there is also a risk that these pressures will have a significant impact on long term financial planning and the control of pay and non-pay costs.
38. The board plans to break even in 2012/13, although it is facing significant cost pressures through growth in prescribing costs, increases in workforce costs and other non-pay costs. The board's ability to achieve financial balance is again largely dependent on it successfully developing and implementing a comprehensive cost savings plan. There is currently a funding shortfall of some £17.52 million which will require to be met through the achievement of efficiency savings, which is the equivalent to 3.4% of the board's baseline revenue allocation.
39. It has been estimated that the majority of the savings will be achieved through reductions in general prescribing costs (£5.1 million), support services costs (£6.3 million), clinical productivity (£3.3 million), and workforce costs (£1.4 million). Progress against the savings

targets will continue to be monitored by the Finance and Resources committee and the Board on a regular basis.

40. All additional expenditure will require to be met from the board's existing resource and as a result any significant fluctuations in these costs will present a major challenge to NHS Fife achieving financial balance for the coming year.
41. The delivery of the cost savings plan in 2012/13 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.

Risk Area 2

Outlook

Significant financial risks beyond 2012/13

42. The board's 2012/13 financial plan indicates that the board will be required to achieve cash savings of over £27.5 million in the period 2013-17 in order to achieve financial balance. The majority of the cost savings in each year are expected to be generated from recurring sources, although each year an estimate of the non-recurring element of savings is also included. These levels of savings will be extremely challenging as many of the readily achievable savings initiatives will have been identified in previous years.
43. Furthermore the financial plan assumes that future total 'notional' funding uplifts will be 2.76% and 2.69% for 2013/14 and 2014/15, followed by anticipated 1% uplifts for both 2015/16 and 2016/17. This combined with growing cost pressures, will make the delivery of cost savings even more important.

Risk Area 2

Pension costs

44. 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 2011/12 accounts.
45. 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. Periodic actuarial valuations are key to determining the adequacy of employer and employee contributions to the Scheme and publication of the latest actuarial valuation will bring clarity as to the adequacy of current contributions to meet future commitments.

46. As the net liability figure for the Scheme, as disclosed in Note 23, is out of date, there is a risk that the level of contributions will not be adequate to meet the future commitments of the Scheme.

Risk Area 3

Governance and accountability

47. 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.
48. 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.
49. 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.
50. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

51. The corporate governance framework within NHS Fife is centred on the Board which is supported by a number of standing committees that are accountable to it.
- Audit
 - Community Health Partnership (3)
 - Finance & Resources
 - Health & Social Care Partnership
 - Operational Divisional
 - Pharmacy Practices
 - Primary Medical Services
 - Fife and Forth Valley Research Ethics
 - Clinical Governance
 - Staff Governance
 - Service Redesign
 - Patient Focus and Public Involvement
 - Health and Safety Governance
 - Endowments
 - Remuneration
52. The NHS Fife Chairman and the Chief Executive as Accountable Officer are key members of the Board. Mr George Brechin, the existing Chief Executive retired on 31 March 2012 and he

was replaced on 1 April 2012 by John Wilson, the former Depute Chief Executive. At the same time the appointment of the NHS Fife Chairman, Professor James McGoldrick, was extended for one year and will now run to April 2013. This will assist a smooth transition for the newly appointed Chief Executive.

53. *The Role of Boards* – A follow-up audit was carried out by local auditors in 2011/12 to assess the progress that has been made to improve the performance and operation of NHS boards against the recommendations made in Audit Scotland's national performance report 'The Role of Boards' (September 2010).
54. In carrying out the study at NHS Fife, a checklist based on the key issues identified in the national report was used. The board has made good progress in implementing the recommendations outlined in the national report and we are satisfied that the board is committed to achieving improvements in its performance. There are some areas which continue to be developed and we shall continue to monitor their progress.
55. Overall, the board's governance arrangements in 2011/12 were soundly based and operated effectively.

Patient safety and clinical governance

56. Patient safety is at the heart of clinical governance and risk management and a number of national arrangements and initiatives are in place to assist Boards in this area. NHS Healthcare Improvement Scotland (NHS HIS) has lead responsibility for reviewing boards' performance in relation to patient safety, and for working with boards to improve patient safety. The remit of the Healthcare Environment Inspectorate (part of HIS) is to reduce the risk of healthcare acquired infections (HAIs) in acute hospitals through assessment, inspection and reporting of boards' performance against HAI standards.
57. The Healthcare Environment Inspectorate (HEI) carried out two unannounced inspection visits in 2011/12, one to Victoria Hospital in April 2011 and one to Queen Margaret Hospital in September 2011. The results of both inspections reflected that NHS Fife is working to comply with the national HAI standards. Some areas were identified for improvement and action plans have been put in place to address any issues raised.
58. NHS Fife is continuing to make progress in implementing the Scottish Patient Safety Programme (SPSP). NHS Fife has implemented many of the SPSP measures throughout the Operational Division and the Community Health Partnerships now provide reports to the Patient Safety Implementation Group of their progress in this area. Sustained improvement has been achieved and work is continuing in this area.
59. Infection prevention and control expertise is provided across NHS Fife by a team consisting of specialist infection control nurses and infection control doctors which contributes to meeting the HEAT targets to reduce HAIs by March 2013. Two targets have been set: to reduce staphylococcus aureus bacteraemia (SAB) cases (including MRSA) to 0.26 or less per 1,000 acute occupied bed days by March 2013; and to reduce Clostridium difficile infections (CDI) in patients 65 and over to 0.39 cases or less per total occupied bed days by March 2013.

60. Whilst the numbers of SAB cases are decreasing (for the year ending March 2012 there were 0.41 cases per 1,000 acute occupied bed days) the board has recognised that there is a high risk that the March 2013 target will not be met. For CDI infections however the rate for Fife was 0.22 cases per 1,000 Occupied Bed Days demonstrating that the board is well on target to meet the March 2013 target.

Partnership Working

61. 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.
62. A joint Fife Health and Social Care Partnership Group has been established with Fife Council to manage and develop health and social care services in Fife. The group also includes two co-opted members from the voluntary sector. The partnership group has approved a Service Delivery Plan for 2012-15 which sets out the key principles and priorities for delivering joined up services.
63. NHS Fife already has an established Community Health Partnerships (CHPs) framework for providing care and public health services in a local setting to meet the needs of the local population. It is also the intention that CHPs will contribute to one of the key principles set out in the Scottish Government's Better Health, Better Care publication which emphasises the need for 'ensuring better, local and faster access to health care'. Each of NHS Fife's CHPs has a committee and a well established governance structure.
64. Partnership developments are evolving at a national level, and the Scottish Government's plans for integrating health and social care are discussed in the Outlook section in our report. In the interim, the risk remains that there may be tensions amongst the partners due to, for example, the differing legislative and governance bases of the partners, the willingness of partners to contribute and the availability of funds. There is evidence however, that NHS Fife and its partners aim to work together to provide better health and social care services for the people of Fife.

Internal control

65. 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.
66. 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 2011/12 Fife, Tayside and Forth Valley Audit and Management Services (FTF), the board's internal auditors, provided their opinion that the Board has adequate and effective internal controls in place and the Accountable Officer has implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of his role.

67. As part of our audit we reviewed the high level controls in a number of NHS Fife systems that impact on the financial statements. This audit work covered a number of areas including cash income and banking, trade payables, trade receivables, capital accounting, family health services, payroll and general ledger. Our overall conclusion was that NHS Fife had adequate systems of internal control in place in 2011/12. 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.
68. With the development of shared services in NHS Scotland, there are a number of systems where NHS Fife is dependent on another NHS body for provision of services. NHS National Services Scotland (NSS) provides the following services:
- practitioner services
 - national information management and technology.
69. In accordance with International Standard on Assurance Engagement 3402 (ISAE3402), which replaced Statement on Auditing Standard No 70, NHS NSS has commissioned service auditors to provide independent assurance that the key controls and processes operate satisfactorily to support defined key objectives. All opinions from service auditors were unqualified for the year 2011/12. Management should continue to work closely with NSS to ensure adequate resolution of the few matters identified for improvement.

Internal Audit

70. 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 internal audit in January 2012 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. We placed reliance on internal audit work in a number of areas in relation to 'financial processes compliance' and 'payroll (departmental processes)'. This not only avoided duplication of effort but also enabled us to focus on other significant risks.

Governance Statement

71. The governance statement, provided by the board's Accountable Officer, reflects the main findings from both internal and external audit work, and highlights the process by which the accountable officer obtains assurances over the adequacy and effectiveness of the system of internal control. This is a new format of disclosure for 2011/12 as specified by the SGHSCD. The new format includes the requirement for an overt assurance that arrangements have been made to ensure best value.
72. The Governance Statement notes the ongoing work being undertaken on risk management, led by the Nurse Director. We have also identified this as an area where further improvement could be achieved in our report on '*The Role of Boards – A follow-up audit*'. We noted that internal audit had reported that although risk management arrangements are broadly satisfactory, they require further consideration in order to achieve compliance with Annex F of

the Audit Committee Handbook. Internal audit also noted that the Risk Management Strategy had not been formally approved by the Board, although it had been approved by relevant standing committees and the minutes of approval submitted to the Board.

- 73. Overall however, the board concluded that no significant control weaknesses or issues have arisen, that no significant failures have arisen in the expected standards for good governance, risk management and control, and that arrangements have been made to secure best value as set out in the Scottish Finance Manual.
- 74. Our audit has confirmed that we concur with this assessment.

ICT Service Review

- 75. Information and communications technology (ICT) based systems, supported by the board's Information Technology department, underpin all aspects of healthcare delivery throughout the board.
- 76. In 2009/10, the board self assessed its arrangements for ICT and prepared an action plan to implement improvements in the arrangements. As part of our 2011/12 audit we have reviewed developments since the action plan was prepared.
- 77. The board has an Information Strategy which is underpinned by key policies and which aims to provide a robust information framework within NHS Fife. Under this strategy, NHS Fife has developed an Information Governance (IG) Workplan 2011-16.
- 78. The workplan has been developed from NHS Fife's work on the national IG framework. The framework includes an IG toolkit, which enables boards to measure compliance with a range of information handling requirements. The 2009/10 ICT action plan has been subsumed into the ongoing work in this area.
- 79. The annual self assessment against the toolkit requires to be returned to the NHS National Service Scotland's Information Services Division (NSS/ISD). The return for 2011/12 reflects an assessment score of 84.3% which is classified as overall 'satisfactory'. However, this is a significant improvement on the prior year, where the score was 76.4%, and within the assessment in six of the ten assessment areas, the board is assessed at the top ranking of 'good' (the remaining four areas are 'satisfactory').
- 80. The work undertaken to date provides a solid foundation for further improvement in IG within the board. The IG workplan and toolkit is regularly monitored by management and progress reported to the Clinical Governance Group, with the emphasis now turning to development and education of staff.

Use of Government Procurement Cards and Other Credit Cards

- 81. Across the public sector government procurement cards have been used to reduce the costs relating to the purchase of small items and some internet based purchases where a credit card is the most effective way of making payment. A recent significant fraud, in another public

body, which in part resulted from misuse of the government procurement card highlighted that bodies need to ensure that their processes for the use of these cards are fit for purpose.

82. From a high level review of the use of such cards we found that the only procurement cards used by the board in 2011/12 were fuel cards, which were used to purchase fuel to the value of £0.23 million. Our review included an assessment of the adequacy of the internal controls in operation over the use of fuel cards. No significant issues were identified in our review and we concluded that the controls were operating satisfactory.

Prevention and detection of fraud and irregularities

83. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
84. NHS Fife has a range of measures in place to prevent and detect fraud, including Standing Financial Instructions; Financial Operating Procedures, which includes an Anti-Fraud, Theft and Corruption Policy; and a Management of Employee Conduct Policy that are available to staff via the intranet and the board website. The board has entered also into a formal partnership agreement with NHSScotland Counter Fraud Services (CFS) and a Fraud Liaison Officer is in place to ensure reports are circulated to appropriate managers and to the Audit Committee.
85. 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.
86. We have concluded that the board's arrangements are adequate in relation to the prevention and detection of fraud and irregularities, although it should be noted that no system can eliminate the risk of fraud entirely.

NFI in Scotland

87. NHS Fife participates in the National Fraud Initiative (NFI). It uses computerised techniques to compare information held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. The SGHSCD and NHS Counter Fraud Services have strongly supported the involvement of health bodies in the exercise, which is undertaken as part of the audits of the participating bodies.
88. NFI allows public bodies to investigate these matches and, if fraud or error has taken place, to stop payments 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. The most recent data matching exercise collected data from participants in October 2010 with follow up matches being undertaken thereafter. The outgoing auditors, based on the 2010/11 exercise, concluded that the board's arrangements have been adequate.
90. The Assistant Director of Finance (Financial Services), is the nominated contact officer for NFI at NHS Fife, and has invited us to attend the meetings of the project board which is in place to manage the NFI process. We look forward to participating in these meetings.
91. The national report published in May 2012 noted that savings of £14.1 million had been directly identified from the 2010/11 investigations. The report includes a self-appraisal checklist which we recommend is considered by NHS Fife prior to commencing the next NFI round.
92. The next round of NFI is due to commence in June 2012 and will look to expand the range of data sets and bodies. Participants should now be preparing for the 2012/13 exercise where data will be requested by October 2012.

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

93. 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. Auditors consider whether bodies have adequate arrangements in place.
94. NHS Fife has as part of its Code of Corporate Governance a Standard of Business Conduct for board members and staff. We have concluded that the arrangements in NHS Fife are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Outlook

Partnership Working

95. This is a developing area at a national level. In December 2011 the Cabinet Secretary for Health and Wellbeing announced the Scottish Government's plans to integrate adult health and social care across local government and the NHS. The main proposals are:
 - Community Health Partnerships will be replaced by Health and Social Care Partnerships (HSCPs). The partnership will be the joint responsibility of the NHS and local authorities, and will work with the third and independent sectors
 - HSCPs will be accountable to Ministers, leaders of local authorities and the public for delivering new nationally agreed outcomes. These will initially focus on improving older people's care
 - NHS Boards and local authorities will be required to produce integrated budgets for older people's services

- The role of clinicians and social care professionals in the planning of services for older people will be strengthened.
96. A smaller proportion of resources, money and staff, will be directed towards institutional care and more resources will be invested in community provision. The Scottish Government launched a consultation on the integration of adult health and social care on 8 May 2012. The consultation sets out proposals to inform and change the way that the NHS and Local Authorities work together and in partnership with the third and independent sectors. The board recognise that the agreement of joint business and service priorities is essential to implementing these changes.
97. An update report to the Board in June noted that in Fife a partnership approach is being taken to develop proposals to establish the Health and Social Care Partnership arrangement. A project management arrangement, led by the Chief Executives of Fife Council and NHS Fife has been established to deliver the new partnership. The intention is to establish a partnership vehicle to improve and reform ways of working across health and social care, as opposed to an exercise in structural change. Although the consultation period does not end until September, the intention in Fife is to do as much as possible in step with national guidance as it develops. We will monitor progress in this area.

NHS Waiting Times

98. The Auditor General has asked Audit Scotland to examine the use of patient unavailability codes in the management of NHS waiting times. This follows the recent critical review into NHS Lothian's reported misuse of patient unavailability codes and recognises the importance of this for patients and the public and the need for independent assurance.
99. Audit Scotland will look at how these codes were being used by health boards in Scotland during the past year. Audit Scotland will prepare a report on its findings which the Auditor General will present to Parliament after its summer 2012 recess. In addition, boards' internal auditors have been requested by the SGHSCD to carry out a review of waiting times as part of their 2012/13 internal audit plans. The results of this work are to be reported by 17 December 2012.

Best Value, use of resources and performance

100. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
101. 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.
102. 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.
103. 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.
104. 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.
105. This section includes a commentary on the Best Value / performance management arrangements within NHS Fife. We also note any headline performance outcomes / measures used by NHS Fife and any comment on any relevant national reports and the board's response to these.

Management arrangements

Best Value

106. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The guidance, in essence, requires public bodies to take a systematic approach to self-evaluation and continuous improvement and identifies the themes which an organisation needs to focus on in order to deliver the duty of best value. The guidance notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

107. NHS Fife is committed to the principles of best value and continuous improvement. In their annual internal audit report, FTF assessed NHS Fife's best value arrangements as 'good' (their highest rating). This assessment reflected the revised Best Value Framework approved by the Audit Committee in September 2011, which fundamentally mirrors the national guidance.
108. The framework includes a self assessment process where each standing committee of the board prepares an Annual Statement of Assurance on the achievement of best value during 2011/12. These statements were considered by the Audit Committee prior to approving the 2011/12 financial statements.
109. We will continue to monitor the board's arrangements for demonstrating its commitment to Best Value and continuous improvement.

Best value audit toolkits

110. A key element of Audit Scotland's approach to the audit best value in the public sector is the use of audit toolkits which cover the fundamental principles of best value. NHS Fife has been proactive in assessing its performance against the best value toolkits. In addition to the studies undertaken by the previous external auditors, NHS Fife has self-assessed its arrangements against a number of best value toolkits. Action plans have been prepared for each of the toolkits assessed, where appropriate, and progress against the plans is monitored by management and reported to the Finance and Resources Committee.
111. As part of our audit work for 2011/12, in agreement with management, we have followed up the action taken by NHS Fife in response to the action plans created following the work undertaken on the following best value toolkits:
- Information management
 - Asset management
 - Community engagement.

Best value toolkit: information management

112. Our follow up work on information management confirmed that good progress had been made. The details of our follow up work have already been reported at paragraphs 76 - 81 above.

Best value toolkit: asset management

113. The asset management toolkit was considered by NHS Fife as part of a self-assessment exercise. This resulted in the production of an action plan, which included a recommendation to develop an overarching Property and Asset Management Strategy (PAMS) for NHS Fife. During 2011/12 NHS Fife prepared a draft PAMS, which incorporated relevant actions from the asset management action plan.
114. The Annual Internal Audit Report notes that the draft PAMS was submitted to the Scottish Government after 31 March 2012, but that the PAMS had not been formally approved at a meeting of the Board. As a result NHS Fife had not met the requirements of Chief Executive

Letter CEL 35 (2010) and its associated guidance, which states that "all NHS Scotland bodies must have a Property and Asset Management Strategy which is reviewed and approved by the Board annually".

115. The draft PAMS has been updated in 2012/13 and has been submitted to the Scottish Government. The proposed final version was considered by the Senior Management Team on 14 May 2012, where it was requested that it be revised and presented back to the SMT before it is submitted to the Board for approval in line with CEL 35. We will continue to monitor progress in this area.

Best value toolkit: community engagement

116. NHS Fife has good underpinning processes in place in respect of community engagement, supported by an established and developed engagement framework. In February 2010 the Scottish Government issued CEL 4 (2010) Informing, Engaging and Consulting People in Developing Health and Community Care Services. In response to CEL 4 (2010), NHS Fife developed guidance for staff on involving people and this has been made available across the organisation.
117. NHS Fife has a Patient Focus and Public Involvement Committee as one of the standing committees which reports directly to the Board. Its purpose is to provide the Board with the assurance that: systems and processes are in place to enable the Board to meet its statutory requirements in relation to public involvement in the Board's decision-making process; the Board fulfils its duties in relation to equality and diversity; the principles and agreed standards of patient and public involvement are applied throughout NHS Fife and; a culture is promoted throughout NHS Fife where the patient experience and public involvement forms part of the day-to-day planning and delivery of services.
118. In 2010/11 Healthcare Improvement Scotland requested NHS Boards to assess their performance against the Scottish Health Council's Participation Standards. The Standards require robust governance arrangements for involving people in designing, developing and delivering healthcare services.
119. NHS Fife's self assessment of its governance arrangements, which was reviewed by the Scottish Health Council, reflects its placing in a four point scale (in development/ implementation/ evaluation/ improvement):
- Processes are in place to meet the participation agenda statutory requirements (evaluation)
 - Public views feed into governance and decision making arrangements (evaluation)
 - Processes have been developed to ensure participation is a core part of staff activity (implementation).
120. The self assessment shows that NHS Fife's governance arrangements are generally well placed against the Participation Standards, although some work is required to reach an improvement assessment for each standard. The Scottish Health Council's national report was published in April 2012 and NHS Fife is currently considering the practices in other

boards to inform its approach, as well as carrying out a mapping exercise of training across Fife. We will continue to monitor progress in this area during our audit appointment.

Service Redesign

121. A key element of NHS bodies' response to the need to deliver high quality services in a challenging financial environment is to focus on the design and sustainability of its services. There is evidence to demonstrate that NHS Fife is committed to a sustainable healthcare service that meets the needs of the community. The Board is managing service redesign through regular special meetings of the Strategic Management Team and the Service Redesign Committee, which in turn reports to the Board.
122. The redesign activities range between large scale programmes being managed by project boards to smaller scale initiatives being managed at a local level. The most significant programme of redesign at NHS Fife is the General Hospital and Maternity Service project, which saw the phased opening to patients of a new facility at the Victoria site, commencing in December 2011.
123. The NHS Fife Redesign Map and the Corporate Redesign Programme were developed during 2011/12 to capture the various redesign initiatives being undertaken across the organisation. The final Corporate Redesign Programme was presented to the Service Redesign Committee in April 2012 and showed the position for the 2011/12 projects and the projects continuing in 2012/13.
124. The terms of reference of the Service Redesign Committee and the Strategic Management Team (Redesign) were reviewed during 2011/12 to try to ensure redesign activity within NHS Fife is managed and governed appropriately. The Committee approved a revised terms of reference at its April 2012 meeting.
125. In September 2011 the Scottish Government published its second eHealth Strategy for NHS Scotland. Rather than focusing on products and technology, the strategy now sets out its vision in terms of the benefits and outcomes that will be experienced by the people of Scotland through service redesign and data quality improvements to be delivered by eHealth projects. NHS Fife submitted its 3-year eHealth Plan covering the period 2011– 2014 to the Scottish Government's eHealth Strategy Board for review and approval.
126. The final 2011/12 Balanced Scorecard update to the Board meeting in April 2012 notes that the clinical redesign local priority target is on track. It also notes that the 2012/13 improvement programme is in development, taking account of the establishment of a Programme Management Office and Quality Improvement Hub.
127. It is important that service redesign continues to be seen as an integral part of service delivery and not as an addition to what needs to be routinely delivered. However, redesign could become more difficult with the continual need to find efficiencies. Redesign could be viewed merely as a means to reduce costs and not as a means to provided appropriate services to patients. The demands on the health services such as an ageing population, patient and

political expectations presents an ongoing challenge to NHS Fife to ensure that long term service provision meets the needs of the population.

Performance management

128. The board has a well developed framework in place for monitoring and reporting performance. Its delivery and performance management arrangements are based on its Local Delivery Plan (LDP), which is structured around a hierarchy of four key ministerial objectives: health improvement, efficiency, access, and treatment (HEAT) and a range of supporting measures which links into the board's Balanced Scorecard.
129. Detailed performance information is presented regularly to the Board in a standard format. This includes a Board Executive Summary Report providing an overall summary and detailed reports which include updates for balanced scorecard performance (including HEAT targets); the capital programme; the financial position; the Scottish Patient Safety Programme; HAls; corporate risk register (bi-annual) and freedom of information requests.
130. The Board also receives bi-annual reports on the Corporate Risk Register. This updates the Board on how the corporate risk register is being managed, includes information on the risks that have been closed and developments in key areas of risk which can include increases and decreases in risk ratings.
131. NHS Fife is subject to an annual review which is chaired by the Cabinet Secretary for Health and Wellbeing and is held in public. The annual review highlights good performance and identifies areas where specific action is required to improve health and treatment.

People Management

132. As with other health boards in Scotland, NHS Fife faces a major challenge in achieving the national sickness absence target of 4%. The reported sickness absence rate for March 2012 was 5.75%, which was also the highest point for 2011/12. The overall annual average rate for 2011/12 was 5.09%, compared to an overall annual average of 4.95% for 2010/11.
133. NHS Fife recognises that managing sickness absence levels is important. Attendance management is a standing agenda item for the Staff Governance Committee and during 2011/12 the Absence Management Group was reconvened to move forward issues around attendance management.

Risk Area 4

134. It is crucial for NHS Fife to have effective workforce planning arrangements in place in order to secure best value and meet challenging performance targets. The Board approved an updated Workforce Modernisation and Development Strategic Plan for 2012/13 at its meeting in June 2012. The new Strategic Plan states that it follows the Workforce Planning Guidance per CEL 32 (2011) which was issued in December 2011. We will continue to monitor the Board's performance in this area.

Using Locum Doctors - follow-up audit

135. *Using Locum Doctors in Hospitals - A follow-up audit* was carried out in 2011/12 to assess the progress made by NHS Fife against the recommendations made in Audit Scotland's national report '*Using Locum Doctors in Hospitals*' (June 2010). This follow-up report assesses the extent to which the board is using locum doctors more efficiently, effectively and safely. In carrying out our work we used a checklist based on the key issues identified in the national report.
136. NHS Fife developed an action plan in response to the recommendations identified in the Audit Scotland national report. The action plan reflected where NHS Fife already had arrangements in place but also identified areas which required further development. Progress on the implementation of the action plan is being monitored through the SMT, with the latest update in May 2012 reflecting that "work continues to conclude these plans". We are satisfied that the board is committed to achieving improvements in its performance in this area.

Overview of performance in 2011/12

137. Performance against targets is reported to each Board meeting via performance improvement reports. The reports include a review of the targets contained in the balanced scorecard (which details local and national target requirements, including HEAT targets). As noted at paragraph 132, NHS Fife also receives a report on the Cabinet Secretary for Health and Wellbeing's annual review which highlights good performance and identifies areas where specific action is required to improve health and treatment.
138. The final 2011/12 balanced scorecard position presented to the Board in April 2012 showed that:
- NHS Fife had delivered targets early in the areas of: inequalities; targeted cardiovascular health checks; alcohol brief interventions; reduction in the incidence of C-diff infections for patients aged 65+; cancer waiting times - 31 day decision to treat; 18 week patient pathway for referral to treatment
 - NHS Fife achieved its targets in the areas of: smoking cessation; child health weight interventions; MMR1 Immunisation for 5 year old children; reducing the rate of Staphylococcus Aureus Bacteraemia (including MRSA); drugs and alcohol waiting times; child and adolescent mental health services
 - further work is required on the following targets: child fluoride varnishing; reducing the national suicide rate; MMR1 immunisation for 2 year old children; no patients waiting greater than 6 weeks in delay; the 4 hour wait standard at A&E - average performance was 91.8% against a target of 98%. NHS Fife is aware of where it needs to continue to make improvements. However, there is a risk that delivering targets early, maintaining targets and continuing to work towards those targets which still require to be met, may be compromised by the board needing to accommodate varying demands on its services within its financial constraints.

Risk area 5

139. The Cabinet Secretary's 2011/12 annual review concluded that there were a number of areas where NHS Fife was performing well and that although NHS Fife's level of delayed discharges has improved significantly there continue to be challenges in maintaining the zero standard. The report also advised NHS Fife to keep the Health Directorate informed of progress towards achieving all access targets and standards, in particular the 4-hour A&E standard and to continue with progress in HEAT measures for Health Improvement – particularly smoking cessation, breastfeeding and drug and alcohol treatment waiting times.

National performance reports

140. 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.
141. The board has developed a framework for considering Audit Scotland's national reports. All national reports are considered and action plans prepared where considered appropriate. Progress against the action plans is monitored by management and is reported to the Finance and Resources Committee. Reports that have been issued in the last year are noted in table 3 below and can be found on the Audit Scotland website.

Table 3: A selection of National performance reports 2011/12

- | | |
|---|--|
| • Transport for health and social care (Aug 2011) | • Overview of the NHS in Scotland's performance 2010/11 (Dec 2011) |
| • Scotland's public finances – addressing the challenges (Aug 2011) | • Cardiology services (Feb 2012) |
| • A review of Telehealth in Scotland (Oct 2011) | • Commissioning social care (Mar 2012) |

www.audit-scotland.gov.uk

142. A Performance Management Status Update Report was presented to the SMT in May 2012. The report noted that action plans had been prepared for '*transport for health and social care*', '*a review of Telehealth in Scotland*' and '*cardiology services*' and progress will be reported to future meetings of the SMT. We were also advised that the report on '*commissioning social care*' is currently being considered by NHS Fife.

Outlook

Performance

143. Over recent years the board has invested substantial resources in order to achieve challenging performance targets set by the Scottish Government. The significant financial challenges that will be faced in 2012/13 and beyond may require the board to prioritise its resources. This will make maintaining or improving performance even more challenging.

144. In April 2011, the Equality Act 2010 introduced a new public sector 'General Duty' which encourages equality to be mainstreamed into public bodies' core work so that it is not a marginal activity but part and parcel of how public bodies operate. Following on from this the Scottish Government consulted on a set of 'Specific Duties' which came into force in May 2012. There are nine specific duties listed which aim to support public bodies to better perform against the 'General Duty,' including the duty to assess the impact of equalities in all policies and decisions as well as the requirement to publish a set of equality outcomes (and reporting requirements) no later than 30 April 2013. We will consider progress made by the board in implementing these requirements as part our 2012/13 audit.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Audit Committee
Internal Audit Reliance Letter	January 2012	January 2012
Annual Audit Plan	January 2012	January 2012
Internal Controls Management Letter	June 2012	June 2012
Report to Audit Committee in terms of ISA 260	June 2012	June 2012
Independent auditor's report on the financial statements	June 2012	June 2012
Using Locum Doctors in Hospitals - Follow-up audit	July 2012	September 2012 (proposed)
The Role of Boards – Follow-up audit	July 2012	September 2012 (proposed)
Annual Report on the 2011/12 Audit	July 2012	September 2012 (proposed)

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	20	<p>Equal Pay</p> <p>NHS Fife has not been able to quantify the extent of its liability for Equal Pay claims.</p> <p>There is a risk that these liabilities will have a significant impact on the board's financial position.</p>	Based on the on-going discussions between SGHSCD, CLO and Health Boards, NHS Fife will follow the recommended accounting treatment.	Director of Finance	31 March 2013.
2	41-43	<p>2012/13 Savings Target</p> <p>The board faces a wide range of financial challenges in delivering the LDP and Quality Improvement agenda.</p> <p>There is a risk that it may not be able to make its savings targets in 2012/13. The longer term financial plan remains at risk of not being affordable and is a significant challenge to the board moving forward.</p>	Through the introduction of the PMO Office and the constant scrutiny by SMT, NHS Fife will be able to monitor achievement and delivery of efficiency savings and address any shortfalls in a timely manner.	Director of Finance	Ongoing.
3	46	<p>Actuarial valuation</p> <p>The latest reported actuarial valuation of the NHS Superannuation Scheme was for the year ended 31 March 2004.</p> <p>There has since been an updated valuation in 2008 however a moratorium has been placed on publishing</p>	NHS Fife will continue to follow the guidance provided by SGHSCD and the Scottish Public Pensions Agency on the valuation of the scheme.	Director of Finance	31 March 2013.

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>updated valuations at this time of consultation on reform of public sector pension schemes. Updated valuations potentially impact on the employers' and employees' contributions to the Scheme.</p> <p>There is a risk that the current level of contributions from employers and employees will not meet the future commitments of the Scheme.</p>			
4	133	<p>Sickness Absence</p> <p>The board has not achieved the sickness absence target of 4%. There is a risk that high absence levels may have an impact on the achievement of the board's financial and non-financial performance targets, such as waiting times targets.</p>	<p>Improvement in attendance is a priority area for the Board. The Attendance Management Group chaired by the Director of HR meets regularly to provide strategic leadership and oversee the management of attendance. The Nurse Director is the attendance management "Champion". Actions have already been taken which should have a positive impact on attendance in the near future and the Group continues to oversee, establish, maintain and review initiatives.</p>	Director of Human Resources	Ongoing.

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
5	138	<p>Performance Targets</p> <p>Further work is required meet a number of the performance targets. NHS Fife is aware of where it needs to continue to make improvements and has developed actions for improvement.</p> <p>However there remains a risk that in a climate of reducing funding and competing priorities, performance targets are not achieved or maintained.</p>	<p>NHS Fife through the use of the Balanced Scorecard will monitor delivery and achievement of the Performance Targets and identify where targets are not being met. Corrective actions will be agreed at SMT to ensure targets are met where possible.</p>	Chief Executive	Ongoing.