

NHS Lothian

Annual report on the 2011/12 audit



Prepared for the Board of NHS Lothian 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 Lothian. 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.

Financial statements

We have given an unqualified audit report on the financial statements of NHS Lothian 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.

Financial position and use of resources

The Board achieved all of its financial targets in 2011/12 and returned a saving against its total Revenue Resource Limit of £0.922 million as at 31 March 2012.

In 2011/12 the Board achieved savings of £50.1 million, of which £47.6 million was derived from efficiency savings with the balance being offsets from strategic reserves and other under spends. However, over £10.5 million of the efficiency savings were achieved on a non-recurring basis, meaning that the Board has an underlying recurring deficit which will require to be addressed in future years.

The Board's five year financial plan involves cost savings of around £28 million per year to be generated from recurring sources, which will be extremely challenging. The plan assumes 1% future funding uplifts and initially an additional £12.3 million of resource re-alignment (NRAC) funding each year, and any variation to this will make the delivery of cost savings even more important. These issues, combined with growing cost pressures in the current economic climate mean that difficult decisions will have to be made to determine priorities.

The Board's financial planning arrangements include regular monitoring, reporting and updating of information to allow potential risks to be addressed promptly.

Governance and accountability

In 2011/12, the Board had sound overall governance structures in place which included a number of standing committees overseeing key aspects of governance. The Board also maintained an effective internal audit function and anti-fraud arrangements were in place. We examined the key financial systems underpinning the organisation's control environment and concluded they operated sufficiently well to enable us to place reliance on them.

However, an independent investigation into management culture at the Board highlighted significant issues to be addressed to change leadership style, develop a values culture and re-establish trust and confidence in the Board. The widely publicised issues on the identification and reporting of waiting times were a major area of service and reporting failure. Reports into waiting times recording and the reporting of this information to the Board have been published and resulted in considerable reputational damage for the organisation. The Board has amended its recording practices and is taking steps to expedite the treatment of those recorded as breaching, or about to breach waiting times guarantees.

Performance and best value

The Board's performance management arrangements did not identify the reporting failures in relation to waiting times. The Board is taking steps to confirm the robustness of their performance reporting and re-establish confidence in the system. Reported performance in 2011/12 demonstrated good performance against a number of challenging HEAT targets, but some critical targets were not achieved.

The Board is committed to the principles of best value and produces an annual best value assurance report. The Lean in Lothian programme is now in its sixth year in delivering process redesign and increasing productivity, underpinning ongoing action to deliver increasingly challenging savings targets.

The Board has arrangements in place to consider national performance reports issued by Audit Scotland, with local action plans in place to address recommendations for improvement.

Outlook

2011/12 was a difficult year for the Board, with significant damage to its reputation. It will be a challenge to rebuild that reputation and the Board must ensure that it fully implements the recommendations arising from the independent reports on waiting times and management culture.

The financial position going forward is becoming even more challenging than previous years with limited increases in funding, increasing cost pressures and challenging savings targets. To achieve continuing financial balance the Board will require to deliver £37.4m of recurring cost savings. 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.

Progress on the development of the re-provision of the Royal Hospital for Sick Children and Department of Clinical Neurosciences facilities at Little France has been delayed, due to the inability of its PFI partner (Consort Healthcare) to obtain agreement from all of its funding participants to facilitating changes in its PFI contract with the Board. Completion of construction is not now expected until 2017.

The significant financial challenges 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, including the key area of waiting times.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of NHS Lothian. 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 NHS Lothian.
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 Lothian 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, 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 appropriate. 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 Lothian 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 Lothian 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

Accounts submission

14. A full set of accounts was due to be presented for audit on 2 May 2012. The draft accounts together with the draft template accounts were presented on 8 May 2012. However a number of the accompanying disclosure notes were still being worked on at that date, and were not finalised until 12 June 2012. The audit process in partnership with NHS Lothian finance staff was sufficiently flexible to deal with these variations from the target date in delivering a completed audit on time.
15. Working papers provided for audit were generally of a satisfactory standard. Difficulties were encountered in obtaining directors' assurance statements timeously in the lead up to the conclusion of the audit. However we were able to conclude our audit within the agreed timetable and provided our proposed opinion to the Audit Committee on 26 June 2012 as outlined in our Annual Audit Plan.
16. Several unadjusted differences were identified during the audit, where if adjustments were made these would have had a net effect of decreasing operating costs/excess of expenditure over income for the year shown in the Statement of Comprehensive Net Expenditure by £334,000. The net impact on the balance sheet would be that net assets would decrease by £334,000. These differences, whilst not negligible, are not material to the accounts as a whole. Officers in finance proposed not to adjust the accounts for these unadjusted differences and we concurred with this.

Post balance sheet event

17. On 27 April 2012 the Board's Chief Executive, Professor James J Barbour, retired from the Board. In addition to Professor Barbour's reported remuneration, recorded within the Remuneration report, the Board in accordance with the Chief Executive's contract elected to make a payment to him in lieu of 6 month's notice and outstanding contractual holiday entitlements in 2012/13. The Board have indicated that they did not request Professor Barbour to work his period of notice due to their urgent need to review their management structure. Mr Tim Davison was appointed as Interim Chief Executive pending a formal recruitment process.

Prior year adjustments - donated asset reserve and transfer of prisoner healthcare

18. 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 Lothian with appropriate amendments made to prior year statements.
19. 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.

Equal pay claims

20. The National Health Service in Scotland has received in excess of 10,000 claims for equal pay and by the end of March 2012 there remained 1643 grievances registered against NHS Lothian. These have been referred for the attention of the NHS Scotland Central Legal Office (CLO) to co-ordinate the legal response to this issue.
21. 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. Due to lack of movement in any cases, there is no additional information which would enable NHS Scotland to estimate the probability and the value of the liability associated with these claims. Consequently these claims continue to be disclosed as an unquantifiable contingent liability in the notes to the accounts of NHS Lothian.
22. We continue to strongly encourage NHS Lothian, 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. As with other Boards, NHS Lothian has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities could have an impact on the Board's financial position.

Risk Area 1

Heritage assets

23. 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 were held by the Board. We understand that all heritage assets (mainly works of art) are held at hospital sites within NHS Lothian, with the exception of one work on recorded public loan to a public gallery, and are owned and controlled by the Edinburgh & Lothians Health Foundation. Management provided assurance in their letter of representation that NHS Lothian does not own or control any heritage assets.

HD Partners

24. Two payments authorised by the Director of Finance were made to HD Partners based on two separate contractual arrangements for 'Waiting Times' capacity solutions for 2011/12 and 2012/13. These contractual arrangements arose from urgent work authorised by the previous Chief Executive and current Director of Finance. The payments amounted to £75,600 including VAT, with expenses recently agreed.
25. A lack of a fully documented and clear audit trail for the procurement of one piece of work for the 'Waiting Times' capacity solution for 2011/12 made it difficult to conclude that the payment

fully complied with NHS Lothian's Standing Financial Instructions. Management provided assurance in their letter of representation that the payment for 'Waiting Times' capacity solutions 2011/12 properly falls within the delegated powers of the Director of Finance. However, we would recommend that urgent contract procurements should be formally evidenced.

Risk Area 2

Register of interests

26. The regular updating of the Register of Interests is a binding requirement on Board members, the contents of which help inform the Related Party Transactions note in the financial statements. The Register of Interests was last updated in October 2011. Our review of the note in the financial statements highlighted an omission in the Register and we also noted registered interests that had not been properly considered for the Related Party Transactions note. Management provided assurance in their letter of representation that the 'Register of Interests' is now fully up to date with all interests registered.

Pay and conditions accrual

27. There have been a number of significant movements in the accrual in 2011/12 and the overall impact was a net reduction of £2.1m, with the overall accrual reducing from £12.5million at the end of 2010/11 to £10.4million at the end of 2011/12. During 2011/12 an additional £2.96million was accrued in respect of backdated pay owed to staff placed on transitional pay points following the introduction of Agenda for Change, and staff who were not paid entitlements due to them during periods of annual leave or sickness absence. This was a new element of the overall accrual and the figure was reached through the use of modelling techniques. In addition to our own review which concluded that the accrual appeared reasonable, management have provided assurance in their letter of representation that the figure as at 31 March 2012 is complete and represents a valid obligation to NHS Lothian.

Outlook

Endowments

28. 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. The Board will require to have endowment fund figures available for inclusion in their financial statements.

Financial Position

29. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
30. 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.
31. 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

32. All Health Boards are 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.
33. Lothian Health Board achieved all 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	1,143,227	1,142,306	921
Non Core	102,307	102,306	1
Capital resource			
Core	53,742	53,742	-
Non Core	-	-	-
Cash position			
Cash requirement	1,339,000	1,338,188	812

34. The Board has achieved a cumulative surplus of £0.922 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.

35. In 2011/12 the Board recorded an underlying recurring deficit of £10.5 million which was met by a non-recurring surplus. The challenge for 2012/13 will be to ensure that recurring expenditure is met through recurring funding as projected within the financial plan
36. A total of £47.6million of efficiency savings were achieved in 2011/12 against a target of £50.1 million with the balance being offset from strategic reserves and other under spends. However, of the total efficiency savings achieved, £10.5million represented non-recurrent savings and this has been re-provided in the 2012/13 financial plan.

Capital resource limit

37. The Board broke even against its total Capital Resource Limit (CRL) in 2011/12 with total capital expenditure of £53.742million (all core capital allocation). This expenditure reflects progress with the re-provision programme and ongoing investment in statutory standards, eHealth and replacement medical equipment. Major areas of expenditure during the year included the re-provision of the Royal Victoria Hospital (£23.5million) and £11.3million on the new Primary Care centre in Musselburgh.
38. Progress was also made on the new Royal Hospital for Sick Children (RHSC) and relocation of the Department of Clinical Neurosciences project (DCN) with £6.9million of expenditure on development costs including enabling works and design costs. However, the re-provision of the RHSC and DCN facilities at Little France has been delayed and completion is not now expected until 2017. This delay results from Consort Healthcare's inability to secure all the 11 funders' approval to undertake the facilitating works. The anticipated date for the next stage of the project is the issuing of the OJEU in September 2012 but any failure to secure the funders approval or failure to agree all terms in connection with enabling works will further delay the process. One consequence would be that RHSC and DCN will have to continue on their current sites potentially impacting on NHS Lothian's ability to provide world class care.

Risk Area 3

Workforce reduction

39. Around 70% of the Board's expenditure relates to staff costs. NHS Lothian's workforce reduction plans started to take effect in 2010/11 with a 762 Whole Time Equivalent (WTE) reduction. During 2011/12 the Board continued to develop workforce plans with a reduction in the workforce by a further 681.9 average WTE. The annual target of 734 was not reached in 2011/12 with the most significant variance being in nursing as a consequence of the activity pressures including the resolution of the waiting times problems in surgery. The 2011/12 financial statements included £2.024 million of costs in relation to the Board's voluntary severance arrangements and other non-compulsory early retirement arrangements. During 2011/12 there were 42 exit packages approved. The Board has recently finalised its workforce redesign plans for 2012/13 and beyond, with further reductions in the workforce planned. It is

anticipated that these manpower savings will be achieved through natural turnover and redeployment.

Financial planning to support priority setting and cost reductions

40. Uplifts in financial settlements have been reducing in recent years. In 2010/11 there was a general uplift of 2.55%, in 2011/12 the corresponding figure was 2.1%. 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 2.7%. This is mainly as a result of an allocation of additional National Resource Allocation Committee (NRAC) parity funding (£12.3million) and an increase in the change fund allocation (£1.4million). In May 2012 the Board approved a 5 year financial plan 2012/13 - 2016/17. Given the current economic conditions and the impact of national spending priorities, there is a risk that funding uplifts will be even 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.
41. 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 key to the Board achieving financial balance. The plan set a savings target of £50.1million, of which £47.6million was achieved as efficiency savings and the balance being offset from strategic reserves and other under spends, £37.1 million of this balance being achieved on a recurrent basis and the remaining £10.5million being achieved on a non-recurrent basis.
42. The Board's ability to achieve financial balance is again largely dependent on it successfully implementing a comprehensive recurring cost savings plan. There is currently a funding shortfall of £37.4million (including the 2011/12 carry forward) which will require to be met through the achievement of efficiency savings. This represents a major challenge to NHS Lothian. 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.
43. The Board continues to face significant cost pressures relating to the rate of growth in prescribing costs, anticipated increases in workforce costs and supplies during 2012/13, and the impact of changes in the demographics of the NHS Lothian population. There are provisions in the 2012/13 Financial Plan to cover some of these issues, however, risks remain that need to be managed, including the delivery of recurring savings, the availability of SGHSCD funding for previously separately funded programmes, the revenue impact of the capital investment programme, new or changed policy initiatives emerging during the year and investment required to deliver the waiting times targets.
44. 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 significant challenge to NHS Lothian achieving financial balance for the coming year. The cost savings require 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 and hospital prescribing costs.

45. 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.
46. 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 4

Outlook

Significant financial risks beyond 2012/13

47. The Board's 2012/13 - 2016/17 financial plan provides indicative figures for the level of cost savings required for the 5 year period in order to achieve financial balance. The plan highlights that the level of savings required per annum, beyond 2012/13 will be in the region of £28 million. 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.
48. The Board's financial plan assumes that future funding uplifts will be in the region of 1%. This, combined with growing cost pressures and any uncertainties around the Board's assumption that the SGHSCD will initially provide an additional £12.3 million from NRAC funding over each of the years, will make the delivery of cost savings even more important.

Risk Area 4

Pension costs

49. 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.
50. 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 that 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. The position was reported by the Board's Head of Corporate Reporting to the Board Audit Committee in April 2012.

Governance and accountability

51. 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.
52. 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.
53. 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.
54. In this part of the report we comment on key areas of governance.

Corporate governance

Processes, committees and management culture

55. The corporate governance framework within NHS Lothian is centred on the Board which is supported by a number of standing committees that are accountable to it. These standing committees include:
 - Audit
 - Healthcare Governance and Risk Management (HGRM)
 - Finance and Performance Review (FPR)
 - Ethics
 - Remuneration
 - Staff Governance
 - Service Redesign
 - Mutuality and Equality Governance
 - Joint Board of Governance
56. Our overall conclusion is that the overarching governance structures within NHS Lothian at Board and committee level are broadly satisfactory and have operated throughout 2011/12. We have however noted that Heat Target reporting arrangements in respect to waiting times

was an area of service and reporting failure. Reports into waiting times recording and the reporting of this information to the Board and FPR committee have been published and presented to the Board. As a result the Board has amended its recording practices and is taking steps to expedite treatment of those recorded as breaching, or about to breach, waiting times guarantees. The Board need to be satisfied with the robustness of Heat Target reporting.

Risk Area 5

57. More detailed information on the waiting times issue is outlined in the next section of this report. An independent investigation was also undertaken into the underlying management culture which prevented full disclosure and reporting of waiting times problems. This review highlighted significant issues to be addressed to change leadership style, develop a values culture and re-establish trust and confidence in the Board. The recommendations from this report should be implemented in full to lessen the risk of similar issues happening again.

Risk Area 6

NHS Lothian management of waiting times

58. The Board in October 2011 became aware of issues of concern in connection with the recording and measurement of inpatient and outpatient waiting times against quality targets, specifically regarding unavailability codes in the management of NHS waiting times. The Board, after an initial in house review commissioned a detailed investigation by PricewaterhouseCoopers. Commissioning of this investigation was assumed by the SGHSCD and the final report was published on 21 March 2012.
59. The report highlighted administrative practices that were unacceptable in that these practices did not comply with the waiting times recording and measurement guidance. As a result, the Board has amended its recording practices and taken steps to expedite treatment of those recorded as breaching, or about to breach waiting times guarantees. Additionally, the Board have initiated proceedings to investigate potential serious misconduct on the part of certain staff members in connection with the inappropriate administrative practices. The investigation and any subsequent disciplinary process is expected to be completed during the financial year 2012/13.
60. The Chairman of the Board in consultation with the Scottish Government Cabinet Secretary for Health and Wellbeing and Cities Strategy instigated a review of the scope of information received at its meetings to ensure best governance practices and to examine the root causes of senior management cultural issues which prevented full disclosure of waiting times issues from progressing through the governance framework of the Board. The review reported its findings to the Cabinet Secretary on 30 April 2012. It is crucial that the Board implements fully the recommendations from both the 'Waiting Times' report and the 'Review of Scope of Information' report. The issues identified in NHS Lothian have resulted in two national level studies - one co-ordinated review by Board internal audit teams and a review by Audit Scotland of the broader use of unavailability codes in the management of Waiting Times.

Risk Area 6

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 Health Acquired Infections (HAI) in acute hospitals through assessment, inspection and reporting of Boards' performance against HAI standards.
62. Following an unannounced inspection by NHS HIS at St Johns Hospital on 24 January 2012 a report was published on 5 March 2012 and an action plan with four requirements identified, of which two are now complete. NHS Lothian manages and reduces Healthcare Associated Infection (HAI) through maintaining enhanced weekly surveillance of MRSA and MSSA to target resources for a sustained reduction. NHS Lothian's Infection Prevention and Control Team will continue to perform investigations into HAI to give the Board assurance that high standards of practice are being monitored, maintained and improved.
63. NHS Lothian is on course to meet 2013 HEAT targets set for MRSA and MSSA, however the targets are challenging to achieve on a continuous basis e.g. Staphylococcus aureus Bacteraemia (SAB) Cases - set target of 0.26 or less cases per 1000 Acute Occupied Bed Days by March 2013. The challenge going forward is to reduce even further.

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 an established Community Health Care Partnership (with West Lothian Council) and Community Health Partnerships with Edinburgh, East Lothian and Midlothian Councils. These partnerships provide care and public health services in a local setting to meet the needs of the local population.
65. NHS Lothian is committed to the delivery of shared outcomes with its community planning partners. Public Partnership Forums are established in each CH(C)P area with relevant committees meeting during the year. These ensure that service users are involved in service developments, and links are established with other local governance structures, for example, community planning committees, to co-ordinate services which meet the needs of local areas. 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.
66. The Cabinet Secretary for Health, Wellbeing and Cities Strategies recently announced new national standards for delayed discharges. These will form part of the Board's HEAT targets for 2012/13 and beyond. The census in March 2012 reported 84 delays, which was an increase on the number of patients delayed in February. Whilst improvements were made in reducing the number of patients delayed over 6 weeks, the national target was not met. Improvements in the overall numbers delayed and a lowering of the average length of stay

have been made since the year end, however, the area of delayed discharges continues to be a challenge for the Board. The new target introduced for health Boards is to have no delays over 4 weeks by 2013 and no delays over 2 weeks by 2015. This further highlights the need to work effectively with other public sector bodies and consider fully the impact of closures and capacity issues in the private care sector which can also impact on targets.

67. NHS Lothian continues to be a key partner in the South East and Tayside (SEAT) regional planning group which works to implement services across NHS Board boundaries. NHS Lothian promotes this partnership to the benefit of patients across Scotland. Agreement has been reached to develop 5 workstreams where a shared service approach across the region is expected to bring quality and efficiency /productivity benefits.

Internal control

68. 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. 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.
69. In their annual report for 2011/12 NHS Lothian Internal Audit provided their opinion that, based on the internal audit work undertaken during the year, that generally adequate and effective internal controls have been operating throughout the year. During the year no reports were issued with a 'fully satisfactory' or 'unsatisfactory' rating, although 8 audit reports (38%) were concluded as requiring improvement.
70. As part of our audit we reviewed the high level controls in a number of NHS Lothian systems that impact on the financial statements. This audit work covered a number of areas including cash and cash equivalents, trade payables, trade receivables, family health services, payroll, capital accounting and inventories. We also reviewed employee severance schemes, the acceptance of gifts and hospitality, the register of interests, the use of credit cards and expenses. Our overall conclusion was that NHS Lothian had adequate systems of internal control which operated effectively during 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

71. 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 relation to the General Ledger. This not only avoided duplication of effort but also enabled us to focus on other significant risks.

Governance statement

72. 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 Interim Chief Executive and Accountable Officer that no significant control weaknesses or issues have arisen, with the exception of waiting times management and related issues of management culture. Otherwise the statement reports 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

73. As part of our 2011/12 audit we carried out an ICT service review within NHS Lothian. The audit involved a high-level risk based assessment of ICT services in five key areas; governance and delivery, strategy, access controls and compliance, asset protection and business continuity. The report was issued to the Director of eHealth on 31 May 2012.
74. Our overall conclusion is that the eHealth Directorate is a well run service providing access to integrated information for practitioners and is continuing to expand the skills and technology available to benefit the Board. The review also identified a small number of areas where improvements can be made and an action plan has been agreed with officers to ensure that arrangements are put in place to address the risk areas identified from the review.

Use of Government procurement cards and other credit cards

75. 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.
76. 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. Our review identified that draft staff guidance on the usage and processes for credit cards has not been finalised and issued to staff. In general, however, we concluded that the controls within the system were operating effectively.

Prevention and detection of fraud and irregularities

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

78. NHS Lothian has in place a number of measures to prevent and detect fraud, including Standing Financial Instructions, Standing Orders and supporting policies and procedures. The Board has also entered into a formal partnership agreement with NHS Scotland Counter Fraud Services (CFS).
79. The Board has a formal programme of internal audit work which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud. The Board also a formal protocol covering a programme of regular payment verification checks with the Practitioner Services Division of NHS National Services Scotland. In 2011/12 these checks included verification against patient records, requesting patients to confirm treatment, visits to practices and examination of patients.
80. 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

81. NHS Lothian participates 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.
82. 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 it was recognised that NHS Lothian had made a strong commitment to the NFI process with a number of errors identified and potential recoveries in excess of £36,000.
83. 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.

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

84. 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. With the exception of issues surrounding management culture highlighted at paragraph 57, we have concluded that the arrangements in NHS Lothian are satisfactory and we are not aware of any further specific issues that we need to identify in this report.

Outlook

Partnership working

85. This is very much a developing area at a national level. In December 2011 the Cabinet Secretary for Health and Wellbeing and Cities Strategy 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.
86. 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 four local authorities and NHS Lothian 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.

Equality Act 2010

87. 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. 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

88. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
89. 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.
90. 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.
91. 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.
92. 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.
93. This section includes a commentary on the Best Value / performance management arrangements within NHS Lothian. We also note any headline performance outcomes / measures used by NHS Lothian and comment on any relevant national reports and the Board's response to these.

Management arrangements

Best Value

94. 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.
95. 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.

96. NHS Lothian is committed to the principles of Best Value and continuous improvement, and produces an annual Best Value assurance report. The Lean in Lothian Programme involves and engages front line staff in identifying waste within their current working processes and agreeing and implementing service improvements. The programme is now in its sixth year in delivering process redesign and increasing productivity, most recently in areas such as elderly care and rehabilitation, dementia care, stroke medicine and orthopaedics hip fracture treatment times. These and other initiatives support the Board's ongoing actions to deliver increasingly challenging savings targets.
97. We will continue to monitor the Board's arrangements for demonstrating its commitment to Best Value and continuous improvement.

Service redesign

98. NHS bodies need to deliver high quality services in a challenging financial environment which requires them to focus on the design and sustainability of services. A crucial part of this process is the Board's local reinvestment plan (LRP) where significant service redesign is critical to achieving financial balance and future savings.
99. NHS Lothian continues its commitment to developing a sustainable health service through its Improving Care, Investing in Change (ICIC) programme. There is regular tracking of ICIC projects and reporting of progress to the Service Redesign Committee. The programme includes significant capital investment such as the Royal Hospital for Sick Children and the Department of Clinical Neurosciences.
100. In line with the rest of Scotland the ageing population will lead to a change in the type of demand for services. Demographic forecasts for the Lothians predict a 53% rise in the elderly population between 2009 and 2028, which will impact on the demand for community based services which are already nearing capacity. 'Our Health, Our Future NHS Lothian Clinical Strategy 2012-2020' will be fundamental as to how NHS Lothian and its partners continue to deliver services over the next 5 to 10 years with an emphasis on quality and value.
101. The strategy identifies how NHS Lothian plans to deliver safer, more effective and person-centred health and healthcare for the people of Lothian. This strategic framework will concentrate on the core business functions of the organisation underpinned by the three main drivers; finance, demography and the medical workforce.
102. The impact of all service developments are to be closely monitored by the Board to ensure that they continue to contribute to improving the patient experience whilst delivering Best Value.

Performance management

103. Current delivery and performance management arrangements for the NHS are based on Local Delivery Plans (LDPs), which are structured around a hierarchy of four key ministerial objectives: health improvement, efficiency, access, and treatment (HEAT) and a range of supporting measures. NHS Boards are required to produce LDPs which state their planned

levels of performance against each of the key performance measures. These are agreed with the SGHSCD and form the basis for performance monitoring.

104. The HEAT performance management system is updated on a monthly basis with the latest performance information at both national and Board level. This is available on NHSNet and allows both the SGHSCD and the Boards to monitor performance against the key targets on an ongoing basis. Boards' performance against these targets is a key component of the Annual Reviews with the Cabinet Secretary for Health and Wellbeing and Cities Strategy.
105. Overall NHS Lothian has the main elements of a sound performance management framework, including:
 - A consistent approach to monitoring performance across the organisation.
 - Bi-monthly reporting to the Finance and Performance Review Committee.
 - Monthly reports to the Board on waiting times and access targets.
 - Performance is linked into individual performance appraisal of directors and senior managers.

However, this framework did not operate effectively in 2011/12 in relation to reporting of performance on waiting times. This raises questions and wider concerns about the accurate reporting of performance information. The Board should take steps to confirm the robustness of performance reporting and re-establish confidence in the system.

Risk Area 5

People Management

106. As with other health Boards in Scotland, NHS Lothian faces a challenge in achieving the new 3.5% sickness absence target set for all Scottish Health Boards. The average sickness absence rate over the year to 31 March 2012 was 3.96% (2010/11 4.47%). The absence rate reduction equates to 86 whole time equivalent staff worth approximately £3.4m. The Board has implemented a range of approaches in order to reduce absence levels further.

Risk Area 7

107. It is important for NHS Lothian to have effective workforce planning arrangements in place in order to secure best value and meet challenging performance targets. Workforce efficiency reports are presented to the Finance & Performance Review Committee on a regular basis and the Board continues to develop its planning arrangements, 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

108. The *Role of Boards – A follow-up audit* was carried out by local auditors in 2011/12 to assess the progress that NHS Lothian 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).

109. In carrying out the study we used a checklist based on the key issues identified in the national report. Our final report will be issued to the Audit Committee in due course. Our findings indicate that NHS Lothian faces a number of challenges, both as a result of local and national issues. The Board recognise that maintaining an effective governance framework is essential to help face these challenges and to ensure that the best outcomes are delivered for all stakeholders.

Using locum doctors in hospitals – follow-up audit

110. *Using Locum Doctors in Hospitals – A follow-up audit* was carried out by local auditors in 2011/12 to assess the progress made by NHS Lothian 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.
111. In carrying out the study we used a checklist based on the key issues identified in the national report. Our final report will be issued to the Audit Committee in due course. We found that good progress has been made by NHS Lothian in applying the recommendations identified in the report. However, the Board faces a challenge in achieving compliance with its own authorisation procedures and the system developed to collect and record performance information is not yet fully operational.

Overview of performance targets in 2011/12

112. The Finance & Performance Review Committee receives regular performance reports on progress towards achieving the key performance targets set by the Scottish Government (HEAT targets and standards) and local targets. Overall, the Board's reported performance has been mixed. Of the 33 standards and targets that are monitored by NHS Lothian, 15 are being or are met, 4 are currently behind the set milestones with standards yet to be applied, whilst 10 standards have not been achieved or are falling below milestones. 4 targets have yet to have performance milestones set up towards the 2016 targets.
113. The Board demonstrated good performance against a number of challenging HEAT targets by the end of March 2012 including the alcohol brief interventions, cardiovascular health checks targets and wait for cardiac interventions, Healthcare Associated Infection (CDIF) episodes in patients over 65 and dementia. However some important targets, including 18 week referral to treatment, new outpatients, 4-hour emergency, hip surgery, delayed discharges over six weeks were not achieved. In addition, the SGHSCD's new standard that 90% of patients will wait no longer than 18 weeks from referral to treatment was one of the key targets that was missed - NHS Lothian achieved 86.5%.
114. The Board is taking steps to expedite treatment of those recorded as breaching, or about to breach, waiting times guarantees. Capacity has been sourced elsewhere in Scotland, such as NHS Borders. Cases have also been sent to Spire Murrayfield and various other private sector

providers. The forecast of the private sector provision cost for the first quarter of 2012/13 is approximately £9 million.

115. 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, (no more than an average of 17 episodes per month for the 12 month period); and the rate of Clostridium difficile infections (C diff) in patients 65 and over is 0.39 cases or less per total occupied bed days, (no more than an average of 27 episodes per month for the 12 month period). These episode numbers have fluctuated throughout 2011/12 with March 2012 figures reported as being 22 episodes of SAB and 14 of C diff. These standards continue to be a challenge to achieve.

National performance reports

116. 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.
117. All Audit Scotland reports are considered for their applicability to NHS Lothian by the Corporate Governance team. Those national reports which are considered to be of specific interest to NHS Lothian are considered in detail by officers, with action to be taken discussed at the Board's Operational Audit Sub-Committee (OASC). Relevant senior managers are invited to attend to outline the impact of the findings and the Board's response and progress in addressing recommendations locally. In respect of other national reports which have been considered to be non-applicable or more over-arching in nature, a record of decisions taken by officers following review are then presented to the OASC for approval. NHS Lothian has a robust system for reviewing Audit Scotland's national reports and implementing improvement actions, as appropriate.
118. Reports in the last year that may be of relevance to the Board include:

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

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| <ul style="list-style-type: none"> • 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) | <ul style="list-style-type: none"> • Overview of the NHS in Scotland's performance 2010/11 (Dec 2011) • Cardiology services (Feb 2012) • Commissioning social care (Mar 2012) |
|---|--|

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Outlook

Performance

119. 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 further. This will make maintaining or improving performance even more challenging, including achieving waiting times targets.
120. Questions have been raised in 2011/12 on the reliability of the Board's performance management and performance reporting arrangements. A priority in 2012/13 is to confirm the robustness and re-establish trust in the system.

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	27 March 2012	5 April 2012
Annual Audit Plan	27 March 2012	5 April 2012
Internal Controls Management Letter	19 June 2012	26 June 2012
Computer Services Review	31 May 2012	26 June 2012
Report to Audit Committee in terms of ISA 260	20 June 2012	26 June 2012
Independent auditor's report on the financial statements	20 June 2012	26 June 2012
Annual Report on the 2011/12 Audit	31 July 2012	31 July 2012
The Role of Boards - Follow-up audit	TBC	TBC
Locum Doctors - Follow- up audit	TBC	TBC
Best Value toolkits - Follow up audit	TBC	TBC

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	22	NHS Lothian as with other Boards has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities could have a significant impact on the Board's financial position.	The Board's HR function continues to work with NSS' Central Legal Office in managing this risk. Any potential liability, subsequently identifiable, will be initially classified as Annually Managed Expenditure, and any subsequent effect on the Board's Revenue resource limit will be discussed on a national basis with SGHSCD.	Director of HR and OD	Ongoing
2	25	The lack of a fully documented and clear audit trail for urgent expenditure made it difficult to conclude that one urgent payment fully complied with NHS Lothian's Standing Financial Instructions (Annex 4, Section 29). There is a risk that urgent expenditure does not comply with SFI's.	Section 29 of Annex 4 to the Scheme of Delegation within the Board's SFIs provides for specific authority to the Director of Finance for any departure from the requirements of Market testing and Tendering in special urgent circumstances.	Director of Finance	Immediate

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	38	<p>Progress on the development of the re-provision of the RHSC and DCN facilities at Little France has been delayed and completion is not now expected until 2017. This is due to Consort Healthcare's inability to secure all 11 funders' approval to the proposed facilitating works.</p> <p>There is a risk that the project is delayed beyond 2017, with a consequential impact on levels of care.</p>	<p>Progress on the RHSC/DCN re-provision forms a regular part of the agenda of the Board's Finance and Performance Review committee.</p> <p>The Board meets with Consort regularly in order to progress PFI contract related issues.</p> <p>The funding difficulty is entirely the responsibility of Consort to resolve, with our support.</p>	Director of Finance	Sept 2012.
4	46-48	<p>The delivery of the cost savings plan in 2012/13 will be more challenging because of the release of cost savings in previous years and the current severe financial pressures. 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.</p> <p>The longer term financial plan remains at risk of not being affordable due to the wide range of financial challenges and pressures being faced by the board,</p>	<p>The Board's formal quarterly and mid-year financial forecasting review process is the key element of the risk management approach to this challenge.</p> <p>The Board has established an Efficiency and Productivity group which reviews savings proposals and progress with agreed savings schemes and workstreams.</p> <p>Progress and recommended actions are reported regularly to the Corporate Management Team and</p>	Director of Finance	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		or that savings targets may not be achieved.	the Finance and Performance Review committee of the Board.		
5	56/105	HEAT Target reporting arrangements in respect to Waiting Times was unsatisfactory. As a result the board has amended its recording practices. There is a risk that other Heat targets may be incorrectly reported and the Board should take appropriate steps to confirm the robustness of their performance reporting.	Following the Chairman-commissioned report to the Board on its information requirements, arrangements are being made to underpin the reliability of data reported on Waiting Times and other operational performance targets' delivery. This is being monitored through the Steering Group set up by the Board to address issues arising from the mis-reporting of Waiting Times (see also 6. below).	Medical Director	March 2013
6	57/60	A review was undertaken by the Board of the root causes of senior management cultural issues which prevented full disclosure of waiting times problems from properly progressing through the governance framework of the Board. There is a risk that the problems identified may recur if the Board does not implement fully the recommendations from both the 'Waiting Times'	Under the leadership of the Interim Chief Executive, the Board is taking forward the recommendations from the Waiting Times report and the information review in partnership with trades union representatives. A Steering Group, which also includes non-executive Board members, is overseeing progress of implementing the	Interim Chief Executive	March 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		report and the 'Review of Scope of Information' report.	recommendations and will report to the Board through its Staff Governance committee. Following its first meeting the Board has established a number of priority improvement actions and made some enabling organisational changes at senior management level.		
7	106	NHS Lothian faces a challenge in achieving the new 3.5% sickness absence target set for all Scottish Health Boards.	Key workforce metrics (including absence) are reported regularly to Corporate Management Team and Finance and Performance committee meetings of the Board. Specific actions on variance on trajectory towards targets are agreed at such meetings and implemented in partnership with staff representatives.	Director of HR/OD	Ongoing