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# ***Western Isles NHS Board***

Annual Report to Board Members  
and the Auditor General for Scotland

For the financial year ended 31  
March 2012

27 June 2012

Final Report

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

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

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



# 1. *Executive Commentary*

## Introduction - Section 2

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

## Financial Statements and Audit Opinions - Section 3

We are pleased to report that our opinion on the financial statements for the year ended 31 March 2012 is **unqualified**.

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

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

Scottish Government Health and Social Care Directorates (SGHSCD) required two accounting policy changes to be made within the NHS 2011/12 financial statements. These were the change in accounting policy in respect of: Donated Assets and the Prisoner Service Transfer.

The change in Donated Assets has resulted in the elimination of the specific reserves in relation to Donated Assets with these now being treated in line with reserves for fixed assets. The impact of the change resulted in a reallocation of the Donated Asset reserve to the General Reserve of £0.125 million.

Within Western Isles NHS Board there is no prison service and as such this change does not affect the Board as there have been no assets or ongoing costs to be transferred.

The accounting treatment of these changes has been confirmed in the preparation of the 2011/12 financial statements.

## Financial Performance for the 2011/12 financial year - Section 4

Western Isles NHS Board budgeted for a surplus position for the year to 31 March 2012. The final outturn was a surplus against the core Revenue Resource limit of £0.480 million.

Capital expenditure allocation of £0.986 million was spent in full in the year.

In year performance included savings of £2.967 million which was essential in allowing the Board to achieve their budgeted surplus position.

In addition to their financial targets Western Isles NHS Board also made progress towards the achievement of its non-financial performance targets.

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## Financial position forecast for 2012/13 - Section 5

A breakeven budget for 2012/13 has been set, based on an underlying recurring deficit of £0.369 million, which is offset by a non-recurring surplus of the same amount. The Board requires £1.705 million of cash releasing savings to achieve the surplus position reflecting the increased cost pressures that are expected to exceed the SGHSCD funding package with a budgeted 1% uplift from 2011/12.

## Governance and Control - Section 6

As part of our review of the Board's overall governance arrangements we have reviewed the Board and key Committee structures and minutes, financial reporting to the Board, and risk management arrangements. We have also considered key areas of risk to the Board including partnership working; service sustainability; performance management; and people management, as part of our process to understand the priorities and risks at the Board, informed by Audit Scotland's Priorities and Risks framework planning tool.

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

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

In terms of Waiting Times, the Board has achieved the 18 week referral to treatment target, with an actual percentage of 100% referral treatment being within target.

In line with the mandate from the Cabinet Secretary, the Board's Internal Auditor will undertake a specific and detailed internal audit of local waiting times management and processes in 2012-13, covering the reporting mechanisms, the controls around the processes, and compliance with guidance. This will be reported to the SGHSCD and the Audit Committee in December 2012.

The Board also reported a sickness absence rate of 5.17% in 2011/12, missing the external national target of 4%. However, this has been an area of increased focus for management during 2011/12, and following an internal audit review the percentage rate has decreased as at end of May 2012, with further actions planned during 2012/13.

## 2. Introduction

### Purpose of this report

Our Annual Audit Report which follows is designed to set out the scope, nature and extent of our audit, and to summarise our opinion and conclusions on issues arising.

Specifically this will direct your attention to matters of significance that have arisen out of the 2011/12 audit process and to confirm what action is planned by management to address the more significant matters identified for improvement. The more detailed findings of our financial statements audit have been presented to the Risk Monitoring and Audit Committee in our ISA 260 (revised and re-drafted): “Communication with those charged with governance” report, which includes further analysis of the financial statements process and agreed adjustments.

This report is addressed to the Board members and the Auditor General for Scotland.

### Management responsibility

It is the responsibility of the Board and the Chief Executive, as Accountable Officer, to prepare the financial statements in accordance with the National Health Service (Scotland) Act 1978 and directions made there under. This means:

- acting within the law and ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority;
- maintaining proper accounting records;
- preparing financial statements timeously which give a true and fair view of the financial position of the Board and its expenditure and income for the period ended 31 March 2012; and
- preparing a Directors’ Report, an Operating and Financial Review, a Governance Statement and a Remuneration Report.

### Auditor’s responsibilities

We audit the financial statements and the part of the Remuneration Report to be audited and give an opinion on:

- whether they give a true and fair view of the financial position of the Board and its expenditure and income for the period in question;
- whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
- whether the information which comprises the annual report included with the financial statements is consistent with the financial statements; and
- whether expenditure and receipts have been incurred and applied in accordance with guidance from Scottish Ministers (the regularity opinion).

We also review the Board’s Governance Statement by considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control; and assess whether disclosures in the statement are consistent with our knowledge of the Board.

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## Scope, nature and extent of our audit

Our overall responsibility as external auditor of the Board is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.

Our audit has been planned and conducted to take account of the wider perspectives within the Code of Practice, namely regularity and use of resources considerations.

## Acknowledgement

We would like to formally extend our thanks to Western Isles NHS Board's managers and staff for the assistance they have given us during this year's audit process.

*PricewaterhouseCoopers LLP*

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

# 3. *Audit Opinion and Financial Statements*

## Basis of Preparation

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2011/12 Government Financial Reporting Manual (the 2011/12 FReM).

## Audit Opinion

Our audit opinion concerns the true and fair statement of Western Isles NHS Board's financial results for the year ended 31 March 2012 and the regularity of its income and expenditure for the year.

We are pleased to report that our opinion on the true and fair view on the financial statements and on the regularity of income and expenditure is **unqualified**.

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

## Audit Process

The financial statements and supporting schedules were presented to us for audit broadly within the agreed timetable allowing us to commence our fieldwork from 24 May 2012. The quality of working papers provided by management was of a reasonable standard, which resulted in an efficient audit process, including the development of an effective working relationship with your staff.

The Financial Statements were submitted to the Risk Monitoring and Audit Committee on the 27 June 2012 and approved at the Board meeting on 27 June 2012.

## Unadjusted Misstatements

We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those which we deem to be of a trivial nature. Our work in this area has been reported in our ISA 260 Report, and we are pleased to report there are no unadjusted differences. Overall, we agreed a number of financial and disclosure adjustments with management which are reflected in the final financial statements.



## More significant accounting and auditing issues

### *Prior year adjustments – Donated assets and prison service*

SGHSCD required the 2011/12 financial statements to take account of a change of accounting treatment for Donated Asset Reserve and the Transfer of Prisoner Healthcare to NHS Scotland. This change applies to both 2010/11 and future periods. As a result a restatement of previously disclosed information is required.

The change in Donated Assets has resulted in the elimination of the specific reserves in relation to Donated Assets with these now being treated in line with reserves for other fixed assets. The impact of the change in Donated assets for Western Isles NHS Board resulted in a reallocation of the Donated Asset reserve to the General Reserve of £0.125m.

Incorporation of the Transfer of Prisoner Healthcare to NHS Scotland is not relevant to Western Isles NHS Board due to there being no prison service within Western Isles NHS Board, therefore this change in accounting treatment has no impact.

### *Other prior year adjustments*

There were three prior year adjustments made to correct errors, as detailed in note 25 to the accounts. These are: a net figure of £0.127 million relating to fixed assets had been incorrectly excluded from additions previously; a holiday pay accrual of £0.227 million had not been charged to reserves; and a reallocation of £3.522 million from administration costs (note 6) and £2.186 million from other non clinical costs (note 7) to hospital and community costs (note 4) to better realign certain classifications of expenditure per the Manual for Accounts. Although a similar adjustment was made to expenditure in the current year, none of the above transactions had an impact on current year figures.

### *Provisions*

The main provisions made by the Board related to clinical negligence claims and pension obligations. Following discussion with management Western Isles NHS Board have revised their approach to providing for clinical negligence claims in line with the NHS accounting manual and based on advice received from the Central Legal Office. All other provisions are in broadly in line with 2010/11.

### *Equal Pay*

As at 31 March 2012 the Board had received eight claims under the Equal Pay Act 1970 from women seeking compensation for past inequalities with male colleagues, under their pay arrangements. These have been referred for the attention of the NHS Scotland Central Legal Office (CLO) to co-ordinate the legal response to this issue.

The Board has included a Contingent Liability Note in its financial statements, as the potential financial impact cannot yet be assessed, in accordance with advice from the Central Legal Office. This is consistent with prior year treatment and other NHS Boards in Scotland.

### *Median Pay Disclosure*

In 2011/12 Health Boards have been asked to disclose the ratio of the Highest Earning Director's Total Remuneration against the Median Total Remuneration.

The median pay ratio for the year has remained consistent, dropping marginally from 6.39 in 2010/11 to 6.35 in 2011/12. This reflects similar pay arrangements for the year, with the highest earning director's remuneration remaining consistent.

## 4. Financial Performance 2011/12

Western Isles NHS Board 2011/12	£m
Recurring income	69.107
Recurring expenditure	72.028
Recurring savings	2.426
<b>Underlying recurring deficit</b>	<b>(0.495)</b>
Non-recurring income	2.163
Non-recurring expenditure	1.729
Non-recurring savings	0.541
<b>Non-recurring surplus</b>	<b>0.975</b>
<b>Financial surplus</b>	<b>0.480</b>
<b>Underlying recurring deficit as a percentage of recurring income</b>	<b>(0.7%)</b>

*\*Note the information shown above is per the template issued by Audit Scotland to inform the NHS overview report and has been provided and authorised by the Director of Finance on 27 June 2012.*

Overall, Western Isles NHS Board budgeted for a break even position for the year to 31 March 2012. The final outturn was a surplus of £0.480 million. This was primarily due to the receipt of funding for specific workstreams which could not be fully implemented during the year, including the Neurological Managed Clinical Network (£0.067m), Learning Disabilities Collaborative (£0.035m), and Well North (£0.072m). Subject to approval by the Corporate Management Team, these balances will be carried forward and disbursed during 2012/13 as these workstreams progress.

### Summary of performance against key financial targets

Western Isles NHS Board has achieved all of its financial targets in the year, as follows:

	Limit set by SGHSCD £millions	Actual Outturn £millions	Variance (over)/under £millions
Revenue Resource Limit	71.269	70.789	0.480
Capital Resource Limit	0.986	0.986	0
Cash Requirement	72.000	71.669	0.331

\* as extracted from the 2011/12 final financial statements.

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## Brokerage repayment

Western Isles NHS Board is due to repay brokerage of £3.097 million, which was provided in 2008/09, over the 6 year period from 2012/13. The net underspend achieved during 2011/12 has allowed the Board to repay £0.631 million brokerage early, with the repayment schedule being adjusted to reduce the repayments now required in years 1 and 6.

## Performance against key financial targets - capital

Currently the allocation of capital funding across the NHS in Scotland is changing, with available funding being top sliced to those approved projects where a legal commitment already existed. The remainder of funding is now distributed through formula allocations as derived by the NHS Scotland Resource Allocation Committee.

Expenditure on 2011-12 schemes was £0.986 million, matching the allotted allocation from SGHSCD. The majority of this spend was incurred on items including digital pens for community nursing staff (£0.099m); critical care equipment (£0.120m); external CCTV cameras at Western Isles Hospital (£0.055m); and refurbished part of Laxdale Court to provide office accommodation and reduce reliance on leased accommodation (£0.217m).

## Savings programme 2011/12

Western Isles NHS Board was able to generate savings of £2.967 million through its Financial Recovery Plan, achieving 98% of the original target. Of this total, £2.426 million are considered recurring savings, with the remaining balance of £0.541 million non-recurring.

## 5. *Forecasted financial position* *2012/13*

<b>NHS Western Isles (2012/13)*</b>	<b>£m</b>
Recurring income	69,556
Recurring expenditure	71,657
Recurring savings	1,705
<b>Underlying recurring deficit</b>	<b>(0.396)</b>
Non-recurring income	0.693
Non-recurring expenditure	0.762
Non-recurring savings	0.465
<b>Non-recurring surplus</b>	<b>0.396</b>
<b>Financial surplus/(deficit)</b>	<b>0</b>
<b>Underlying recurring surplus as a percentage of recurring income</b>	<b>0.6%</b>

*\*Note the information shown above is per the template issued by Audit Scotland to inform the NHS overview report and has been provided by the Director of Finance.*

### Financial plan and service sustainability

Western Isles Health Board is projecting break even in the 2012-13 financial year. This would leave their underlying deficit close to the 0.5% of turnover advised by SGHSCD. Overall, 1% uplift in Revenue Resource Limit (RRL) allocation has been assumed in forming the financial plan.

There are no major capital plans in the 2012-13 period, although options are being considered including a business case is planned for the replacement of St Brendan's Hospital in Barra, and the Board are at a very early stage of exploring whether a dental practice could be established in Tarbert.

In addition, the brokerage loan repayments will continue in the period, coming directly from SGHSCD funding.

### Savings plans and cost pressures

The Board's financial plan identifies the requirement to deliver recurring cash releasing efficiencies of £1.705 million to remain in recurring financial balance.

The main cost pressures that exist relate to the rising cost of fuel oil, which could be affected by £0.100m. Also, uncertainly remains around cost pressures from tribunals.

Key savings target areas for 2012/13 include:

Description	Recurring Savings £million
Clinical Productivity	0.561
Workforce	0.445
Drugs and Prescribing	0.200
Procurement	0.159
Estates and Facilities	0.128

Following the announcement that Island Board patient travel costs will no longer be paid centrally by the Scottish Government, this will represent an additional financial risk to the Board. Although the Board will receive some initial protection, it is noted that year on year the costs of patient travel have been increasing significantly, resulting in approximately £3million incurred in respect of travel during 2011/12. This is an area of both risk and opportunity for the Board, and the implications need to be further considered during 2012/13.

**Action 1**

## Capital forecasts

The financial plan reflects the capital budgets indicated by Scottish Government for 2012/13 to 2014/15 and is expected to remain stable beyond that. Capital plans have therefore been restricted in order to remain within the SGHSCD limits.

The budgets advised by SGHSCD include a funding stream totalling £2.900 million over 2012/13 and 2013/14 in relation to the increasing urgency of a solution for St. Brendan's Hospital in Barra where a joint project is being explored with the Local Authority.

## Actuarial valuation

The Health Board participates in the National Health Service Superannuation Scheme for Scotland. The latest actuarial valuation for the scheme is dated 31 March 2008 and plans for future valuations have been put on hold by instruction of HM Treasury due to changes that have taken place in the move from RPI to CPI inflation for the revaluation of liabilities, as well as plans for long term reform of public sector pension schemes. Although Western Isles NHS Board have no direct influence over this, attention should be brought to the matter as it may have a future impact if increased employer's contributions are required when the valuation is updated.

# 6. Governance and Control

## Overall Governance Arrangements

### *Committees*

The established Committee framework at the Board remains in place, incorporating:

- Clinical governance;
- Risk Monitoring and Audit;
- Staff Governance;
- Discipline (for primary care contractors); and
- Public Patient Involvement.

Each of the Committees meets regularly and has at least one non-executive director present. This is in line with other NHS Boards and recommended practices.

### *Healthcare Inspection*

The NHS Healthcare Improvement Scotland (HIS) Standards for Clinical Governance, Patient Safety and Risk Management cover all aspects of clinical governance and risk management from the perspective of patient outcomes. The Healthcare Governance Committee considered the following reports issued by HIS during the year:

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

No significant issues were highlighted that were relevant to Western Isles NHS Board.

### *Partnership working and Shared Services*

The Board's partnership agreement with NHS Highland continued throughout 2011/12. This partnership has helped NHS Western Isles to develop its planning and capacity across a range of services. A significant example is orthopaedics, in which senior clinicians and managers from both boards have engaged to help develop a sustainable solution to the needs of our population. Both Boards continue to work together to achieve joint solutions to deliver specialist services such as urology, ENT and ophthalmology.

Staff from Western Isles NHS Board continue to have the opportunity of spending clinical time with their opposite numbers in Highland in support of their professional development. More recently this paid an unexpected dividend when Western Isles endoscopy staff went over to Raigmore to help run their unit during a period of high activity.

The Scheme of Establishment for the CHaSCP was approved by the Scottish Executive in April 2007. The first phase of implementation commenced in June 2007 with the delegation of Community Health services, including Primary Care, by Western Isles NHS Board.

Comhairle nan Eilean Siar's Community Care, Home Care, Mental Health and Housing Support Services joined the NHS services in the CHaSCP from 1 April 2008.

Following a restructuring of the Single Operating Division (which includes the CHaSCP) a new senior manager (Associate Chief Operating Officer) was appointed. The establishment of an Executive Liaison Group involving senior managers and Directors of the Board and their counterparts from the Local Authority has further improved collaboration and joint planning.

### *Annual Governance Statement within the financial statements*

The Code of Audit Practice requires us to review and report on the Board's Annual Governance Statement, this requirement replaces the Statement on Internal Control that has been previously required. This is to align with the UK Corporate Governance Code, due to the timing of confirmation of the guidance in relation to the requirements NHS Boards have been permitted to explain any departures from the code as an interim measure in 2011/12.

The Board has used the correct format for its Statement and has outlined the processes it has employed to identify and evaluate risks. In addition, key elements of the Board's control framework have been highlighted. Based on our normal audit procedures, we do not disagree with the disclosures contained in the Statement. We note that the statement highlights the need for further improvements in risk management arrangements during 2012/13 and also the need to complete the Board self assessment arrangements.

#### **Action 2**

### *Systems of Internal Control*

The results of our work on systems of internal control were communicated to the Audit Committee in our Interim Management Letter on 11 April 2012. The report contained three recommendations to improve controls, none of which were considered high risk. Management has completed an action plan detailing those individuals responsible for implementing our recommendations and the timetable for completion. In addition, our year end work identified some minor control improvements which were reported in our ISA 260 to the Audit Committee on 27 June 2012. None of these were deemed significant internal control weaknesses.

## **Internal Audit**

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

During 2011/12, the Board continued to have an outsourced internal audit function. Internal audit have completed 13 reviews within the year, all of which were within the original plan. There are no outstanding reviews to be completed in relation to 2011/12.

We have liaised with internal audit to gain an understanding of their work. Internal Audit have found that they are satisfied with the consistency of the evidence which supports the Governance Statement with the information available from the work undertaken within Internal Audit.

## National Fraud Initiative

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

Western Isles NHS Board chose to investigate all 90 matches rather than focusing on recommended matches or a particular type of match only. To 31 May 2012 all matches had been reviewed to determine a suitable course of action and to investigate and conclude on the reason for the match. This includes reviewing payroll records, liaising with the Human Resources Department or other Boards and Local Authorities.

The majority of the matches Western Isles NHS Board received related to employees working on multiple jobs.

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

## Best Value

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

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

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

## Community Engagement

The toolkit aims to establish how each Board has achieved the main objectives. For Community Engagement these are:

- To ensure that the organisation demonstrate a commitment culture to community engagement;
- To understand the needs and aspirations of communities;
- To ensure communities are involved in decision-making;
- To sufficiently plan and monitor arrangements in respect of community engagement; and
- To be able to measure what community engagement has achieved.

In all of the five areas of the Community Engagement Toolkit the Board has been classified as performing at a Better level of performance.

Our full reporting on these areas will be presented at the August 2012 Risk Monitoring and Audit Committee.



## Financial Management

Audit Scotland originally assessed NHS Western Isles as performing at a level of Basic Practices in 2008/09 with 21 individual questions of the toolkit being noted as performing at either the Basic or Does not meet basic requirements level of performance. For each question Audit Scotland raised recommendations which have been the focus of our follow up work. Substantial progress has been made in the implementation of the Audit Scotland recommendations with each of the questions previously rated as being Basic or Does not meet basic requirements level of performance now achieving Better or Advanced performance. Overall Western Isles NHS Board is at a Better level of performance.

## Audit Scotland national reports

Audit Scotland requires us to undertake reviews of the Boards responses to national reports and provide a summary of how these have been considered within the Board. In particular this includes confirming which committees have reviewed the reports and what actions have been taken to address the key findings. In 2011/12 the focus has been on:

- Scotland's Public Finances 2 – Addressing the Challenges;
- A review of Community Health Partnerships; and
- Transport for Health and Social Care.

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

### Action 3

## Role of Boards

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

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

The report stated that the appointments process for non-executives is improving but there are still weaknesses. The length of time it can take to make an appointment remains too long and there has been mixed progress in widening the diversity of applicants to become non-executives. This is relevant to Western Isles NHS Board due to the upcoming changes to the membership of the Non Executive Members.

Our work focused on the progress that Western Isles NHS Board has made in seeking to improve the performance and operation of its board in particular:

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

As reported in the Governance Statement, the Board will formally conduct a self evaluation of its performance during 2012/13, putting in place arrangements to capture this assessment and any actions on an annual basis.

## Locum Doctors

Using Locum Doctors in Hospitals was published by the Auditor General in June 2010. The report examined how efficiently and how safely NHS boards were using locum doctors in hospitals. It analysed the reasons why NHS boards were using locum doctors and how much they were spending on them. It also assessed whether NHS boards had appropriate arrangements in place for ensuring patient safety when using locum doctors.

The report found that expenditure on locums had more than doubled in real terms since 1996/97 and that the NHS could save around £6.00 million a year by some boards reducing their expenditure on locum doctors to the national average.

The aim of our review is to assess the progress that The Health Board has made in using locum doctors more economically, efficiently and effectively; and in using medical locums more safely.

Our work in relation to Locum Doctors and the Role of Boards is ongoing and full reporting on these areas will be presented at the August Audit Risk and Monitoring Committee.

## Waiting Times Management

Patient waiting times figures reported by Western Isles NHS Board, with regards to the 18 week referral to treatment target, show that 100% of referrals have been delivered in line with the timetable.

The findings of the external review on waiting times management at NHS Lothian were raised in the Scottish Parliament by the Cabinet Secretary for Health in March 2012. A key finding of the report was that periods of unavailability to some patients were being inappropriately applied in order to artificially reduce the numbers of patients who would otherwise have been reported as breaching waiting times guarantees. Another significant issue raised was that the management culture had contributed to the situation by applying pressure to find tactical solutions to report the achievement of waiting times targets rather than tackling the root causes of delays in treatment.

In line with the mandate from the Cabinet Secretary, the Board's Internal Auditor will also undertake a specific and detailed internal audit of local waiting times management and processes covering reporting mechanisms; controls around the processes; and compliance with guidance.

## Sickness Absence

Western Isles NHS Board has reported a sickness absence rate of 5.17% in 2011/12, a downward trend from the 2010/11 position (4.80%) and failing to reach the external target of 4%. An internal audit review has been undertaken in this area, with actions taken resulting in a decrease in the sickness absence rate during the last quarter, from 4.81% in March 2012 to 3.96% in April 2012. This is a continued area of focus for management.

### Action 4

# *Appendices*

# Appendix 1 Action Plan

Ref	Recommendation	Management Response
1	<p>The Board has a requirement to deliver cash releasing efficiency savings of £1.705 million to support the delivery of a balanced financial plan. Furthermore, over the next six years repayment of the brokerage loan will taken place, requiring strong financial management. It is commendable to note that the organisation has done well to achieve the recurring financial efficiencies in previous years whilst maintaining and improving the quality of patient care.</p> <p>Management should continue to demonstrate strong leadership and the promotion of ownership of the various schemes. This leadership will include monitoring and reporting on progress against savings plans, and taking early action to avoid slippage within the savings schemes identified.</p>	<p><b>Management Response:</b> We will maintain a strong focus on delivering the financial targets, alongside continued regular scrutiny of budget holder performance.</p> <p><b>Responsible Officer:</b> Chief Executive</p> <p><b>Due Date:</b> Ongoing</p>
2	<p>As planned the Board should complete the self assessment process, considering its own performance and areas for future focus in line with the Code of Corporate Governance.</p>	<p><b>Management Response:</b> This will be taken forward during 2012/13.</p> <p><b>Responsible Officer:</b> Chief Executive</p> <p><b>Due Date:</b> December 2012</p>
3	<p>It is recommended practice for all Audit Scotland national publications, where relevant, to be submitted and considered at each relevant Committee to ensure that national actions can be addressed at a local level. Management should continue to ensure these reports are presented to Committee on a timely basis and an action plan developed where applicable.</p>	<p><b>Management Response:</b> We will continue to ensure national Audit Scotland reports are acted on where appropriate.</p> <p><b>Responsible Officer:</b> Director of Finance</p> <p><b>Due Date:</b> ongoing</p>
4	<p>Management should continue to focus on reducing the Board's sickness absence rate, continuing to aim for the agreed national target of 4% or lower.</p>	<p><b>Management Response:</b> this has been an area of increased focus for management during 2011/12, and following an internal audit review the percentage rate has decreased as at end of May 2012. This focus will be maintained throughout 2012/13.</p> <p><b>Responsible Officer:</b> Director of Human Resources and Workforce Development</p> <p><b>Due Date:</b> ongoing</p>



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