
NHS Dumfries and Galloway

Annual Report to Board Members
and the Auditor General for Scotland
Year ended 31 March 2013

17 June 2013

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Section 1. Executive Summary

Financial Statements

The financial statements of NHS Dumfries and Galloway (the “Board”) for the year ended 31 March 2013 are **unqualified**.

As a result of our work, we proposed two audit adjustments with an immaterial net impact of £0.099 million. Neither of these adjustments have been processed by management in the final version of the 2012/13 financial statements and therefore are contained within our summary of unadjusted misstatements. The full details of these adjustments have been communicated to you in our separate report titled ‘*ISA 260 (revised and re-drafted) Communication with those charged with governance*’ (“ISA 260 report”).

Financial Performance

NHS Dumfries and Galloway budgeted for a break even position for the year to 31 March 2013 with a brought forward surplus from 2011/12 of £2.146 million. The final outturn was a surplus against the Core Revenue Resource Limit of £4.003 million including the brought forward surplus. It has been agreed that this non recurring surplus will be retained by the Scottish Government Health and Social Care Directorate (SGHSCD) and returned to the Board upon completion of the Acute Hospital Redevelopment Project. The surplus is planned to fund potential double running costs during the commissioning of the new hospital.

In year performance included savings of £7.841 million which were essential in allowing the Board to achieve their budgeted break-even position.

Capital expenditure was on budget against a revised Core Capital Resource Limit of £10.007 million.

Governance and Control

The SGHSCD has issued guidance on the information to be provided in the 2012/13 Governance Statement which goes further than previous disclosures required for Boards. This disclosure includes an overview of risk management, including the organisation’s risk profile and any significant control weaknesses or issues that have been identified.

We are satisfied that the Board’s Governance Statement complies with the current guidance and we do not disagree with the matters reported.

Performance

During 2012/13 NHS Dumfries and Galloway’s Internal Audit function undertook a review into waiting times at the Board. A report was presented to the Audit Committee in November 2012 which provided reasonable assurance that waiting lists are being managed appropriately within NHS Dumfries and Galloway and concluded that the scale of inappropriate use of unavailability codes reported in NHS Lothian was not evident in NHS Dumfries and Galloway during the period reviewed. The internal audit raised 12 recommendations, all graded low or medium risk.

Section 2. Introduction

Purpose of this report

Our Annual Audit Report 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 the Board's attention to matters of significance that have arisen out of the 2012/13 audit process and to confirm what action is planned by management to address the more significant matters identified for improvement.

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

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.

The special accountabilities that attach to the conduct of public business, and the use of public money, means that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements and associated documents such as governance statements, but providing a view also, where appropriate, on matters such as regularity (or legality), propriety, performance and use of resources in accordance with the principles of Best Value and 'value for money'.

This fuller responsibility is met by a range of audit services undertaken by Audit Scotland, including its appointment of PwC as external auditor.

In addition to this annual report, we have completed and reported the following matters to those charged with governance (the Audit Committee) of the Board:

- External audit plan
- Interim management letter
- Report to those charged with Governance (ISA 260 Report)

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

Acknowledgement

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

PricewaterhouseCoopers LLP
Glasgow

11 June 2013

Section 3. 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 2012/13 Government Financial Reporting Manual (the 2012/13 FReM).

Audit Approach

Our audit approach was set out in our External Audit Plan as presented to the Audit Committee Members on 14 February 2013. We confirm that there has been no cause for us to vary the planned scope of our work.

As part of our audit planning work, and in line with International Standards on Auditing (UK and Ireland), we are required to review and identify (where relevant) significant risks which require a greater detail of audit testing for us to conclude on their truth and fairness in the financial statements. The following areas of significant risks were identified:

- Management override of controls
- Revenue and Expenditure Recognition

Our separate ISA 260 report discusses the work we have performed in relation to each of these and our key conclusions in more detail.

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. These have also been reported in our separate ISA 260 report.

Audit Opinion

Our audit opinion concerns the true and fair statement of the Board's financial results for the year ended 31 March 2013 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.

We have also reviewed the Board's Governance Statement to consider its compliance with guidance issued by the Scottish Government and consider if the contents are consistent with our audit findings. Based on our normal audit procedures, we do not disagree with the disclosures contained in the Statement.

Approval

The Financial Statements will be submitted to the Board's Audit Committee on the 11 June 2013 and are to be approved, adopted and signed at the Board meeting on 17 June 2013.

Other Matters

Actuarial valuation

The Board participates in the National Health Service Superannuation Scheme for Scotland. The latest actuarial valuation for the scheme is dated 31 March 2004 and plans for future valuations have been put on hold following instruction of HM Treasury due to changes that have taken place as a result of 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.

While NHS Dumfries and Galloway has 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.

The Board should ensure that the potential for increased employer's contributions in relation to the National Health Service Superannuation Scheme for Scotland is considered in future financial plans to ensure resources are available to fund this if required.

Action 1

Section 4. Financial Performance

Performance against Key Financial Targets

The Board has reported the achievement of all three of its financial targets in the year, as follows:

Table 1: Financial target summary 2012/13

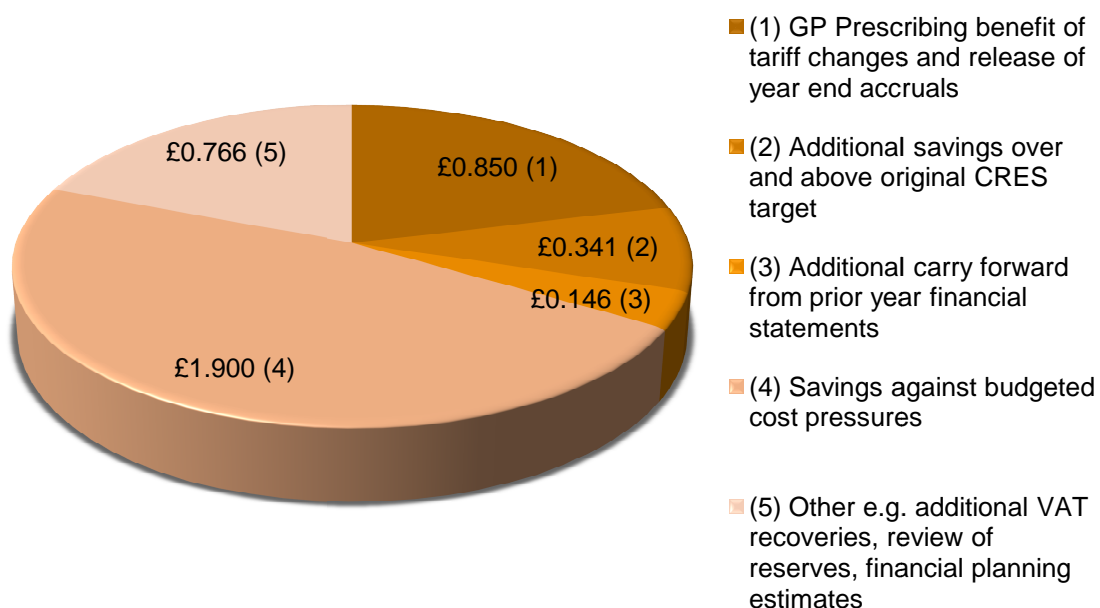
	Limits set by SGHSCD £million	Actual Outturn £million	Underspend[Overspend] £million
Core Revenue Resource Limit (RRL)	269.734	265.731	4.003
Core Capital Resource Limit (CRL)	10.007	10.007	0
Cash Requirement	294.000	293.777	0.223

Revenue

In March 2012 the Board approved a five-year financial plan through to 2016-17, submitted to the SGHSCD with the Local Delivery Plan (LDP). The 2012-13 financial plan assumed utilisation of the previously carried forward funding of £2.146 million (agreed to recognise the level of cash releasing efficiency savings required to fund the potential redevelopment of Dumfries and Galloway Royal Infirmary), with an in-year planned break-even position (zero carry forward) at 31 March 2013.

During the Quarter 1 financial review the Board identified non-recurring resources available to support the Board’s financial plans, which resulted in a re-forecasted year-end under-spend of £4.003 million. Details of this non-recurring resource are as follows:

Diagram 1: Additional non-recurring resources identified in Q1 of 2012/13 (£millions)



In addition to the savings identified in Quarter 1 the Board achieved a number of other variations from budget within the directorates and this overall under-spend allowed for £1.500 million revenue to capital transfer within the year. The following variations from budget were noted:

- Acute Services (£0.096 million overspend) – Medical pays were £0.063 million overspend; this is after pulling down £0.957 million from locum reserves.
- Mental Health Directorate (£0.275 million underspend) - primarily in staffing budgets. The recurrence of this underspend within Mental Health will reduce into 2013/14 as vacant posts have now been recruited.
- Corporate Services (£0.854 million underspend) - the main contributions came from the Nursing Directorate (primarily due to vacancies in Chaplaincy, Child Protection, Infection Control and Nurse Education) and the Medical Directorate which in total contributed £0.384 million.
- Strategic Services (£0.501 million underspend) - the main contributor to this was the £0.665 million underspend in the externals budget, which covers the treatment of Dumfries and Galloway patients out of region.

The Board has achieved a good position to deal with the potential double running costs of the new DGRI. Previous experience from the NHS dictates that this will be required. The Board have achieved this through effective financial reporting and scrutiny enabling them to achieve efficiencies.

We recommend that the assumptions underpinning the LDP should be subject to further scrutiny to prevent such large budgetary variances occurring so early on in the financial year.

Action 2

Capital

In March 2012 the Board approved a capital budget of £5.976 million, submitted to the SGHSCD with the LDP. The actual core capital spend to 31 March 2013 was £10.007 million, an increase of 67%. This additional expenditure was funded primarily by a revenue to capital transfer of £1.500 million in October 2012 (described above), additional funding of £2.115 million from the SGHSCD to support energy projects and £0.500 million from an underspend in the North West Dumfries project. The key movements in the year related to:

Table 2: Capital expenditure movements – actual compared to LDP budget

Description of capital movements	Movement compared to LDP £million
Expenditure against equipment (including medical, X-ray, general and catering)	0.551 ↑
Expenditure in relation to the statutory compliance rolling programme (including energy and property strategy)	1.487 ↑
Expenditure in relation to the Capital Energy Efficiency Funding (CEEF) projects	2.115 ↑

Financial Flexibility

In 2012/13 an agreement was reached with the SGHSCD for NHS Dumfries and Galloway to deliver a managed surplus of £4.003 million. It has been agreed that this non recurring surplus will be retained by the SGHSCD and returned to the Board upon completion of the Acute Hospital Redevelopment Project. It is planned that the funding will be utilised to fund identified double running costs during the commissioning of the new facility.

Capital Resource Limit

The Property and Asset Management Strategy (2012-2022) identified that circa £58.000 million is required to address the backlog of maintenance and life cycle replacements that have been built up on the estate to bring the estate back to a satisfactory condition and performance. The main contributor to these costs is the Acute Hospital in Dumfries (DGRI) which has a substantial maintenance backlog of £41.000 million. Plans are now underway to develop a new Acute Services facility in Dumfries, as described further below. The Board plans to utilise the £4.003 million non-recurring surplus to support the double running costs in the initial phases of the new hospital. The Board is continually reviewing the investment priorities for the old DGRI and will continue to make any necessary capital investment required to deliver high quality service provision.

The Board should continue to monitor the backlog maintenance and the level of non-recurring funding required to maintain the current Dumfries and Galloway Royal Infirmary in a suitable condition prior to the move to the new hospital.

Action 3

Dumfries and Galloway Royal Infirmary Redevelopment Project

Following consultation with the SGHSCD it was identified that the re provision of the Dumfries and Galloway Royal Infirmary would be best taken forward as a new build on a new green field site. The Government have earmarked that the project would form part of the national Infrastructure Investment Programme and is the largest of the health projects included within the programme. These projects will be progressed under the Non Profit Distributing financing model.

A Project Director was appointed in August 2012 replacing the previous interim post. In early April 2013 an Outline Business Case was submitted to the SGHSCD to support the project.

Work carried out during the year also included identification of a number of potential sites for the new hospital. These sites were subjected to a technical and environmental option appraisal. Following public consultation, a site to the west of Dumfries, known as Garroch Farm, was identified as the most suitable. NHS Dumfries and Galloway have exchanged missives with the owners to purchase the site.

The project plan identifies that the procurement process will commence in June 2013 with an invitation for expressions of interest. It is anticipated that, following evaluation, a preferred bidder will be selected in autumn 2014 and construction completed in late 2017 with patients being admitted in early 2018.

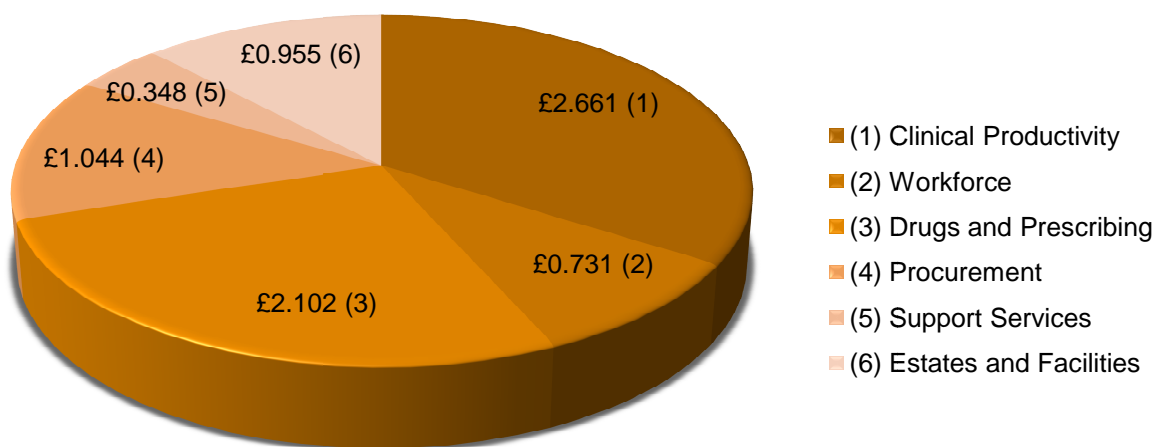
Efficiency Savings

The CRES Target Setting process involves a series of meetings between departments, general managers and the Director of Finance to identify and quantify any large central cross-system schemes. Through discussions at Area Drugs and Therapeutics Committee (ADTC) and elsewhere, an overall prescribing and pharmacy saving target is agreed. These schemes are then deducted from the initial overall target to provide a total to be achieved via departments.

A draft CRES / Efficiency Plan paper is taken to the first Performance Committee of the calendar year for discussion. As a result of discussions any necessary changes are made and the CRES plans are finalised.

The five-year plan for 2012/13 - 2016/17 identified the need to deliver recurring efficiencies of £7.500 million. In response, the Board set itself a CRES target of £7.697 million for 2012/13. Management have reported to the Board that savings of £7.841 million have been delivered for the year against this target, representing additional savings of £0.144 million in year.

Diagram 2: CRES savings achieved in 2012/13 (£millions)



Performance monitoring

Management receives detailed financial information to help manage performance against budgets and control expenditure. Detailed management accounts are prepared on a monthly basis, while management accountants liaise with directors and senior management to analyse the management reports and understand key variances against budgets. Directors receive responses from budget-holders within their directorates regarding variances, which they feed through to management accountants.

The outcomes of the monthly reviews are consolidated into financial monitoring reports for consideration by the Board and senior management. The information produced and frequency of reporting ensures decision makers have appropriate information on which to base decisions. Detailed monitoring of all the efficiency schemes is carried out on an ongoing basis by the Efficiency Group, supported by the Senior Finance Team, to assess and highlight risks of CRES delivery.

Financial planning – looking forward

Table 3: Financial target summary 2013/14

NHS board (2013/14)	£million
Recurring income	284.864
Recurring expenditure	(292.364)
Recurring savings	7.500
Underlying recurring surplus/(deficit)	0.000
Non-recurring income	16.557
Non-recurring expenditure	(16.557)
Non-recurring savings	0.000
Non-recurring surplus/(deficit)	0.000

The Scottish Government's draft budget was announced in September 2012 and was approved in early 2013. The budget confirms that the resource allocation for Territorial Boards will increase by £256.000 million and £247.400 million over 2013/14 and 2014/15 resulting in a 3.3% and 3.1% increase respectively. The baseline Revenue Allocation uplift for 2013/14 has been confirmed in the Scottish Government budget at £6.800 million (2.8%).

NHS Dumfries and Galloway have in place a five year plan as part of the LDP, which forecasts a breakeven position in each of the five years to 2017-18. This includes planned savings of £7.500 million per annum which have all been agreed as recurring.

Use of/Reliance on Non-Recurring Funding

The Board has carried forward £4.003 million of non-recurring funding into the 2013/14 financial year. This carry forward will be held by Scottish Government who will release funding in year 5 of the plan (2017-18) to support the potential double running costs of the new acute hospital following its completion 2013/14

Budgets and Cost Pressures

The Board has set aside funding of £6.874m for cost pressures for 2013/14, including:

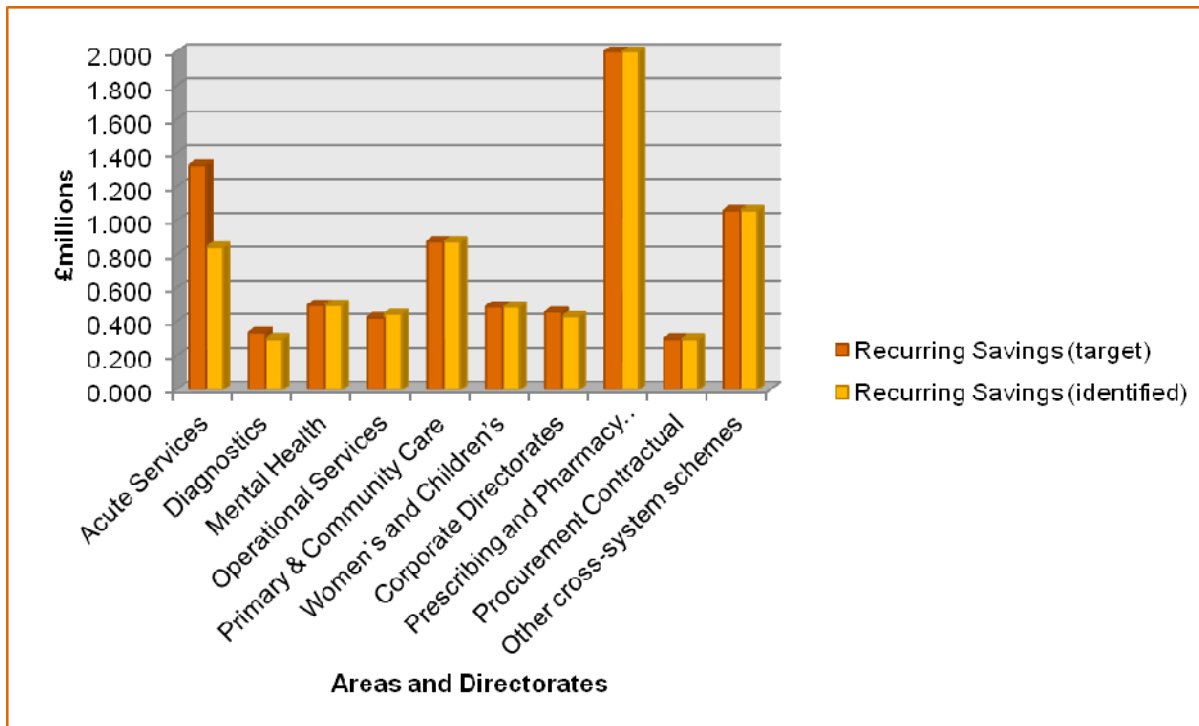
- An overall expected increase in medical staffing expenditure to recognise additional locum pressure (£1.909 million)
- Commitment by the Scottish Government to provide newly qualified nursing staff with one year employment (£0.143 million)
- The new agenda for change on call arrangements for staff (£0.150 million)
- Surgical supplies pressures within acute (£0.300 million)
- Changes arising from Scottish Government circulars such as insulin pumps (£0.87 million)
- Additional support in year to Directorates to support service changes including redeployment and protection costs (£0.334 million)

A recurring sum of £4.324 million and a non-recurring sum of £2.550 million for 2012/13 were set aside to cover the costs of future regional and national developments, cost pressures and any other critical or must do developments. To date cost pressures and developments of £6.093 million for 2013/14 have been identified.

Efficiency Savings

The Board’s financial plan identifies the requirement to deliver recurring cash releasing efficiencies of £7.500 million to remain in recurring financial balance. Development of efficiency plans for 2013/14 has been progressing through a series of workshops and recurring schemes to the value of £7.251 million have been developed against an overall target of £7.750 million. Key savings identified for 2013/14 include:

Diagram 3: CRES savings identified in 2013/14 compared to target



The Acute Services directorate presently have a gap of £0.487 million against their required target of £1.330 million. Work is continuing to identify further efficiency schemes through an agreed workplan to address demand and capacity issues within the service and the finance team and others continue to provide support to the directorate in order to close off this recurring gap.

Key Risks to Achieving Financial Balance

Achievement of the financial plan will be very challenging due to continued pay pressures and the delivery of the Acute Services Redevelopment Project.

To aid monitoring of identified risks, management has prepared a financial plan risk matrix which provides an overall assessment (low, medium, high) of each individual risk together with identified risk mitigation actions and controls.

The key risks can be summarised as:-

- The backlog maintenance issue at DGRI will continue to be a risk and require expenditure in the period that the hospital remains operational;
- Whilst CRES plans to date have identified schemes to the value of £7.251 million, 25% of these schemes are in the medium to high risk category. A number of workshops have taken place to date to build up a more robust CRES plan for 2013/14. Ongoing monitoring of the plan will take place throughout the year;
- A number of significant risks exist within the primary and secondary care prescribing budgets, specifically the expenditure on “orphan drugs”.
- Costs associated with the proposed development of the new Dumfries and Galloway Royal Infirmary will increase exposure to financial risk over future years.

In addition the Board faces further uncertainty in respect of the proposals for integration of health and social care between the Board and its constituent local authority. While there is widespread acceptance of the benefits for the public of a more integrated service, there remain practical uncertainties that may have an impact on both the finances of the Board and the level and nature of services that it is required to provide.

All the risks associated with the financial plan will be reviewed throughout the financial years through both the monthly financial monitoring, and the quarterly and mid-year financial reviews, which will identify where the risk profile has changed and inform our financial estimates and assumptions.

Achievement of the target 2013-14 financial position will require tight budgetary control and staff engagement at all levels within the Board. This will also include the Acute Services Redevelopment Project which may require flexibility between financial years to manage the double running costs of the new hospital and specific commissioning costs. Brokerage requirements will need to be identified through the business case process to develop a robust financial model to support the development.

Section 5. Governance and Control

Governance Statement

The SGHSCD has issued guidance on the information to be provided in the 2012/13 Governance Statement which goes further than previous disclosures required for Boards. This disclosure includes an overview of risk management, including the organisation's risk profile and any significant control weaknesses or issues identified.

The disclosure in the Board's Governance Statement highlighted that there were no significant control weaknesses identified in the year, however recognises a number of weaknesses identified by Internal Audit in relation to the implementation of the risk management strategy.

We are satisfied that the Board's Governance Statement complies with the current guidance and we do not disagree with the matters reported.

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 dated March 2013. The report contained one new medium risk recommendation to improve controls and followed up on six previously raised recommendations. Of these six, four had been completed by management and two remain outstanding, none of which are considered high risk. Management has completed an action plan detailing those individuals responsible for implementing our recommendations and the timetable for completion.

We have also reported an additional two medium risk and one low risk recommendations in our ISA 260 report as part of our final external audit visit.

Risk Management

The Board has in place a Risk Management Strategy confirming direction, structures, processes and management responsibilities. Risks that threaten the achievement of corporate objectives are included in a corporate risk register which is reviewed quarterly by the Board. Each department maintains its own departmental risk register with risk management being monitored in departmental performance reviews.

The established Committee framework at the Board remains in place, incorporating Audit, Healthcare Governance, Spiritual Care, Performance and Staff Governance Committees. Each of the Committees meets regularly and has at least one non-executive director present. Our audit work covering Governance highlighted that Committees were operating effectively with a suitable level of detailed information provided.

During the 2012/13 financial year the Audit Committee met in June, September, November and February. It considers risk management, general and financial corporate governance issues and is responsible for ensuring that an effective internal audit service is provided, which includes a review of the annual plan, progress reports, action taken in respect of recommendations and the annual report.

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 2012/13, the Board continued to have an in house internal audit function. Internal audit have completed 25 reviews within the year which includes 14 from the 2012/13 internal audit plan and 11 outstanding reviews from the 2011/12 plan.

We have reviewed the work of internal audit and have, where appropriate, placed reliance on their work. Internal Audit has confirmed 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.

Prevention and Detection of Fraud and Irregularity

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.

The Board chose to investigate all matches rather than focusing on recommended matches or a particular type of match only. All matches have 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 NHS Dumfries and Galloway received related to employees working on multiple jobs.

As at 31 May 2013 no frauds have been identified through the 2012/13 NFI exercise, although the Board has received 7 employee queries from Dumfries and Galloway Council in relation to potential benefit fraud.

Section 6. Performance

Scotland's Public Finances: Addressing the Challenges

Scotland's public finances: Addressing the challenges was the performance audit report to be selected for targeted follow-up in 2012/13. The report provided an overview of the scale of budget cuts expected to be faced by the Scottish public sector, and how public bodies were beginning to respond to the challenges of reducing expenditure.

We undertook a follow-up of the actions identified in the original report, posing two key questions:

1. Do public bodies have sustainable financial plans that reflect a strategic approach to cost reduction?
2. Do senior officials, elected members and non-executive directors demonstrate ownership of financial plans and are they subject to sufficient scrutiny before approval?

In accordance with Audit Scotland's request we are in the process of agreeing our reporting on this area and will report separately both to the Board's Audit Committee and Audit Scotland.

Waiting Times

Audit Scotland published a report on the "Management of patients on NHS waiting lists" on behalf of the Auditor General for Scotland in February 2013. The audit involved a detailed review of NHS Board's electronic waiting list systems and analysis of the application of waiting list codes in patients' records between April and December 2011, to identify whether NHS Lothian's manipulation of waiting lists in 2011 was an isolated incident or whether the issue was more widespread across the NHS.

Whilst the scale of the problem at NHS Lothian was not found elsewhere, the report raised a number of recommendations to tighten the control around the management of waiting lists.

During 2012/13 NHS Dumfries and Galloway's Internal Audit function undertook a review into waiting times at the Board with the objective to ensure that:

- Individual patient records are accurate and that systems are in place to ensure that the patient management system cannot be inappropriately changed;
- Reporting on waiting times is accurate and consistent at every level in the organisation up to and including the Board; and
- The local guidance is consistent with national guidance and that its implementation is both valid and reliable (i.e. not open to different interpretation in use).

A report was presented to the Audit Committee in November 2012 which provided reasonable assurance that waiting lists are being managed appropriately within NHS Dumfries and Galloway and concluded that the scale of inappropriate use of unavailability codes reported in NHS Lothian was not evident in NHS Dumfries and Galloway during the period reviewed. The internal audit raised 12 recommendations, all graded low or medium risk.

As things currently stand, Boards have been asked (per the Chief Executive of NHS Scotland's letter of April 2013) to allocate Internal Audit time to a follow up of previous recommendations made in December 2013. However, the Parliamentary Audit Committee of May 2013 mandated a number of other actions for both the Scottish Government and individual Boards around Waiting Times which are currently under consideration and will be subject to forthcoming guidance.

Internal Audit should ensure that sufficient resources are available to deal with the Chief Executive of NHS Scotland's request in relation to Waiting Times reporting and any additional requests.

Action 4

Best Value Toolkit

Audit Scotland continues to develop its approach to the audit of Best Value in the NHS. For 2012/13 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 Board as set out in Audit Scotland's planning guidance. Our report on the toolkit selected, Effective Partnership working, will be presented to the Audit Committee later in the year.

Local Response to National Performance Reports

Audit Scotland undertakes studies on topics relevant to the performance of health bodies. While the recommendations from some of the studies have a national application, elements of the recommendations are also capable of implementation at Board level.

As part of our 2012/13 audit procedures we have requested evidence of how the Board has responded, at a local level, to relevant national health and community care reports published between June 2012 and December 2012:

- Commissioning social care; and
- Cardiology services

In each case the reports noted above have been considered by the Senior Management Team and the self assessment checklists provided were completed. No action was considered necessary in relation to Commissioning social care; however an action plan has been developed in relation to Cardiology services.

Appendices

Action plan

Finding	Management Response
1. Financial planning for pension actuarial valuation	
The Board should ensure that the potential for increased employer's contributions in relation to the National Health Service Superannuation Scheme for Scotland is considered in future financial plans to ensure resources are available to fund this if required.	We will continue to work in partnership with SPPA to model through any material movements in the required financial provision and adequately reflect them in future financial plans.
LDP scrutiny	
2. We recommend that the assumptions underpinning the LDP should be subject to further scrutiny to prevent such large budgetary variances occurring so early on in the financial year.	A systematic approach to the delivery of the Board's financial targets has been introduced to forecast the year end projected position. This is based on a robust assessment of the year end forecast both at the end of the first quarter and the Mid Year Review (MYR). The output from the MYR is then utilised to plan the following year's financial plan.
3 DGRI maintenance costs	
The Board should continue to monitor the backlog maintenance and the level of non-recurring funding required to maintain the current Dumfries and Galloway Royal Infirmary in a suitable condition prior to the move to the new hospital.	The approved Property Asset Management System Strategy identifies the critical estate investment priorities for the Board. The Board's Performance Committee will continue to monitor the appropriate prioritisation of investment during 2013/14.
4 Waiting Times review	
Internal Audit should ensure that sufficient resources are available to deal with the Chief Executive of NHS Scotland's request in relation to Waiting Times reporting and any additional requests.	Adequate resources have been prioritised as part of the annual Internal Audit Plan for 2013/14.

Responsibilities

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 2013; 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).

The matters raised in this and other reports that 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 matters arising and in particular we cannot be held responsible for reporting all risks in your business. This report has been prepared for and only for NHS Dumfries and Galloway in accordance with the terms of our engagement letter with Audit Scotland and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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