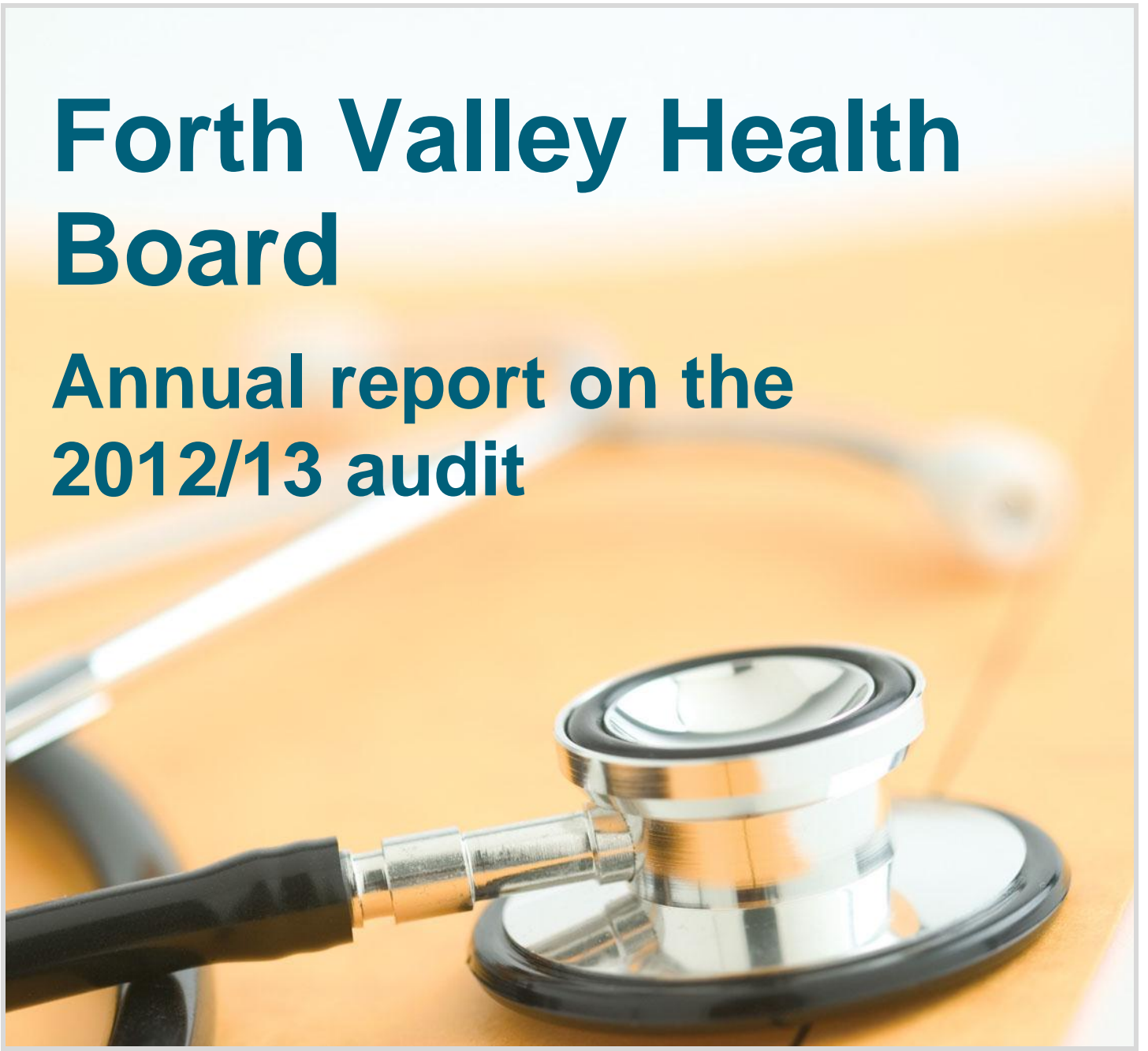


Forth Valley Health Board

Annual report on the 2012/13 audit



Prepared for Forth Valley Health Board and the Auditor General for Scotland
July 2013

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

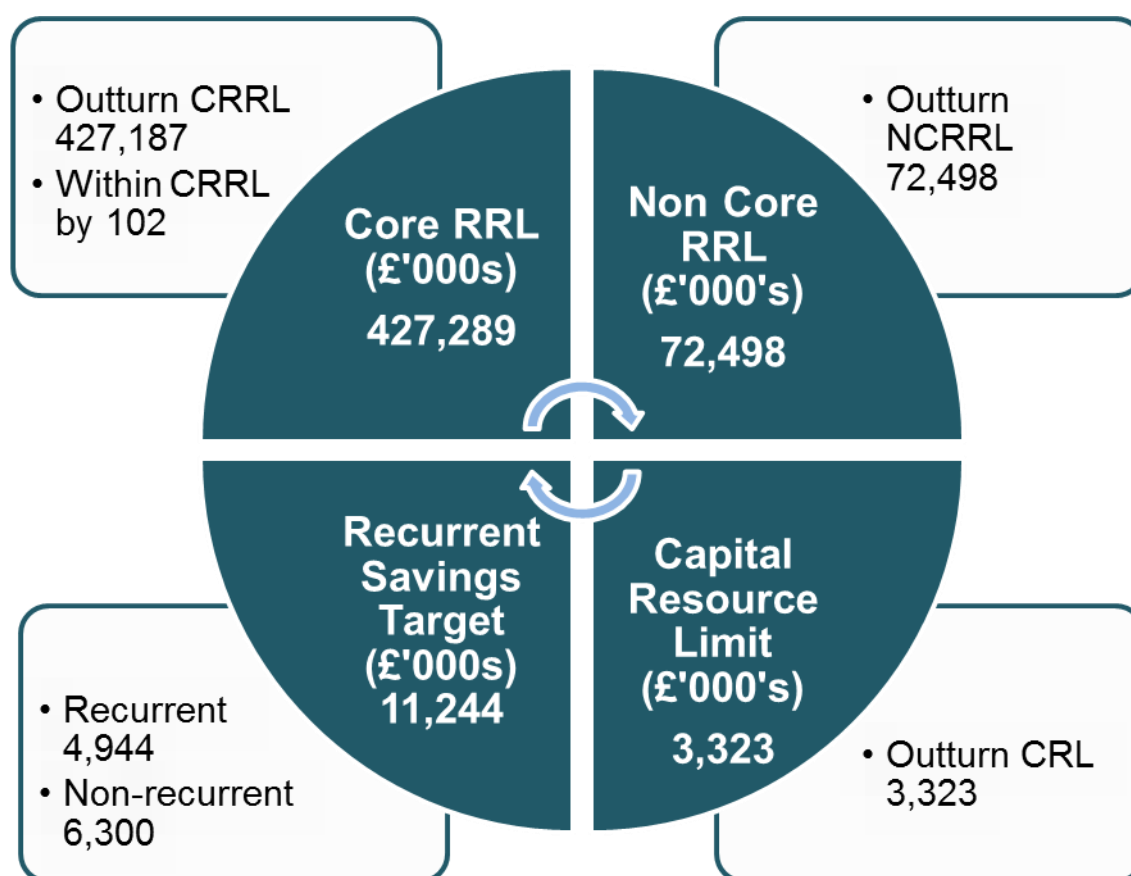
Contents

Key Messages	4
2012/13 Key Facts	4
Outlook.....	6
Introduction.....	7
Financial statements	8
Audit opinion	8
Accounting issues	8
Outlook.....	9
Financial position	10
The board's financial position as at 31 March 2013.....	10
Financial planning to support priority setting and cost reductions	11
Outlook.....	12
Governance and accountability	14
Corporate governance.....	14
Prevention and detection of fraud and irregularities.....	18
Standards of conduct and arrangements for the prevention and detection of corruption..	19
Outlook.....	20
Best Value, use of resources and performance.....	21
Management arrangements	21
Overview of performance targets in 2012/13	25
National performance reports	26
Outlook.....	30
Appendix A: audit reports	31
Appendix B: action plan	32

Key Messages

2012/13 Key Facts

The Scottish public sector is experiencing significant financial challenges in providing expected levels of service within the agreed financial framework. In 2012/13 we assessed the key strategic and financial risks being faced by Forth Valley Health Board. We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our findings. The key financial messages are summarised in the exhibit below:



Financial Statements

We have given an unqualified audit report on the financial statements of Forth Valley Health Board for 2012/13. 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 2012/13 and returned a saving against its total Revenue Resource Limit of £0.102 million as at 31 March 2013. Total cash efficiency savings of £11.944 million have been delivered in line with planned efficiencies for 2012/13. However £6.3 million of these savings were on a non recurring basis. Therefore the recurring savings requirement brought forward from 2012/13 into 2013/14 is £6.3 million and this is included within the approved financial plan. It is important that the board achieves these targets as carrying forward unachieved recurrent savings is unsustainable in the longer term.

The board received £12.1 million brokerage from the Scottish Government Health and Social Care Directorates (SGHSCD) in the two preceding financial years. This was used to fund the transitional costs associated with the implementation of the board's Healthcare Strategy and to manage a limited voluntary severance programme. The board has now repaid £4.120 million of brokerage to the Scottish Government leaving a remaining balance of £7.980 million. It anticipates repaying this outstanding balance by 2014/15 (a year ahead of schedule) from the sale of assets, principally the Bellsdyke site.

The total capital budget reduced from £10.7 million in 2011/12 to £3.3 million in 2012/13 as a consequence of a reduction in core capital allocations. The capital budget was higher in 2011/12 because this is when the final phase of funding for the Forth Valley Royal Hospital equipment was received.

Governance and accountability

In 2012/13, the board had sound governance arrangements which included a number of standing committees overseeing key aspects of governance. These included Audit, Staff Governance, Clinical Governance and Performance & Resources Committees. The board also had an effective internal audit function and sound anti-fraud arrangements which in some cases were being updated.

Performance and best value

The board has a well developed framework in place for monitoring and reporting performance. The Board Executive Performance Report which is presented at each meeting of the board provides members with assurance of the overall performance of Forth Valley Health Board.

In 2012/13 the board has met or exceeded a number of performance targets set by the Scottish Government. The board has not achieved its performance targets in some areas such as access times. In particular, the board did not achieve its 18 week Referral to Treatment Target and there were also some cases where the statutory 12 week Treatment Time guarantee was breached.

Audit Scotland's report on the management of patients on NHS waiting lists found good practice in the way information was recorded in its electronic waiting list system, with detailed notes in patient records, particularly for inpatients. A local review of waiting times carried out by internal audit identified some areas for improvement. The board provided written assurance

to the Scottish Government that improvement actions identified by internal audit had either been implemented or were in progress.

Outlook

The 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 £13.167 million of recurring cost savings in 2013/14. This will make maintaining or improving on the performance targets set by the Scottish Government even more challenging.

In this context, the board faces a number of performance challenges not least the maintenance of access targets. The new 12 week Treatment Time Guarantee, which is now a legal requirement (from 1 October 2012), requires significant resources to achieve and sustain. Managers are fully aware of the legislative nature of this guarantee and considerable additional capacity has been put in place to meet demand. However, as a smaller board there is limited service resilience in place to manage unexpected staff absences.

Furthermore, whilst NHS Forth Valley is receiving a higher than average uplift each year under NRAC (National Resource Allocation Committee) , in the boards opinion, it still remains some distance from the funding share its population requires. This means that it is even more difficult for the board to continue to achieve challenging efficiency targets, and manage demands within the service, than for NHS boards whose funding is above their NRAC share.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Forth Valley Health Board. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of Forth Valley Health Board.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. These risks are consistent with the board's corporate risk register and the Action Plan in Appendix B confirms the actions identified in the risk register 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.

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 (next meeting scheduled for the 18 October 2013), either prior to or as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, as audit is an essential element of accountability and the process of public reporting.

4. 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.
5. 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

6. 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.
7. 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.
8. 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

9. We have given an unqualified opinion in that the financial statements of Forth Valley Health Board for 2012/13 give a true and fair view of the state of the body's affairs and of its net operating cost for the year.
10. Forth Valley Health Board is required to follow the 2012/13 Government Financial Reporting Manual (the FReM) and we confirm that financial statements have been properly prepared in accordance with the FReM.
11. We have also reviewed the board's governance statement and concluded that it complies with Scottish Government guidance.

Regularity

12. 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 addressed this requirement through a range of procedures, including written assurances from the Accountable Officer as to her view on adherence to enactments and guidance. No significant issues were identified for disclosure.

Accounting issues

13. The unaudited accounts were provided to us on 29 April 2013 supported by a comprehensive working papers package. The good standard of supporting papers and the timely responses from finance staff allowed us to conclude our audit within the agreed timetable and provide our proposed opinion to the Audit Committee on 7 June 2013 as outlined in our Annual Audit Plan.

14. A small number of errors were identified during the audit, where if adjustments were made these would have a net effect of £327,000. The net impact on the balance sheet would be to increase net assets by £327,000
15. As required by auditing standards we reported to the Audit Committee on 7 June 2013 the main issues arising from our audit of the financial statements. The main points were :

Equal Pay Claims

16. The National Health Service in Scotland has received in excess of 9,000 equal pay claims and by the end of March 2013 there remained 394 grievances registered against NHS Forth Valley. These have been referred for the attention of the NHS Scotland Central Legal Office (CLO) to co-ordinate the legal response to this issue.
17. The Scottish Government Health & Social Care Directorates (SGHSCD), the CLO and Audit Scotland met in March 2013 to review the accounting treatment and disclosure requirements for the 2012-13 accounts. The CLO continues to advise that it is not possible to provide any financial quantification of Equal Pay Claims at this stage because of the lack of information available. Given the CLO's advice, the SGHSCD have notified NHS boards that the appropriate accounting treatment is to disclose the claims as a contingent liability although with an expanded disclosure recognising the developments over the last couple of years.
18. As with other boards, Forth Valley Health Board has not been able to quantify the extent of its liability for Equal Pay claims and has disclosed a contingent liability. There is a risk that as these claims progress they could have an impact on the board's financial position.

Risk Area 1

Pension costs

19. Following national guidance from the Scottish Government, Note 24 of the accounts: Pension Costs reflects a Scotland-wide net liability of £370 million for the NHS Superannuation Scheme arising from the most recent actuarial valuation for the year 31 March 2004. A more recent actuarial valuation was carried out at 31 March 2008, but the publication of this valuation has been placed on hold by HM Treasury pending the outcome of public sector pension reforms. Given periodic actuarial valuations are key to determining the adequacy of employer and employee contributions to the Scheme, publication of the latest actuarial valuation will bring clarity as to the adequacy of current contributions to meet the future costs.

Outlook

Endowments

20. As a result of an agreed derogation from the FReM NHS Scotland boards were not required to consolidate endowment funds within their 2012/13 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 consolidation process will be reviewed as part of our audit of the 2013/14 financial statements.

Financial position

21. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
22. 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.
23. 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 2013

24. Forth Valley Health Board is required to work within the resource limits and cash requirement set by the Scottish Government Health and Social Care Directorates (SGHSCD). In 2012/13, the SGHSCD required NHS boards to differentiate between core and non-core expenditure for both revenue and capital. The board achieved all its financial targets in 2012/13 as outlined in the table below:

Table 1: 2012/13 Financial Targets Performance £'000s

Financial Target	Target	Actual	Variance
Revenue Resource			
Core	427,289	427,187	102
Non Core	72,498	72,498	0
Capital resource			
Core	3,323	3,323	0
Non Core	0	0	0
Cash position			
Cash requirement	506,270	506,270	0

25. The board has achieved a cumulative surplus of £0.102 million. The board had budgeted to break-even against its Revenue Resource Limit in 2012/13. Despite the small surplus, in 2012/13 the board recorded an underlying deficit of £6.3 million, which represented the excess of recurring expenditure commitments, over recurring funding and savings, carried

forward into 2013/14. 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.

26. Included in 2012/13 financial statements is an accounting loss of £0.584 million relating to the disposal of assets from the Bellsdyke site. The accounting treatment applied in calculating the loss is consistent with that applied in the accounts in previous years.
27. The board received £12.1 million brokerage from the Scottish Government Health and Social Care Directorates (SGHSCD) in the two preceding financial years. This was used to fund the transitional costs associated with the implementation of the board's Healthcare Strategy and to manage a limited Voluntary Severance programme. £4.120 million of brokerage has now been repaid to the SGHSCD. An updated repayment schedule anticipates the current outstanding balance of £7.980 million being fully repaid through future asset sales (mainly Bellsdyke) by 2014/15 which is a year earlier than originally planned. Given the current economic climate and the reduction in land values, there is still a risk that the income received from the sale of assets may not be as anticipated and repayments would have to be met from other funds.

Risk Area 2

Capital Resource Limit

28. The board broke even against its total Capital Resource Limit (CRL) in 2012/13 with total capital expenditure of £5.895 million. The total capital allocation was made up of core capital funding to the value of £7.047 million less deductions for property sales to the value of £2.572 million. There was also a further deduction in relation to a capital to revenue transfer for backlog maintenance to the value of £1.152 million, giving a Net Capital Resource Limit of £3.323 million.
29. The core capital allocation was reduced from £9.572 million in 2011/12 to £3.323 million because the final phase of funding for the Forth Valley Royal Hospital equipment was received in 2011/12.
30. The largest item of capital expenditure in 2012/13 (£2.489 million) was incurred on the on-going alterations to the Falkirk and Stirling Community hospital sites. In addition, £1.167 million was spent on the Information Management and Technology strategy with a further £0.144 million on the purchase of land to facilitate the development of a new health centre in Doune.

Financial planning to support priority setting and cost reductions

31. The board's Local Delivery Plan (LDP) for 2013/14 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.

Workforce Reduction

32. The board is committed to ensuring that workforce cost reductions are contributing to efficiency savings. The board continues to review the efficiency of services, actively manage and reduce fixed term contracts, review rostering and job planning. Paragraph 105 of this report provides more detail of workforce reduction initiatives.

Outlook

Financial sustainability and the 2013/14 budget

33. Uplifts in financial settlements have been reducing in recent years as outlined below:

Table 2: General funding uplift 2009/10 to 2012/13

Financial Year	General Uplift
2009/10	3.15%
2010/11	2.15%
2011/12	1.1%
2012/13	1.0%

34. Looking forwards the indications are that funding uplifts are likely to be around 2.8 % in 2013/14 and 2.6% in 2014/15. Given the current economic conditions and the impact of national spending priorities, there is a risk that these pressures will have a significant impact on long term financial planning and the control of pay and non-pay costs.
35. 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 2013/14. In 2012/13 the board's cost savings plan was pivotal to the board achieving financial balance. The plan set a recurrent cost savings target of £11.244 million which in total was achieved, with £4.944 million achieved on a recurrent basis and the remaining £6.300 million achieved on a non-recurrent basis. This is not a sustainable position in the longer term.
36. The board's ability to deliver cost savings to offset costs arising from future demographic and technology changes is again largely dependent on it successfully developing and implementing a comprehensive cost savings plan. For 2013/14, the board needs to achieve £13.167 million of recurring cost savings including £6.300 million carried forward from 2012/13. This is equivalent to 3% of the board's baseline revenue allocation and represents a major challenge to the board. Management advised that the board is developing the next stages of its healthcare strategy which includes the ability to deliver costs savings to meet future demographic and technology changes.

37. The board continues to face significant cost pressures relating to the rate of growth in anticipated prescribing costs and volume, along with anticipated increases in workforce costs and supplies during 2013/14. There are provisions in the 2013/14 Financial Plan to cover such issues as the cost of access target delivery (£5.5 million) and increased prescribing costs for acute and primary care (£5.0 million).
38. All additional expenditure will require to be met from the board's existing resource and as a result any significant fluctuations in these costs will present a major challenge to Forth Valley Health Board achieving financial balance for the coming year. The cost savings are to be achieved through a number of means, including service redesign, strict vacancy management, more efficient procurement practices and a continued focus on primary care prescribing costs.
39. The delivery of the cost savings plan in 2013/14 will remain challenging as in recent years. The level of flexibility within expenditure budgets is considerably reduced by the release of cost savings in previous years. Failure to achieve planned cost savings will impact on the board's ability to achieve a break even position.

Risk Area 3

National Resource Allocation Committee (NRAC)

40. The financial challenges also have to be seen within the context of the board's NRAC allocation. Whilst NHS Forth Valley is receiving a higher than average uplift each year it still remains some distance from the funding share, that the board considers, its population requires. In 2013/14, for example, after taking account of allocations, the board has advised that it remains £11.1 million below the level of funding it is due. NHS Forth Valley population is projected to increase beyond the Scottish average for the foreseeable future.
41. The board is therefore having to manage demand for a whole range of services and continue to meet national performance targets but with fewer resources than is required by the size of the population.

Governance and accountability

42. 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.
43. 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.
44. 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.
45. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

46. In 2012/13 revised governance arrangements and changes to the management structure were implemented. In particular, the remit of the Performance and Resources Committee was extended to include a wider role incorporating the previous remits of the Acute Services Committee and the Strategic Projects and Property Committee both of which had been stood down as part of the streamlining of arrangements. The Performance and Resources Committee now has a detailed and focussed approach to performance.
47. The changes to the management structure involved a streamlining of senior manager posts and now all Executive Directors and General Managers report directly to the Chief Executive and are members of the Strategic Management Team focusing on organisational priorities.
48. The corporate governance framework within Forth Valley Health Board is centred on the board which is supported by a number of standing committees that are accountable to it. The following paragraphs provide a brief comment on the main standing committees.
 - **Audit Committee** - It assists the board to deliver its responsibilities for the conduct of its business, including the stewardship of funds under its control. It also provides assurance to the board that an effective system of internal control has been in place throughout the

year. Furthermore, the Committee is assisted by both internal and external audit while senior officials are invited, as appropriate, to respond to auditors' reports.

- **Clinical Governance Committee** - It supports the board in delivering its statutory responsibility for the provision of quality healthcare. In particular, the Committee seeks to give assurance to the Board that appropriate systems are in place, which ensure that clinical governance and clinical risk management arrangements are working effectively to safeguard and improve the quality of clinical care.
- **Staff Governance Committee** - Its role is to provide assurance to the board that Forth Valley Health Board meets its obligations in relation to staff governance under the National Health Service Reform (Scotland) Act 2004 and the Staff Governance Standard. In particular, the committee seeks to ensure that staff governance mechanisms are in place that establish responsibility for performance against the Staff Governance Standard and ensure progress towards its achievement.

49. **Performance and Resources Committee** - Its remit was broadened from June 2012 in order to strengthen governance and scrutiny arrangements in relation to performance management. The committee, which meets monthly to review performance issues, uses a risk based approach which focuses on areas of corporate concern identified as requiring an additional strategic and collective approach and is supported by the Senior Management Team (chaired by the Chief Executive) and the Chief Executive's Operational Group which meets monthly and weekly respectively.

Patient safety and clinical governance

50. Overall, clinical governance is within the remit of the Clinical Governance Committee. The Committee provides assurance to the board that the principles and standards of clinical governance are applied to health improvement and protection across Forth Valley. Patient safety is at the heart of clinical governance and risk management. The Healthcare Environment Inspectorate has a key role in helping NHS boards reduce the risk of Hospital Associated Infection (HAI) in acute hospitals through assessment, inspection and reporting of boards' performance against HAI standards.
51. The Healthcare Environment Inspectorate carried out an unannounced visit to the new Forth Valley Royal Hospital in April 2012. The chief inspector reported that the board is making good progress in achieving standards to protect patients from the risks of HAI. The inspector also reported positively on the cleanliness of wards and departments and the on-going work to improve the management of severe infection such as blood stream infections. The report also highlighted scope for improvement particularly the need to increase the availability of alcohol hand gel in clinical areas.

Partnership Working

52. Partnership working is actively being promoted by the Scottish Government as a means of making service delivery more efficient and cost effective. The board has three well established Community Health Partnerships (CHPs) and there are good examples of

partnership working. For example, NHS Forth Valley and Clackmannanshire established an integrated mental health service in 2003 before the CHP was established. Having a pooled budget has helped the partners to radically change how they provide services by creating a single referral process for people to access the service. They have also been able to reshape their workforce by changing the skill mix of staff.

53. Following a recent review of its CHP structures the board created Partnership Boards. These Boards are focused on strengthening joint governance and the broader partnership arrangements between health and local authorities and maximising collaborative approaches both within health, across primary and secondary care and across sectors. This is underpinned by a Joint Executive Group across health and the three local authorities in the area (Falkirk, Stirling and Clackmannanshire).
54. The main focus of these new arrangements is to drive forward the health and social care integration agenda consistent with Scottish Government Policy and to lead the development of new models of care to deliver improved outcomes and more efficient and effective services for the people of Forth Valley. This is a very challenging agenda for public sector organisations.

Internal control

55. 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. The extent of this work is informed by their assessment of risk and the activities of internal audit.
56. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2012/13 Fife, Tayside and Forth Valley Audit and Management Services (FTF), the board's internal auditors, provided their opinion that, based on the internal audit work undertaken during the year, there were no matters which would indicate a likely requirement for disclosure in the 2012/13 governance statement.
57. As part of our audit we reviewed the high level controls in a number of Forth Valley Health Board systems that impact on the financial statements. This audit work covered a number of areas including cash income and banking, payroll, general ledger, capital accounting and family health services. Our overall conclusion was that Forth Valley Health Board had adequate systems of internal control in place in 2012/13. There were no significant issues which required specific action by management.

Internal Audit

58. 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). The review of internal audit was carried out in December 2012 and concluded that the internal audit service operates in accordance with Government Internal Audit Standards and has sound documentation standards and reporting procedures in place.

Also, we placed formal reliance on the work of internal audit, for the purposes of our financial statements audit, in a number of areas including trade payables, travel and subsistence (central processing) and ordering, requisitioning and receipt of goods and services. This not only avoided duplication of effort but also enabled us to focus on other areas of risk.

Governance Statement

59. 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. Additionally, the governance statement includes the requirement for an overt assurance that arrangements have been made to ensure best value.
60. Overall it was concluded by the board that no significant control weaknesses or issues have arisen, that no significant failures have arisen in the expected standards for good governance, risk management and control, and that appropriate arrangements for Best Value are in place. Our audit has confirmed that we concur with this assessment.

ICT Application Review

61. As part of our 2012/13 audit we carried out an application review of ePayroll which replaced the Scottish Standard Payroll System (SSPS) within Forth Valley Health Board. The audit work was based on an established methodology developed by Audit Scotland. A management letter outlining our findings was issued in May 2013.
62. The review highlighted a number of good practice areas, including:
 - Forth Valley provided good oversight and governance of the local aspects of the ePayroll project through their Local Shared Services Group.
 - The board's staff provided assistance at all stages of the project including during the development of the business case and systems specification stage.
 - Forth Valley participated in User Acceptance Testing (UAT) and training to ensure all payroll staff had a good understanding of the system prior to implementation
 - Board staff made good use of fault reporting immediately post implementation to highlight a number of errors to assist prompt resolution.
 - Forth vVlley carried out pre and post data migration checks, including control total confirmation, on the accuracy of the new system.
63. The review also identified a number of areas where the board is exposed to a degree of risk. In particular, NHS Scotland, including Forth Valley Health Board, is under a degree of pressure to deliver and measure operational benefits totalling £1.5m as a result of the implementation of ePayroll.
64. The issued report has been agreed with officers to ensure that monitoring arrangements are put in place to address the risk areas identified from the review, and to ensure the operational benefits expected from the business case are delivered.

Prevention and detection of fraud and irregularities

65. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
66. Forth Valley Health Board has a range of measures in place to prevent and detect fraud, including Standing Financial Instructions, a Code of Conduct for staff and a number of other policies that are available to staff via the intranet including 'whistleblowing'. The board has also entered into a formal partnership agreement with NHS Scotland Counter Fraud Services (CFS) and a Fraud Liaison Officer is in place to ensure reports are circulated to appropriate managers and to the Audit Committee.
67. The board's internal audit function has a formal programme of work, which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud. In addition, the board has agreed a formal protocol covering a programme of payment verification checks within the Practitioner Services division of NHS National Services Scotland.
68. 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

69. Forth Valley Health Board participates in the National Fraud Initiative (NFI). The NFI 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.
70. NFI allows public bodies to investigate these matches and, if fraud or error, has taken place, to stop payments and attempt to recover the amounts involved. It also allows auditors to assess the arrangements that the bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.
71. The most recent data matching exercise collected data from participants in October 2012 with matches identified for follow-up in February 2013. The investigation so far has identified matches in both the creditors and payroll systems. All of the recommended matches are currently being investigated and to date, no instances of fraud have been identified.
72. In addition, the board completed a self-appraisal checklist which accompanied the national report on NFI (published in May 2012). This exercise highlighted that the board is proactive in investigating and following-up data matches. In addition, the Audit Committee receives regular reports on anti-fraud activities including NFI updates.
73. Overall, we concluded that the board has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

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

74. 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.
75. The board has a Code of Conduct for Board Members that is based on the Ethical Standards in Public Life etc. (Scotland) Act 2000. This includes a register of interests. The board also has a Policy on Standards of Personal Business Conduct which applies to all employees. This policy was approved in October 2007 and is being updated.
76. Furthermore, the Regional Audit Manager of FTF is updating the board's Fraud Standards to include a specific paragraph on the Bribery Act 2010 and its requirements. Additionally this will be cross-referred to the relevant section of the updated Policy on Standards of Personal Business Conduct. We have concluded that the arrangements for the prevention and detection of corruption in Forth Valley are satisfactory, subject to any updates, and we are not aware of any specific issues that we need to identify in this report.

Equality Act 2010

77. 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 of everyday business. Lead responsibility for mainstreaming equality and diversity rests with the board's Nurse Director supported by a Non-Executive Director.
78. The board's Equality *Delivery Mainstreaming Report 2013-17* sets out the progress made by Forth Valley in meeting the requirements of integrating equality. This is being achieved in a number of ways, including:
 - The establishment of an Equality and Diversity Team and nominated diversity champions and dignity at work advisers.
 - Training programmes including online and class room based training as well as access to computer programmes such as *Learn Pro Equality and Diversity Training*.
 - All staff as part of their annual performance appraisal are required to demonstrate their understanding and application of equality issues.
 - Communication of equality issues through the intranet, internet and staff newsletter.
 - The establishment of equality outcome measures for monitoring by the board.
79. In terms of the Equality legislation, the board is required to publish information about its Equality outcomes, the actions taken by the board and the progress made to achieve them. This is to allow the public to assess the organisation's performance on equality. Consequently, the board must publish a report on the progress made no later than 30 April 2015. The board decided to update the public on an annual basis with the first report made available in March 2014.

Outlook

Partnership Working

80. Between 2011/12 and 2014/15 the Scottish Government's spending will fall by 5.5% (£1.5 billion) allowing for inflation. Reductions of this scale are a significant challenge for the Scottish Public sector. The Christie Commission report on the future of public services (June 2011) highlighted the need for a new, more radical, collaborative culture throughout Scotland's public services with a much stronger emphasis on tackling deep-rooted and persistent social problems in communities.
81. There is now a renewed focus on partnership working focused on community planning. Audit Scotland's recent report on Improving community planning in Scotland (March 2013) highlighted that community planning has had little influence over mainstream public sector budgets and other resources used to date. The Scottish Government has re-emphasised the central role that community planning should play in driving the reform of public services. Indeed, the 'Statement of Ambition' published by the Scottish Government and the Convention of Scottish Local Authorities sets out high expectations of community planning and puts the community planning process at the core of public service reform by providing the foundation for effective partnership working, within which wider reform initiatives will happen.
82. The increasing importance of partnership working within a community planning framework is still evolving and we will monitor progress in this area.

Best Value, use of resources and performance

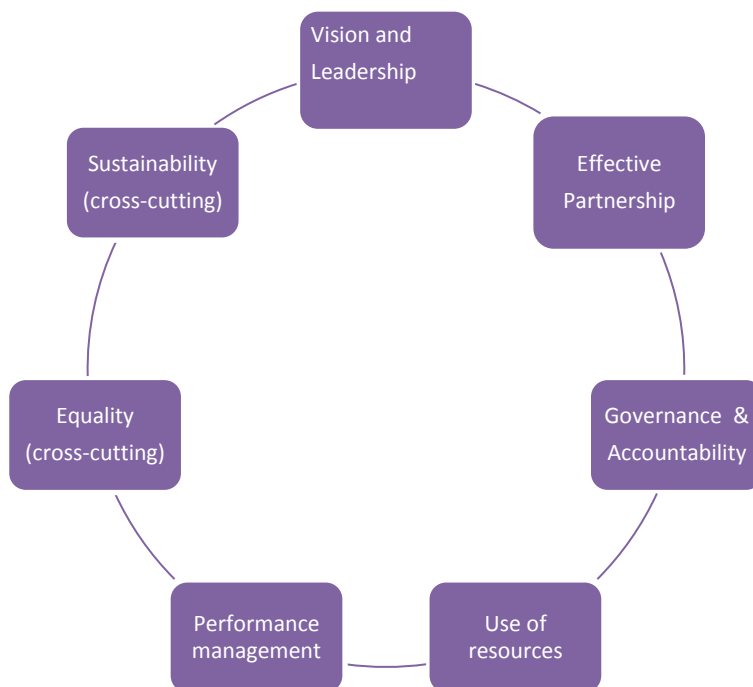
83. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
84. The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. 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.
85. 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.
86. 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.
87. 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.
88. This section includes a commentary on the Best Value / performance management arrangements within Forth Valley Health Board. We also note any headline performance outcomes / measures used by Forth Valley Health Board and any comment on any relevant national reports and the board's response to these.

Management arrangements

Best Value

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

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



91. Forth Valley Health Board is committed to the principles of Best Value and continuous improvement, and produces an annual Best Value assurance report. The Head of Performance Management provided Audit Committee members with an update on Best Value at their meeting on 7 June 2013. Members were advised that the commitment to continuous improvement has been strengthened in 2012/13 through the Efficiency Productivity and Quality programme which is underpinned by the Quality Improvement and Performance Management frameworks. We will continue to monitor developments in this area.

Service Redesign

92. Forth Valley Health Board's Integrated Healthcare Strategy sets out the board's vision for the redesign and sustainability of services. The strategy is aimed at providing a service model that is 'fit for the future'. A key element of the strategy was achieved in July 2011 with the completion of the third and final phase of the new Forth Valley Royal Hospital in Larbert. This enabled acute services to be transferred from the Falkirk and Stirling hospital sites to the new hospital in Larbert while these sites were re-developed as community hospitals.
93. Another important strand of the board's strategy is the focus on community hospitals (Falkirk, Stirling, Bo'ness and Clackmannanshire) and other community care facilities to provide care closer to where people live. Internal site re-configuration is still being undertaken at both the Falkirk and Stirling sites.
94. The board is working with Falkirk Council to develop a master plan for the Falkirk site. This would include joint council and NHS service developments. Similarly, the board are working with Stirling Council to create a 'care village' for elderly people on part of the site formerly occupied by Stirling Royal Infirmary. The key challenge for the board is to embed the new

model of care across Forth Valley. This will require delivering effective and sustainable services while switching the balance of care from hospital settings to community settings.

Performance management

95. The board has a well-developed Performance Management Framework in place and this was reviewed in line with the revised governance arrangements and changing management structures previously described at paragraph 43 and 44.
96. A key component of the Board's performance management and reporting framework is the Board Executive Performance Report (BEPR). This is presented at each meeting of the board and provides assurance of the overall performance of Forth Valley Health Board. The BEPR focuses on key aspects of performance - financial position, balanced scorecard and performance summary - and includes narrative explaining trends in performance as well as actions being taken to improve performance.
97. More detailed consideration of performance takes place at the Performance and Resources Committee (PRC) which meets monthly. Its role is to scrutinise financial and operational performance on behalf of the board. The PRC receives detailed performance reports covering financial issues (including achievement of saving targets) and core performance issues focussed on key heat targets such as waiting times and delayed discharges. These are supplemented with detailed trend analyses and a balanced scored card incorporating a traffic light system. This helps identify areas of poor performance, or high risk, where corrective actions are required. In addition, the roll-out of the Covalent Performance Management System in 2013 will strengthen the board's performance management framework.
98. Furthermore, during 2012/13 a programme of Unit Performance Reviews was introduced to support performance management and reporting throughout the organisation. These involve a meeting of the board executive directors with the relevant Unit team (including Associate Medical Director). The reviews cover a standard agenda that includes performance targets, workforce issues, finance, service priorities and any specific issues which the Unit wishes to raise. Minutes and action points from these meetings are retained and if relevant, performance issues would be reported to the Performance and Resources Committee. A programme of review meetings is scheduled for 2013/14.

People Management

99. A key element of Audit Scotland's approach to the audit of best value is the use of audit toolkits which cover the fundamental principles of best value. As part of our planned audit work for 2012/13, agreed with management, we applied a best value toolkit on people management. The toolkit covered four main areas:
 - Policies and structures
 - Workforce planning
 - Managing and developing the performance of staff
 - Communication with staff

100. The toolkit takes the form of a series of questions based on identified best practice. For each question we discussed with senior management the arrangements in place within Forth Valley Health Board. We also sample checked evidence provided by management to ensure consistency with the answers and this allowed us to form a view on the board's level of development.
101. Overall, we assessed that the board's people management arrangements as mostly being categorised as 'better practice' with some areas achieving advanced practice (e.g. arrangements for communication with staff throughout the board) although sickness absence was an area with further scope for improvement.
102. The board's workforce is changing and will continue to do so because of the Integrated Health Strategy and the introduction of multidisciplinary ways of working. Therefore, workforce planning continues to be a significant and on-going priority. Workforce issues are being addressed through the Workforce in Transition Project and, as part of this process, all managers continue to deliver a 10% reduction in permanent workforce costs. The board has also reported that it has exceeded its target 25% reduction in senior managers (34% reduction at 31 March 2013) and continues to review and, where appropriate, redesign posts across the organisation as they become vacant.
103. The low staff turnover rate presents a particular challenge to the board as staff are choosing not to move on. This could have an impact on the organisation's ability to realise savings especially as costs are predominantly workforce based. Management anticipate that it will be nearer 2015/16 before natural turnover is likely to pick-up again.

Risk Area 4

104. As with other health boards in Scotland, Forth Valley Health Board faces a major challenge in achieving the national sickness absence target of 4%. The current sickness absence rate is 5.57% which is slightly higher than last year's rate of 5.5%. The board has a range of measures to help reduce absence levels, including on-line referrals to occupational health, the use of absence clinics to discuss more complex cases and peer review of cases.

Risk Area 5

Scotland's Public Finances – addressing the challenges

105. In the current year, we carried out a focussed follow-up audit on *Scotland's public finances: addressing the challenges* report originally published in August 2011. Follow-up audits are also being carried out in all health boards and councils in Scotland as well as in a number of central government bodies, including the Scottish Government and Scottish Enterprise.
106. As part of the follow-up audit, auditors were asked to consider two key questions:
- Does the health board have sustainable financial plans which reflect a strategic approach to cost reduction?
 - Do senior officials and non-executives demonstrate ownership of financial plans and are they subject to scrutiny before approval?

107. The field work for this exercise has been completed and a draft report issued to management for comment. The key messages emerging from the follow-up audit include the following:
- The board has a 5-year financial plan that sets out clearly the key planning assumptions including pay and price movements over the period.
 - The planning process is aligned to the strategic objectives of the board and the need to maintain sustainable and affordable services.
 - The financial plan is subject to detailed review by the board and Performance and Resources Committee (PRC).
 - The Performance and Resources Committee carry out monthly performance reviews including detailed scrutiny of the financial position and the pressures it faces.
 - The Chief Executive and Director of Finance provided a detailed briefing on the financial plan to the chairs of the board, Audit Committee and PRC.
108. There are a number of challenges for the board in managing its finances not least the increasing demand for services from a growing population, reduced funding, investment in new technology, NRAC, the cost of achieving access targets and recurring savings.
109. We will report our findings to the next meeting of the Audit Committee for members' consideration.

Overview of performance targets in 2012/13

110. The board receives regular board executive performance reports from the Chief Executive on progress towards achieving the key performance targets set by the Scottish Government (HEAT targets and standards) and local targets. In addition, as mentioned at paragraph 94, performance is subject to detailed scrutiny by the Performance and Resources Committee.
111. The board has achieved good performance by either meeting or exceeding its targets in a number of areas. These include for example, patients referred urgently for cancer treatment, rate of clostridium difficile infections in patients aged 65 and over; patients discharged from hospital to more appropriate care settings and client referrals for drug and alcohol treatment.
112. Some targets were not fully achieved. These include the 18 week referral to treatment target, and the 4 Hour Accident and Emergency waiting time target. Maintaining and sustaining access targets is resource intensive and costly. This increases the pressure on the board at a time when it requires to achieve significant savings on a recurrent basis.
113. The Patients Rights (Scotland) Act 2012 introduced a statutory 12 week treatment time guarantee for eligible patients. This became effective from 1 October 2012. The board did not achieve this target in a number of cases despite making additional capacity available. In common with other boards, Forth Valley is also facing increasing demands from demographic pressures (e.g. an increasing and ageing population) and technological changes. There remains the challenge of balancing achievement of performance targets (particularly access targets) and maintaining service delivery in challenging economic times.

Risk Area 6

National performance reports

114. 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.
115. The board has a formal process to ensure that the findings of national reports relevant to the board are considered in detail to identify their potential impact and the board's progress in addressing recommendations locally. These reports are discussed at Audit Committee and where improvements are identified actions are agreed locally and progress monitored. Reports in the last year that may be of relevance to the board include:

Table 2: A selection of National performance reports 2012/13

<ul style="list-style-type: none"> • Management of patients on NHS waiting lists (February 2013) • Prescribing in general practice in Scotland (January 2013) 	<ul style="list-style-type: none"> • Health inequalities in Scotland (December 2012) • NHS Financial Performance 2011/12 (October 2012)
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Management of patients on NHS waiting lists

116. Audit Scotland carried out a review of waiting times across the health service in Scotland following NHS Lothian's reported misuse of patient unavailability codes. The review recognised the need for independent assurance on the management of waiting times to restore public confidence in the system.
117. In addition, NHS boards' internal auditors were requested by the SGHSCD to carry out a review of waiting times as part of their 2012/13 internal audit plans and to report their findings by 17 December 2012. Shortly after this date, the Cabinet Secretary for Health and Well Being reported to the parliament the findings from internal audits carried out across the NHS in Scotland. The main findings were:
- there is no evidence of wide scale manipulation of waiting times across the National Health Service in Scotland
 - overall, the waiting times published by boards are reliable and accurate
 - the principal shortcomings relate mostly to the capability to record on some information technology systems, the consistent interpretation of guidance, and staff training
 - there are specific, localised issues in board areas that need to be addressed.
118. The Cabinet Secretary also made clear that he expected NHS boards to have implemented all locally identified recommendations for improvement by March 2013.
119. The internal auditors for Forth Valley Health Board had reported their findings to a specially convened Audit Committee held on 7 December 2012. They concluded that:

- patient records reviewed by internal audit were accurate and aligned to the 'New Ways' Guidance
- New Ways rules have been incorporated into patient administration systems (TOPAS and HELIX) as far as practicable and data quality checking allows errors to be identified, investigated and corrected
- the majority of transactions appeared to be reasonable within the context of patient circumstances and explanations provided by staff.

120. Internal audit did identify some areas for improvement and these included the following:

- review of assurance, reporting and escalation arrangements for waiting times, including consideration of the flow of reports, the level of detail required and the development of KPIs and trigger points
- further development of the process to confirm that relevant staff understand and are aware of and will comply with the Patient Access Policy and associated guidance.

121. Management agreed an action plan of improvements which were subsequently reviewed in more detail by the Audit Committee in March 2013 to confirm progress in implementation as requested by the Cabinet Secretary. These enabled the Chairman of the Audit Committee to provide a letter of assurance to the Scottish Government's Health and Wellbeing Audit and Risk Committee that local improvements had been implemented or were in progress. The SGHSCD have requested that all boards undertake a follow-up audit on the management of waiting times to ensure that planned improvements have been made and are working effectively. We will monitor the position at a future date.

122. Audit Scotland's report on the *Management of patients on NHS waiting lists* published in February 2013 highlighted similar issues to those outlined above:

- The systems used to manage waiting lists have inadequate controls and audit trails, and the information recorded in patient records is limited.
- Most patients' records that were examined did not include enough information to verify that unavailability codes had been applied properly
- Audit Scotland identified a small number of instances in which unavailability codes were used inappropriately. The limitations of waiting list management systems and the lack of evidence in patient records mean that it is not possible to determine whether these instances were due to human error, misinterpretation of the guidance or deliberate manipulation of waiting lists.
- There was not enough scrutiny of the increasing number of patients recorded as unavailable.

123. The national report also highlighted good practice at Forth Valley Health Board, in particular, the way information was recorded in its electronic waiting list system, with detailed notes in patient records. These gave clear reasons for applying both social and medical unavailability codes and removing patients from the list, and notes of discussions with the patient or GP.

Prescribing in general practice in Scotland

124. The overall aim of this national report was to examine prescribing in General Practices across NHS Scotland and identify the potential to improve prescribing economy, efficiency and effectiveness
125. The report highlighted that the NHS in Scotland spends almost £1.4 billion per year on drugs, of which almost £1 billion (70 per cent) is spent in general practice.² Territorial NHS boards spend about ten per cent of their budgets on GP prescriptions and boards continue to identify this as a significant cost pressure.
126. The report noted that NHS Scotland has improved its management of GP prescribing and family doctors are getting more support and guidance on their prescribing. The report, however, indicated that there was further scope for improvements and the potential to save up to £26 million per annum without affecting patient care. The savings could mostly be achieved through reducing waste and cutting the use of less suitable medicines.
127. The report highlighted that Forth Valley Health Board had the highest average spend per weighted head of population on drugs although it did recognise that the board had introduced a number of initiatives to encourage more cost-effective prescribing. These included, for example, local work on polypharmacy and reviewing the number of drugs prescribed. One initiative is the GP Prescribing Incentive scheme supported by local pharmacists whereby the Practice receives up to 5% of actual drug prescribing savings made. Since these initiatives were introduced spending on drugs has fallen steadily from £195 to £180 per patient.

Health inequalities in Scotland

128. Reducing health inequalities has been a priority for successive governments in Scotland with the introduction of major legislation supporting this aim, such as the ban on smoking in public places and minimum pricing for alcohol. The Scottish Government's spending review reiterated its commitment to addressing health inequalities, and allocated around £170 million to NHS boards to directly address health-related issues associated with inequalities.
129. The national performance report assessed how well public sector bodies are working together to target resources at health inequalities. The report indicated that it was unclear how much money NHS Boards and Councils spend in this area or what it is spent on. Furthermore, the report highlighted that the Scottish Government takes account of deprivation and other local needs in allocating funding to NHS Boards and Councils. However, it is not clear how these bodies target their resources at local areas with the greatest need. Within NHS Forth Valley Community Health Partnership localities, funding allocated for health inequality is weighted below the Scottish average for rurality and deprivation.
130. The Audit Scotland report also noted that, at a national level, General Practitioners have been reluctant to work in deprived areas. Moreover, people in deprived areas have less access to IT and therefore, may not be aware of all the help available to them. Management advised us that these are not issues of concern in Forth Valley. NHS Forth Valley actively works with

local authorities and the community planning partnership to address the problem of health inequalities.

NHS Financial Performance 2011/12

- 131.** The report provides an overview of the financial performance of the NHS in Scotland during financial year 2011/12. It also highlights the financial sustainability, challenges and cost pressures facing the NHS.
- 132.** The report notes that after several years of growth in public finances following devolution, public sector budgets are now falling. This reinforces the need for sound financial management and clear financial reporting, underpinned by good information and strong governance and accountability.
- 133.** In 2011/12, spending on health accounted for about a third of the total Scottish budget and amounted to around £11.7 billion. Although the overall health budget has continued to increase in cash terms, it has been decreasing in real terms since 2009/10 and is projected to decrease further in real terms for the next three years.
- 134.** The Scottish Government allocates over 90 per cent of the total health budget to 23 NHS boards, with the remainder retained by the Scottish Government to spend on other areas of its Health and Wellbeing Portfolio. While the overall health budget is decreasing in real terms, the Scottish Government has protected the total amount allocated to territorial boards and this will increase slightly in real terms (1.3 per cent) over the next three years. However, budgets for special boards will fall by 5.6 per cent in real terms.
- 135.** The national report noted that the NHS in Scotland continued to manage its finances within total budget. However, this does not reflect the pressures faced by boards and a number of them had to rely on non-recurring savings to achieve balance. Moreover, some other boards needed extra help from the Scottish Government to break-even in 2011/12.
- 136.** Boards are increasingly reliant on achieving savings to meet their financial targets yet across the NHS 20% of savings plans are considered high risk although some boards are indicating that they will have to achieve savings in excess of this level.
- 137.** The national report highlighted that Scottish Government agreed to provide financial support to Forth Valley Health Board to enable it to stay within its Revenue Resource Limit. The financial support is to be repaid from the sale of assets previously identified in the board's Local Delivery Plan (LDP). Furthermore, the national report noted that the board remained well below its National Resource Allocation Committee formula allocation.

Outlook

Performance

- 138.** Over recent years the board has invested substantial resources, particularly in relation to access to services, to achieve challenging performance targets set by the Scottish Government. The significant financial challenges that will be faced in 2013/14 and beyond make maintaining or improving performance even more challenging.
- 139.** The Auditor General has been asked by the Public Audit Committee of the Scottish Parliament to provide an update on Audit Scotland's Management of patients on NHS waiting lists report later this year. The audit work will focus on progress made by the NHS in establishing clear information audit trails and on the management and monitoring of waiting lists. The fieldwork for the report will be carried out at NHS boards in September and October of 2013 with a report to the Public Audit Committee by the end of December 2013.

Appendix A: audit reports

External audit reports and audit opinions issued for 2012/13

Title of report or opinion	Date of issue	Date presented to Audit Committee
Internal Audit Reliance Letter	Included in Annual Audit Plan	5 February 2013
Annual Audit Plan	8 January 2013	5 February 2013
Internal Controls Management Letter	4 April 2013	7 June 2013
Best Value use of Resources - People Management	26 April 2013	7 June 2013
ICT Application Review of ePayroll	29 May 2013	7 June 2013
Report to Audit Committee in terms of ISA 260	30 May 2013	7 June 2013
Independent auditor's report on the financial statements	30 May 2013	7 June 2013
Scotland's Public Finances - addressing the challenges (draft)	12 May 2013	18 October 2013
Annual Report on the 2012/13 Audit	15 July 2013	18 October 2013

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	18	<p>Equal Pay</p> <p>Forth Valley Health Board (and other boards) has not been able to quantify the extent of its liability for Equal Pay claims.</p> <p>There is a risk that these liabilities will have a significant impact on the board's financial position.</p>	Maintaining link with Scottish Government Finance Department to keep up to date on SGHSCD/CLO progress	Director of Finance/Director of Human Resources	Ongoing
2	27	<p>Future Asset Sales</p> <p>The board's repayment of brokerage to the SGHSCD is dependent upon an anticipated level of asset sales in future years.</p> <p>There is a risk that, given the current economic climate and the reduction in land values that the income due from asset sales may not be realised.</p>	Risk is acknowledged in Corporate Risk Register. Status of Property Sales is reviewed on a monthly basis to identify any potential issues. At present the majority of risk rests in the timing of sales rather than value but this is continually monitored.	Director of Finance/Director of Projects and Facilities	Ongoing
3	39	<p>2013/14 Savings Target</p> <p>The delivery of the cost savings plan for 2013/14 will continue to remain challenging. The level of flexibility within</p>	Risk is acknowledged in Corporate Risk Register. Progress reviewed on a monthly basis to ensure corrective action taken if	Chief Executive/ Director of Finance	First draft of Service Plan by end of Sept 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>expenditure budgets is considerably reduced by the release of cost savings in previous years.</p> <p>There is a risk that the board may not be able to achieve its savings targets in future years.</p>	<p>schemes not achieving or timescale changed for delivery. Work is ongoing on preparing the next five year service plans supported by an affordable financial plan</p>		
4	103	<p>Workforce planning</p> <p>The low staff turnover rate presents a particular challenge to the board as staff are choosing not to move on</p> <p>There is a risk that this could impact on the board's ability to realise savings particularly as costs are predominately workforce based.</p>	<p>In line with response on Savings Plan this is monitored on a monthly basis to ensure corrective action is taken if any schemes not achieving or timescale changed for delivery</p>	<p>Director of Finance/ Director of Human Resources working with the General Managers</p>	Ongoing
5	104	<p>Sickness absence</p> <p>The board may not achieve the sickness absence target of 4%.</p> <p>There is a risk that this may impact on the board's ability to achieve its financial and non-financial performance targets.</p>	<p>This is monitored at a detailed level on a monthly basis. The two Units with the highest sickness levels have focused action plans for 2013/14 linked to their efficiency savings plans. World café events have been set up to ensure experience across the organisation is shared and to generate further ideas to improve performance.</p>	<p>Director of Human Resources working with the General Managers</p>	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
6	113	<p>Performance targets</p> <p>The board did not achieve all its performance targets in 2012/13.</p> <p>There is a risk that in a climate of reducing funding (in real terms), demographic pressures, and technology changes, performance targets are not achieved and the delivery of quality affordable services is not sustained.</p>	<p>Performance against targets is monitored monthly through the organisational structure to the Performance and Resources Committee.</p> <p>The EPQ programme with key actions grouped around the seven priority areas is designed to ensure that priority targets are met. Monitoring will determine if specific areas merit more detailed scrutiny or additional actions to be taken.</p>	<p>Head of Performance Management and thereafter relevant officer dependent on any areas identified</p>	<p>Ongoing</p>