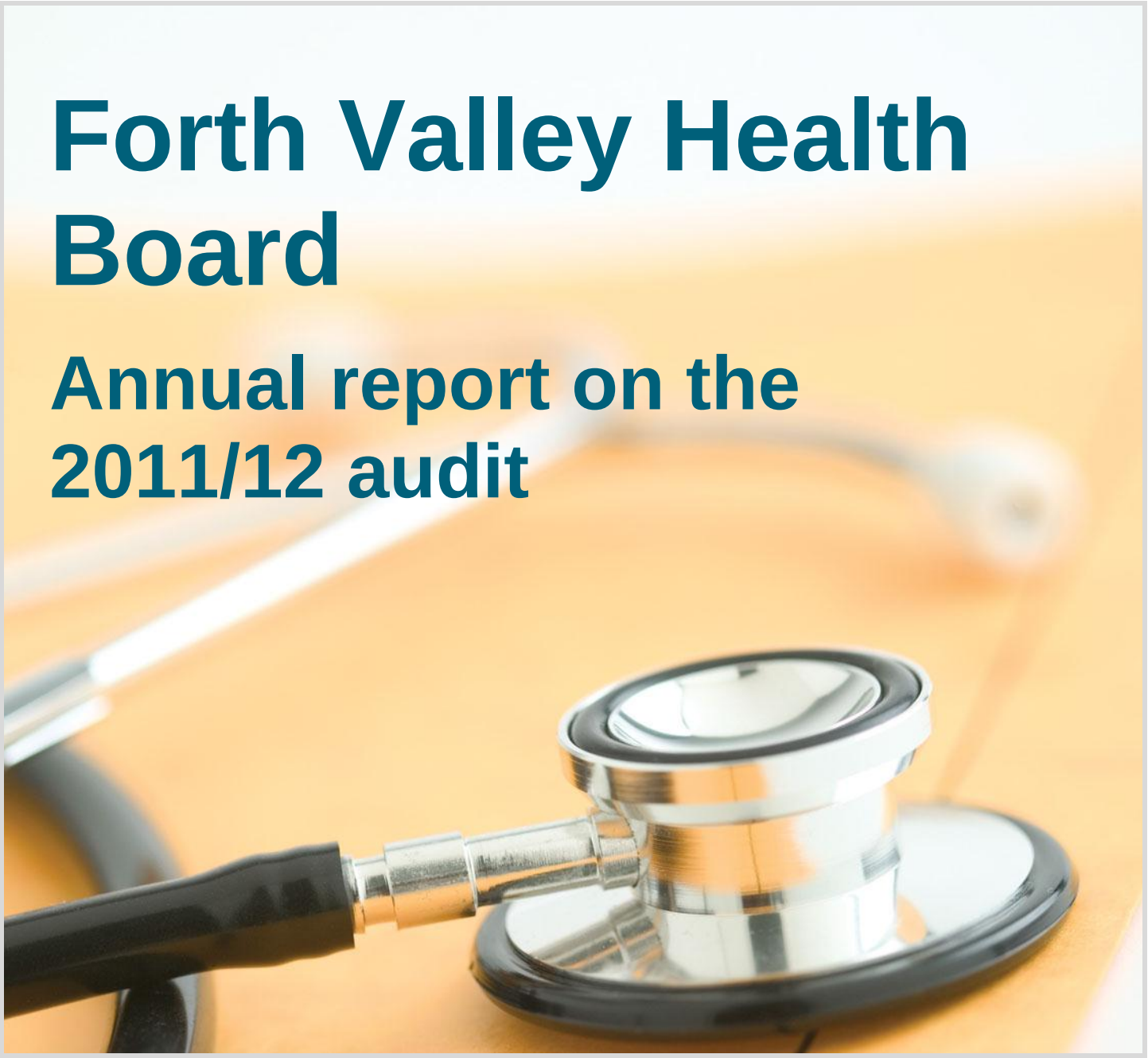
Forth Valley Health Board

Annual report on the 2011/12 audit



AUDIT SCOTLAND

Prepared for Forth Valley Health Board and the Auditor General for Scotland
July 2012

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

Contents

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 Forth Valley Health Board. 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 Forth Valley Health Board 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 all of its financial targets in 2011/12 and returned a saving against its total Revenue Resource Limit of £0.093 million. The board achieved savings of £27.609 million against a planned savings target of £30.550 million, however over £11 million of these savings were non-recurring, and similar savings will need to be achieved in 2012/13.

The board received £11 million brokerage from the Scottish Government Health and Social Care Directorates (SGHSCD) during 2011/12 which was used to fund the transitional costs associated with the implementation of the board's Healthcare Strategy and to support the achievement of financial balance in 2011/12. £10 million of this brokerage is being repaid to the SGHSCD over a five year period from financial year 2011/12 onwards. The board's financial planning arrangements include regular monitoring, reporting and updating of financial information to allow potential risks to the financial position to be addressed promptly.

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.

In August 2011 the Board approved the establishment of a Performance and Resources Committee, whose initial focus was to review the financial performance of the board to ensure that the 2011/12 financial plan was achieved. The Performance & Resources Committee also plays a key role in ensuring that any underperformance against national targets is successfully addressed.

The board has arrangements in place to consider national performance reports issued by Audit Scotland, with local action plans in place to address any recommendations for improvement. Furthermore, the board produces an annual Best Value assurance report, confirming that arrangements are in place to secure Best Value.

In 2011/12, the board had sound governance arrangements which included a number of standing committees overseeing key aspects of governance. These included an Audit Committee, Staff Governance Committee and Clinical Governance Committee. The board also had an effective internal audit function and anti-fraud arrangements.

Outlook

The position going forward remains challenging 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 will require to deliver £11.244 million of recurring cost savings and this represents a major challenge for 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 Forth Valley Health Board. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.

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

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 Forth Valley Health Board 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 Forth Valley Health Board 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. Forth Valley Health Board 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 her 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 30 April 2012 supported by a comprehensive working papers package. The good standard of the supporting papers and the timely responses from Forth Valley Health Board staff allowed us to conclude our audit

within the agreed timetable and provide our proposed opinion to the Audit Committee on 8 June 2012 as outlined in our Annual Audit Plan.

15. A small number of errors were identified during the audit, where if adjustments were made these would have a net effect of decreasing by £269,000 net operating costs for the year shown in the Statement of Comprehensive Net Expenditure. The net impact on the balance sheet would be to increase net assets by £269,000. These errors, while more than clearly trivial, were immaterial to the accounts as a whole. Officers in Finance proposed not to adjust the accounts for these errors and we concurred on this.

16. As required by auditing standards we reported to the Audit Committee on 8 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 395 of these relate to Forth Valley Health Board. 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. As with other boards, Forth Valley Health Board has not been able to quantify the extent of its liability for Equal Pay claims and has disclosed a contingent liability. There is a risk that as these claims progress they could have an impact on the board's financial position.

Risk Area 1

Pension Provisions

21. Forth Valley Health Board uses information provided by the Scottish Public Pensions Authority (SPPA) to calculate the required Pension and Injury Benefit Provisions at 31 March 2012. However, we identified that the information provided by the SPPA detailing individuals' initials does not allow officers to identify the sex of the individuals, which has an impact upon the calculation of the provision as average life expectancy figures are used in the calculation and

these figures differ between males and females. As a result, officers calculated the pension provisions by assuming all individuals were male then performed the same calculation assuming all individuals were female and then took the average of both of these calculations. Although this approach is reasonable in the circumstances, the board provided us with formal assurances, in the letter of representation, that the provision represents a reasonable estimate of the liability to the board. In addition, we would recommend that the board requests more detailed information from the SPPA in 2012/13 to assist in the calculation of the pension provisions.

2011/12 FReM - New Requirements

22. The following paragraphs provide details of changes to the 2011/12 FReM which were required to be reflected in the board's financial statements and we confirmed that the board complied with these accounting requirements. As a result, no issues required to be reported to the Audit Committee on 8 June in respect of these matters.

Prior year adjustments - Donated Assets and Transfer of Prisoner Healthcare

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 Forth Valley Health Board with appropriate amendments made to prior year statements.

24. In addition, responsibility for the healthcare of prisoners transferred from the Scottish Prison Service to health boards on 1 November 2011. The transfer was a machinery of government change, which the FReM requires to be accounted for using merger accounting and entailed prior year comparatives being restated and adjusted to achieve uniformity of accounting policies. The appropriate adjustments to prior year comparatives have been reflected in the financial statements.

Heritage assets

25. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. From 2011/12 boards were required to separately disclose any heritage assets. During 2011/12 the board conducted a review of non-current assets which identified that no such assets are held by the board.

Outlook

Endowments

26. 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

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

28. 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.

29. 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

30. Forth Valley Health Board is required to work within the resource limits and cash requirement set by the Scottish Government Health and Social Care Directorates (SGHSCD). In 2011/12, the SGHSCD required NHS boards to differentiate between core and non-core expenditure for both revenue and capital.

31. The board achieved all its financial targets in 2011/12 as outlined in Table 1: 2011/12 Financial Targets Performance £'000s below:

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

Financial Target	Target	Actual	Variance
Revenue Resource			
Core	434,211	434,118	93
Non Core	68,531	68,531	-
Capital resource			
Core	9,572	9,572	-
Non Core	67,697	67,697	-
Cash position			
Cash requirement	515,780	515,780	-

32. The board has achieved a cumulative surplus of £0.093 million. The board had budgeted to breakeven against its Revenue Resource Limit in 2011/12. 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, the tighter financial settlement compared to the past and reduced flexibility within expenditure budgets, there is less scope for reliance on non-recurring income to achieve financial balance as NHS boards seek to rationalise their cost base.

33. Also, in 2011/12 the board recorded an underlying deficit of £11.244 million, which represented the excess of recurring expenditure commitments, over recurring funding and savings, carried forward into 2012/13.

34. Included in 2011/12 financial statements is an accounting loss of £1.154 million relating to the disposal of assets from the Bellsdyke site. The accounting treatment applied in calculating the loss is consistent with that applied in the signed accounts in previous years.

35. The board received £11million brokerage from the Scottish Government Health and Social Care Directorates (SGHSCD) during 2011/12 which was used to fund the transitional costs associated with the implementation of the board's Healthcare Strategy and support the achievement of financial balance in 2011/12. £10 million of this brokerage is being repaid to the SGHSCD over a five year period from financial year 2011/12 onwards using proceeds from the future sale of assets, the majority of which relate to the Bellsdyke site. There is a risk that, given the current economic climate and the reduction in land values, the income received from the sale of assets may not be as anticipated and repayments would have to be met from other funds. Projections regarding the Bellsdyke profit/loss situation are included in reports to the Performance and Resources Committee.

Risk Area 2

Capital Resource Limit

36. The board broke even against its total Capital Resource Limit (CRL) in 2011/12 with total capital expenditure of £77.269 million. The total capital allocation was made up of £9.572 million of core capital allocations and £67.697 million of non-core capital allocations. The non-core allocation of £67.697 million relates wholly to the new Forth Valley Royal Hospital, the final phase of which was brought on to the board's balance sheet during 2011/12. A further £5.653 million of expenditure was incurred to support the new hospital to become operational.

37. The redesign of the Falkirk and Stirling sites to create Community Hospitals, which is a significant element of the board's Integrated Healthcare Strategy, incurred expenditure of £2.535 million in 2011/12, an element of which related to demolition and decommissioning works on these sites. See paragraph 108 under Service Redesign for further comments on the board's capital programme.

Workforce Reduction

38. The 2011/12 financial statements include £5.126 million of costs, the majority of which relates to the board's Voluntary Severance Scheme (VSS). During 2011/12 there were 79 exit packages approved under VSS which the board estimates will produce approximately £2.9 million of recurring savings per annum. A sample of exit packages was selected and checked by the audit team to ensure that exit packages approved under the VSS were supported by a

business case which was signed by the relevant Director/General Manager and business cases were approved by a Partnership Panel chaired by a Non-Executive Board Member. As part of each business case, details had to be provided to show that there would be no detrimental impact upon service delivery as a result the employee leaving the Board. No issues were identified from our audit testing. The majority of exit packages approved during 2011/12 related to non-clinical staff.

Financial planning to support priority setting and cost reductions

Financial sustainability and the 2012/13 budget

39. Uplifts in financial settlements have been reducing in recent years. In 2009/10 there was a general uplift of 3.15%, in 2010/11 the corresponding figure was 2.15% 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%, although the board has received a total 'notional' funding uplift of 4% which is mainly the result of receiving NRAC parity funding (£2.902 million) and transfer of prisoner healthcare funding (£4.536 million). Given the current economic conditions and the impact of national spending priorities, there is also risk that funding uplifts will be lower in future years. These pressures will have a significant impact on long term financial planning and the control of pay and non-pay costs. In March 2012 the Board approved a 5 year financial plan reflecting on results of the Scottish Government's Spending Review.

40. The cost challenges facing the board are significant and in some cases there is an element of uncertainty about further potential increases in costs. The board plans to break even in 2012/13. In 2011/12 the board's cost savings plan was pivotal to the board achieving financial balance. The plan set a cost savings target of £30.550 million, of which £27.6 million was achieved, with £16.5 million of this balance being achieved on a recurrent basis and the remaining £11.1 million being achieved on a non-recurrent basis.

41. The board's ability to achieve financial balance is again largely dependent on it successfully developing and implementing a comprehensive cost savings plan. For 2012/13, the board needs to achieve £11.244 million of recurring cost savings which is the equivalent to 2.7% of the board's baseline revenue allocation. This represents 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.

42. The board continues to face significant cost pressures relating to the rate of growth in anticipated prescribing costs and volume, along with anticipated increases in workforce costs and supplies during 2012/13. There are provisions in the 2012/13 Financial Plan to cover such issues as the cost of access target delivery (£3 million) and increased prescribing costs (£6.9 million).

43. 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 Forth Valley

Health Board achieving financial balance for the coming year. The cost savings are to be achieved through a number of means, including service redesign, strict vacancy management, more efficient procurement practices and a continued focus on primary care prescribing costs.

44. The delivery of the cost savings plan in 2012/13 will remain challenging as in recent years. The level of flexibility within expenditure budgets is considerably reduced by the release of cost savings in previous years. Failure to achieve planned cost savings will impact on the board's ability to achieve a break even position.

45. The board's Local Delivery Plan (LDP) for 2012/13 aligns the board's strategic priorities with its financial plans, workforce plans and asset plans. The board's financial planning arrangements include regular monitoring, reporting and updating of information to allow potential risks to be addressed properly. It is therefore important that the board continues to closely monitor costs in order to take any required remedial action through supplementary cost saving schemes.

Risk Area 3

Outlook

Significant financial risks beyond 2012/13

46. The board's 2012/13 financial plan indicates that the board will be required to achieve cash savings of up to £10 million per annum in future years in order to achieve financial balance. The majority of the cost savings in each year are expected to be generated from recurring sources. These levels of savings will be extremely challenging as the majority of readily achievable savings initiatives will have already been identified in recent years.

47. Furthermore the financial plan assumes that future total 'notional' funding uplifts will be in the range of 2.5% to 2.8% for the period 2013/14 to 2016/17. This combined with growing cost pressures, will make the delivery of cost savings even more important.

Risk Area 3

Pension costs

48. 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.

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

Governance and accountability

50. 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.

51. 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.

52. 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.

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

Corporate governance

Processes and committees

54. The corporate governance framework within Forth Valley Health Board is centred on the board which is supported by a number of standing committees that are accountable to it

- Audit Committee
- Staff Governance Committee
- Clinical Governance Committee
- Performance and Resources Committee

The following paragraphs provide a brief comment on the main standing committees:

55. The Audit Committee assists the board in ensuring that activities, including Patients Private Funds and Endowment Funds, are managed within the law and regulations governing the NHS. It also ensures that there is an effective system of internal control which is maintained to give reasonable assurance that assets are safeguarded, waste or inefficiency avoided and reliable financial information is produced and that value for money is continuously sought. The Committee is assisted by both internal and external audit and senior officials are invited, as appropriate, to respond to auditors' reports.

56. The Clinical Governance Committee assists the board in delivering its statutory responsibility for the provision of quality healthcare. In particular, the Committee seeks to give assurance to the Board that appropriate systems are in place, which ensure that clinical governance and clinical risk management arrangements are working effectively to safeguard and improve the quality of clinical care.

57. The purpose of the Staff Governance Committee is to provide assurance to the board that Forth Valley Health Board meets its obligations in relation to staff governance under the National Health Service Reform (Scotland) Act 2004 and the Staff Governance Standard. In particular, the Committee seeks to ensure that staff governance mechanisms are in place that establish responsibility for performance against the Staff Governance Standard and ensure progress towards its achievement.

58. The Performance and Resources Committee was established during 2011 to initially focus on the financial performance of the board. From June 2012, the committee has broadened its remit to strengthen governance and scrutiny arrangements in relation to performance management. The committee has adopted a risk based approach which focuses on areas of corporate concern identified as requiring an additional strategic and collective approach and is supported by the Senior Management Group which meets monthly to review performance issues and is chaired by the Chief Executive.

59. Discussions have been ongoing in relation to the new governance arrangements. The initial proposals were presented to the Performance and Resources committee in January 2012 and more detailed plans were discussed as a Board seminar in March 2012. Subsequent to this, various other meetings have taken place and agreement has been reached in principle regarding the future arrangements. The proposals will be presented to the board at a special board meeting in June 2012.

Risk Area 4

60. A new chairman was appointed to the Board following the end of the previous chairman's term of office in February 2012. The appointment is for four years and will run from 1 March 2012 to 29 February 2016.

Patient safety and clinical governance

61. 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 HAIs in acute hospitals through assessment, inspection and reporting of boards' performance against HAI standards.

62. An announced inspection was carried out of the Forth Valley Royal Hospital in April 2012. The report of this visit was published on the 14th of May and it concluded that Forth Valley Health Board is making good progress against the NHS QIS standards to protect patients, staff and

visitors from the risks of acquiring an HAI, and that all the issues raised during an earlier unannounced inspection in October 2011 have been addressed effectively. However, some areas for further improvement have been identified. The board has developed an action plan in response to this report and it is expected that all actions will be completed by June 2012. The Infection Control Manger will continue to perform monthly HEI–type inspections to give the board assurance that these high standards of practice are being maintained.

63. The board has an Infection Control Team which contributes to meeting the associated HEAT targets to reduce HAIs so that by March 2013: staphylococcus aureus bacteraemia (SAB) cases are 0.26 or less per 1,000 acute occupied bed days; and the rate of Clostridium difficile infections (CDI) in patients 65 and over is 0.39 cases or less per total occupied bed days. At March 2012, the Board is reporting that both these standards are currently being achieved, with the board having one of the lowest CDI rates in Scotland.

Partnership Working

64. Partnership working in the NHS covers a number of areas, including partnerships with staff groups, local authorities, the voluntary sector, private healthcare providers and regional planning with other NHS boards. The board has established three Community Health Partnerships (CHPs) to provide 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'.

65. Forth Valley Health Board's CHPs continue to develop and structures have recently been reviewed to ensure that they provide effective scrutiny and challenge on performance. Each CHP is held to account through both its own governance committee and the board is continuing to monitor and adapt the new arrangements to ensure targets are prioritised and measurable.

66. This is very much a developing area at a national level, and the Scottish Government's plans for integrating health and social care are further discussed in the Outlook paragraphs of this section of our report.

67. Patient Focus Public Involvement (PFPI) is a key strategic priority of the board and the board's PFPI Strategy 2010-2013 sets out how the board will seek to continue to improve in this area. The board has recently developed SMART targets in relation to the PFPI agenda which were presented to the Board in June 2012 and which should enable the board to demonstrate the achievement of targets and indicate whether it has exceeded targets or expectations.

Transfer of Prisoner Healthcare

68. From 1 November 2011 responsibility for the provision of healthcare services to prisoners transferred from the Scottish Prison Service to individual health boards. Within the Forth Valley area, the board became responsible for providing healthcare at HMP Cornton Vale, HMP Glenochil and HM Young Offenders Institute Polmont which account for 20% of the Scottish prison population and had an associated cost of £4.138 million in 2011/12.

Internal control

69. 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.

70. 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, based on the internal audit work undertaken during the year, there were no significant concerns that required specific mention in the annual governance statement.

71. As part of our audit we reviewed the high level controls in a number of Forth Valley Health Board systems that impact on the financial statements. This audit work covered a number of areas including cash income and banking, trade payables, trade receivables, family health services, payroll and general ledger. Our overall conclusion was that Forth Valley Health Board 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.

Internal Audit

72. 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 December 2011 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 asset register maintenance, departmental travel & subsistence, financial process compliance, ordering, requisitioning & receipt of goods / services and cash & bank. This not only avoided duplication of effort but also enabled us to focus on other significant risks.

Governance Statement

73. 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. Overall it was concluded by the board 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 appropriate

arrangements for Best Value are in place. Our audit has confirmed that we concur with this assessment.

ICT Service Review

74. As part of our 2011/12 audit we carried out an ICT service review within Forth Valley Health Board. The audit work was based on an established computer services review methodology developed by Audit Scotland and it provides a high-level risk based assessment of ICT services in five key areas; governance & delivery, strategy, access controls & compliance, asset protection and business continuity. The report was issued in draft to the Head of IT for comment on 1 June 2012.

75. The review highlighted a number of good practice areas, including:

- sound practices in place for managing user access to systems controlled by the board
- a change management process to ensure effective control is exercised through a service management tool
- business continuity arrangements developed for the back-up and recovery of data
- arrangements in place for managing the board's ICT assets which involve staff who are trained and accredited to an accepted industry standard
- the public sector standard project management methodology Prince2 is used to control ICT projects.

76. The review also identified a number of areas where the board is exposed to a degree of risk, including:

- A number of ICT related strategies are now due for review. There is a risk that these documents do not reflect the board's current strategic objectives and changing information needs.
- As part of a service improvement programme the ICT service have a project in place to implement the ITIL standard. If there is no means of measuring service delivery, there is a risk that an effective ICT service will not be provided.
- There are a number of central standards available to assist with information management and security. If all standards are not considered, there is a risk that some areas of good practice may not be identified.

77. An action plan will be agreed with officers to ensure that arrangements are put in place to address the risk areas identified from the review.

Non-Executive Remuneration

78. The 2010/11 Annual Audit Report to Forth Valley Health Board and the Auditor General for Scotland, issued in July 2011 by Scott Moncrieff, the board's auditor at that time, included a point covering remuneration payments made by the board to a non-executive board member. This issue had originally been identified by HMRC as part of a routine inspection of Pay As You Earn (PAYE) during 2010.

79. The auditor reported that, the remuneration paid prior to December 2010, had been paid gross with the board member being treated as a self-employed contractor. This should have been paid via the payroll and PAYE and National Insurance Contributions (NIC) deducted at source and paid to HMRC. As the non-executive director had paid tax and NIC on this NHS income as a self-employed individual, there had therefore been an overall overpayment of tax and NIC to HMRC. The auditor recommended that the board should recover, from the non-executive director, the amounts due relating to the period before the non-executive director was transferred to the board's payroll, in accordance with the Scottish Public Finance Manual (SPFM). In addition, the auditor also recommended that the board should fully explore with HMRC whether there is an opportunity to reclaim any of the payments made by the board to HMRC by offsetting it against any tax and NIC already paid by the non-executive director.

80. Whilst accepting these findings, the board has explained to us that in deciding the method of payment to individuals, it made these payments in a way that it believed was neither irregular nor unique at the time in public bodies. The board is of the view that it has acted in good faith in making payments by the chosen method and when HMRC required a change to be made, it was actioned immediately. This then required a rebalancing process between the board, HMRC and the individual.

81. During 2011/12, the Chief Executive and the Director of Finance have been in correspondence with HMRC in order to resolve this matter. As a consequence of this, the board received confirmation from HMRC that tax had already been paid by the non-executive director for the period prior to March 2010 and has now accepted this as an offset against the board's tax due to HMRC. HMRC also confirmed that the board's payments on account were in excess of the total payment due to HMRC and they received a refund.

82. After taking account of the HMRC offset and payment of interest and penalties, the board has incurred costs of approximately £27,500, that would have not been incurred had the remuneration payments originally been processed through its payroll system.

83. After consideration of the resolution with HMRC, legal advice and the requirements of the SPFM, the Director of Finance and Chief Executive concluded that it was not appropriate to take any further action to recover any further monies.

84. As part of our audit we reviewed all correspondence between the Board, HMRC and legal advisors and also considered the requirements of the SPFM. We concur with the view taken by the Chief Executive and Director of Finance that the board has taken appropriate action and it is a reasonable decision not to pursue any further recovery.

Use of Government Procurement Cards and Other Credit Cards

85. 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.

86. As part of our audit, we carried out a high level review of the use of such cards within the board and the controls applied to them. It should be noted that during 2011/12 the only procurement cards used by the board were fuel cards which were used to purchase £0.268 million of fuel. Our review included an assessment of the adequacy of the internal controls in operation for the fuel card system and sample testing. We concluded that the controls within the fuel card system were operating effectively and no significant issues were identified.

Prevention and detection of fraud and irregularities

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

88. Forth Valley Health Board has a range of measures in place to prevent and detect fraud, including Standing Financial Instructions, a Code of Conduct for staff and a range of policies that are available to staff via the intranet. 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.

89. 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.

90. We concluded that the board's arrangements were 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

91. Forth Valley Health Board participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise that uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. Where matches are identified, public bodies are required to investigate these matches and, if fraud or error has taken place, to stop payments and attempt to recover the amounts involved.

92. The most recent data matching exercise collected data from participants in October 2010 and the national findings were published by Audit Scotland in May 2012. Specific arrangements are monitored at a local level as part of the ongoing audit. Based on the 2010/11 exercise, the outgoing auditors concluded that the board's arrangements are mostly adequate but steps could be taken in specific areas to make a worthwhile improvement. This was followed up as part of the 2011/12 audit and it was found that some progress has been made in these areas and that work on investigating outstanding matches is ongoing.

93. Participants should now be preparing for the 2012/13 exercise where data will be requested by October 2012. The national report published in May 2012 includes a self-appraisal checklist that all participants were recommended to use prior to NFI 2012/13.

Risk Area 5

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

94. 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. We have concluded that the arrangements in Forth Valley Health Board 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 very much 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 as follows:

- 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. The chief executives of the three local authorities and Forth Valley Health Board continue to discuss the implications of these proposals and have reached an agreement that a joint role will be created at a senior level to support the CHPs in the short to medium term. We will monitor progress in this area.

NHS Waiting Times

97. 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.

98. 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.

Equality Act 2010

99. 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.

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 Forth Valley Health Board. We also note any headline performance outcomes / measures used by Forth Valley Health Board 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, required public bodies to take a systematic approach to self-evaluation and continuous improvement.

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

108. The five themes and two cross-cutting themes (some of which we have commented on earlier in this report) are:

- vision and leadership
- effective partnership
- governance and accountability
- use of resources
- performance management
- equality (cross-cutting)
- sustainability (cross-cutting).

109. Guidance on the Best Value Framework was issued to Directors of Finance on 19 October 2011 from the Chair of the NHS Corporate Governance & Audit Group.

110. Forth Valley Health Board is committed to the principles of Best Value and continuous improvement, and produces an annual Best Value assurance report which provides assurance that arrangements are in place to secure Best Value with reference to the themes listed above. We will continue to monitor the board's arrangements for demonstrating its commitment to Best Value and continuous improvement.

Service Redesign

111. Our annual audit plan highlighted that 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. Forth Valley Health Board's Integrated Healthcare Strategy sets out the board's vision for the redesign of services. The model of care identified through the strategy is designed to improve services. A key part of the strategy was the construction of the new Forth Valley Royal Hospital (opened August 2010) and subsequent redesign of the Falkirk and Stirling hospital sites from which acute services transferred to Forth Valley Royal Hospital. The board have recognised the impact that the financial constraints associated with the current economic climate may have on the plans for the redesign of the Falkirk and Stirling sites.

112. During 2011/12 redesign work continued at Falkirk and Stirling Community Hospitals and the majority of the planned service moves at Falkirk Community Hospital had taken place. At Stirling Community Hospital, a phased demolition programme had commenced along with the relocation of a number of other services to allow the release of other buildings and sites for demolition and disposal. The board recently declared the Bannockburn and Kildean hospitals as surplus to requirements and plans are in place to move services from these sites by Autumn 2012.

113. The impact of all service developments are to be closely monitored by the board going forward to ensure that they continue to contribute to improving the patient experience whilst delivering Beat Value. The Healthcare Strategy Programme Board is broadening its focus to ensure that it provides an oversight of service redesign work across the organization. The membership of

the Programme Board is being revised to strengthen clinical input and the Programme Board will meet in its new form from July 2012, reporting directly to the Senior Management Team and through to the Performance & Resources Committee.

Performance management

114. The board has a well developed framework in place for monitoring and reporting performance. Comprehensive board executive performance reports detailing performance against national HEAT targets and local priorities are submitted to the Board every two months. In August 2011 the Board approved the establishment of a Performance and Resources Committee, whose initial focus was to review the financial performance of the Board to ensure that the 2011/12 financial plan was achieved.

115. From June 2012, the Performance and Resources Committee has broadened its remit to strengthen governance and scrutiny arrangements in relation to performance management. The committee has adopted a risk based approach which focuses on areas of corporate concern identified as requiring an additional strategic and collective approach and is supported by the Senior Management Group which meets monthly to review performance issues and is chaired by the Chief Executive.

116. Forth Valley Health Board is subject to an annual review which is chaired by the Cabinet Secretary for Health and Wellbeing. The annual review highlights good performance and identifies areas where specific action would be required to improve health and treatment.

People Management

117. As with other health boards in Scotland, Forth Valley Health Board faces a major challenge in achieving the national sickness absence target of 4%. The current sickness absence rate for the board is 5.7% which is slightly higher than last year's rate of 5.1%. The board has implemented a range of approaches in order to reduce absence levels, including on-line referrals to occupational health and the use of absence clinics to discuss more complex cases. The board continually look at other NHS boards achievements in relation to absence management in order to identify instances of good practice which can be used at Forth Valley Health Board.

Risk Area 6

118. It is important for Forth Valley Health Board to have effective workforce planning arrangements in place in order to secure best value and meet challenging performance targets. The board continues to develop its planning arrangements, including the Integrated Healthcare Strategy, to help ensure workforce plans are properly aligned to service and financial plans. The board acknowledges this as a risk area and work is ongoing to deliver an affordable workforce plan in line with the financial savings plan and LDP.

The Role of Boards – follow-up audit

119. *The Role of Boards – A follow-up audit* was carried out by local auditors in 2011/12 to assess the progress that the Forth Valley Health Board has made to improve the performance and

operation of its Board against the recommendations made in Audit Scotland's national performance report 'The Role of Boards' (September 2010).

120. In carrying out the study we used a checklist based on the key issues identified in the national report and this checklist was discussed with the Head of Corporate Services who provided supporting evidence as appropriate. Our final report was issued to the board in March 2012 and our findings indicated that good progress has been made within Forth Valley Health Board in this area and in particular, a review of the existing governance arrangements is currently underway which will lead to revised governance structures being implemented by September 2012.

Overview of performance targets in 2011/12

121. The Board receives regular board executive performance reports from the Chief Executive on progress towards achieving the key performance targets set by the Scottish Government (HEAT targets and standards) and local targets. The board demonstrated good performance against a number of challenging HEAT targets by the end of March 2012 including the alcohol brief interventions and cardiovascular health checks targets. However some targets, including percentage breastfeeding at 6-8 weeks and reduction in the rates of attendance at A&E, were not achieved. The board executive performance reports provide details of the actions being taken by the board to improve performance in these areas.

122. The board's performance in the current priority areas of waiting times, delayed discharges and healthcare associated infections is also monitored. Waiting times have been falling over recent years as the board has achieved successive Government targets. The Government target is that from December 2011 the total maximum journey will be 18 weeks from referral to treatment. At the end of December 2011 the board was achieving the target, and this performance was maintained to March 2012.

123. As at March 2012, the board reported that there were two patients whose discharge from hospital had been delayed in excess of 6 weeks. The 2011/12 HEAT standard requires boards to have no patients waiting in excess of 6 weeks. During the production of the board's Local Delivery Plan for 2012/13, the new delayed discharge HEAT target was incorporated which is that *'no people will wait more than 28 days to be discharged from hospital into a more appropriate care setting, once treatment is complete from April 2013'*. The April 2012 position was zero delays over 28 days against a trajectory point of 14. The board carries out weekly monitoring reviewing over 6 week, 4 week and 2 week positions. The board and its' three local authority partners continue to work with families to support an appropriate move into care with interim placements where necessary and weekly meetings are held which focus on individual patient needs to ensure ongoing improvement. The board reports that, due to a number of reasons, there are limited vacancies across the care home sector which affects the achievement of this target.

124. In terms of Healthcare Associated Infection (HAI), the standards require boards to reduce HAIs so that by March 2013: staphylococcus aureus bacteraemia (SAB) cases are 0.26 or less per 1,000 acute occupied bed days; and the rate of Clostridium difficile infections in

patients 65 and over is 0.39 cases or less per total occupied bed days. At March 2012, the board is reporting that both these standards are currently being achieved.

National performance reports

125. 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.

126. The board has a formal process to ensure that the findings of national reports relevant to the board are considered in detail to identify their potential impact and the board's progress in addressing recommendations locally. These reports are considered in detail by the Director of Finance to identify which officer at the board will assess the impact of the national report and to indicate how the board will address any recommendations made. Reports in the last year that may be of relevance to the board include:

Table 2: A selection of National performance reports 2011/12

- Transport for Health and Social Care (Aug 2011)
- Scotland's Public Finances – Addressing the Challenges (Aug 2011)
- A Review of Telehealth in Scotland (Oct 2011)
- Overview of the NHS in Scotland's performance 2010/11 (Dec 2011)
- Cardiology services (Feb 2012)
- Commissioning social care (Mar 2012)

www.audit-scotland.gov.uk

Transport for Health and Social Care

127. This report looked at the efficiency and effectiveness of transport arranged by the ambulance service, NHS boards and local authorities to take people to and from health appointments and social care services such as day centres. It also assessed how well agencies work together to plan and deliver transport for health and social care to meet local needs and identified examples of good practice and potential savings.

128. The report identified that transport services for health and social care are fragmented and there is a lack of leadership, ownership and monitoring of the services provided. The Scottish Government, Regional Transport Partnerships, local authorities, NHS boards and the ambulance service are not working together effectively to deliver transport for health and social care or making best use of available resources.

129. The report highlighted that Forth Valley Health Board has employed a Travel Manager to work on transport issues on a full-time basis. This has led to some joint initiatives with partners, such as the board funding six bus services to the Forth Valley Royal Hospital in Larbert at a cost of £3.6 million over three years (2010–13). The buses are registered as public transport routes so they can be used by any member of the public and not just patients and visitors. As

responsibility for public transport routes would normally fall to the local authority, it is unusual for an NHS board to fund this kind of service although this was seen as a good example of joint working between Forth Valley Health Board and its' local authority partners.

Scotland's Public Finances – Addressing the Challenges

130. The report highlighted that Scotland's public sector budget in 2011/12 for running costs and day-to-day spending is £27.5 billion, a drop of 6 per cent or £1.7 billion in real terms from £29.2 billion in 2010/11. Public bodies have budgeted for this in 2011/12, but they need to make significant savings during the year and there is a risk they won't achieve this due to cost pressures being greater than expected or unforeseen events. Public bodies are facing increasing pressures and demands, such as Scotland's ageing population, the effects of the recent recession, and the public sector's maintenance backlog. Meanwhile budgets will continue to drop; the planned 2014/15 budget of £25.9 billion will be 11 per cent, or £3.3 billion, smaller than in 2010/11. Pay restraint and reducing workforces are the most common approaches being taken by public bodies to reduce costs over the next few years. Many bodies, including Forth Valley Health Board, are already going through the process of reducing staff numbers through recruitment freezes and voluntary severance schemes, and further reductions are planned.

A Review of Telehealth in Scotland

131. This report highlighted the potential role of technology in improving the quality, delivery and efficiency of healthcare services. Since 2006, around 70 telehealth initiatives have been introduced but most of these are on a small scale. Given the fact that health services are facing a growing demand, new models of care such as telehealth should be considered to help manage this increasing demand. If targeted appropriately, telehealth offers the potential to help NHS boards deliver a range of clinical services more efficiently and effectively. Telehealth also offers a range of potential benefits for patients such as reducing travel, receiving a quicker diagnosis and avoiding hospital admissions. Patient experience is broadly positive with high levels of satisfaction and the experience is also a positive one for staff at NHS boards.

132. One of potential benefits identified in the summary section of the report relates to the telestroke initiative in SEAT Region in which Forth Valley Health Board participates. Patients suffering a stroke are taken to the nearest hospital with scanning equipment and an on call consultant based in NHS Lothian assesses the brain scan image electronically from either their office or their home, consults with the patient via video-conferencing and then decides whether thrombolysis should be offered. This is then given locally within 4.5 hours. This may reduce a patient's length of stay and reduce the need for stroke rehabilitation services.

133. We are currently carrying out a follow up exercise on this study to establish the impact it has had in each health board and whether areas for improvement are being addressed.

Overview of the NHS in Scotland's performance 2010/11

134. The report indicated that healthy life expectancy in Scotland has increased and rates of deaths from coronary heart disease, stroke and cancer continue to fall. However, overall life expectancy in Scotland remains lower than that of most other western European countries and there remain significant health inequalities and long-standing health-related problems such as obesity, smoking, and drug and alcohol misuse. The NHS in Scotland spent £12 billion in 2010/11 and all health bodies met their financial targets. However, ten of the fourteen territorial NHS boards reported underlying recurring deficits. The service faces pressures from an ageing population, rising public demand and expectations, increased costs and reducing staff. Although the budget for the NHS in Scotland in 2011/12 is £232 million higher than 2010/11, this is a reduction in real terms due to inflation.

135. NHS boards have strategies to make the service more efficient and effective and to help improve the quality of services it provides. Although information on hospital activity is good, the NHS in Scotland continues to find it difficult to measure productivity due to weaknesses in data and difficulties in linking costs, activity and quality. This is needed to identify how to improve services and the nation's health with the same or fewer resources. The Director of Finance has reviewed the key messages identified in the report to ensure they are reflected in the 2012/13 planning process.

Cardiology services

136. The report highlighted that there has been significant progress in tackling heart disease and developing services. Death rates have dropped by some 40 per cent during the past ten years while more patients are getting better treatments and waiting times have fallen. However, Scotland still has the highest rate of heart disease in Western Europe and the NHS in Scotland needs to ensure all patients get the services they need.

137. The specific actions recommended in the report are being taken forward by the board's Coronary Heart Disease (Managed Care Network) Manager where relevant.

Commissioning social care

138. This report looked at how well the public sector plans for, organises and delivers social care. Social care services range from supporting people with basic personal care such as washing and dressing to helping them with every aspect of their daily lives. People depending on these services include older people, vulnerable children, people with disabilities, and people with mental health problems, addictions or HIV/Aids.

139. The report stated that planning social care is complex and is becoming harder as demands are rising and budget constraints are tightening. A major change was the introduction of self-directed support that aims to give people a bigger say in the services they receive. This will require a new approach from local authorities and NHS Boards who must do more to involve both the people receiving services and the service provider organisations. If services are to improve better information is required on the needs of the population, on the costs, quality and impact of the services provided.

140. The report's recommendations included local authorities and NHS boards working together to invest in preventative services that can help to delay or avoid people needing more intensive support, and monitoring the impact of these services.

Outlook

Performance

141. 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.

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	19 December 2011	27 January 2012
Annual Audit Plan	18 January 2012	27 January 2012
The Role of Boards – Follow-up audit	26 March 2012	8 June 2012
Internal Controls Management Letter	24 April 2012	8 June 2012
Report to Audit Committee in terms of ISA 260	31 May 2012	8 June 2012
Independent auditor's report on the financial statements	31 May 2012	8 June 2012
ICT Service Review	5 July 2012	19 October 2012
Annual Report on the 2011/12 Audit	26 July 2012	19 October 2012

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	**Equal Pay** Forth Valley Health Board (and other boards) has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities will have a significant impact on the board's financial position.	Maintaining link with Scottish Government Finance Department to keep up to date on SGHSCD/CLO progress.	Director of Finance	Ongoing
2	35	**Future Asset Sales** The board's repayment of brokerage to the SGHSCD is dependent upon an anticipated level of asset sales in future years. There is a risk that, given the current economic climate and the reduction in land values, the income received from the sale of assets may not be as anticipated and the repayments will be challenging.	Projections are updated monthly as part of the routine financial reporting cycle.	Director of Finance	Ongoing
3	45 47	**2012/13 Savings Target** The board faces a wide range of financial challenges in delivering the LDP and Quality	Efficiency savings plan and the Workforce Plan have been updated. Reviewing position on a monthly basis to identify	Director of Finance and Relevant Manager	March 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		Improvement agenda. 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.	additional actions required if savings are not being delivered. Financial Plan continues to be updated in accordance with live issues.		
4	59	**New Governance Arrangements** The board is currently in the process of reviewing its governance arrangements. There is a risk that the revised structure may not achieve its intended aims and objectives and not achieve Best Value.	Updated governance arrangements were approved at special Board meeting in June 2012. Next governance review scheduled March 2013.	Chief Executive	March 2013
5	93	**National Fraud Initiative** Some work on following up NFI matches is outstanding. There is a risk that the board are not realising the full potential from the NFI exercise and that fraudulent payments are not stopped.	Work is ongoing to investigate outstanding matches. The self-appraisal checklist review has been completed and this was highlighted at March 2012 Audit Committee.	Director of Finance	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
6	117	**Sickness Absence** The board may not achieve the sickness absence target of 4%, which may have an impact on the achievement of the board's financial and non-financial performance targets, such as waiting times targets.	Ongoing work with Operational Units to deliver target.	Director of Human Resources and Relevant Manager	Ongoing