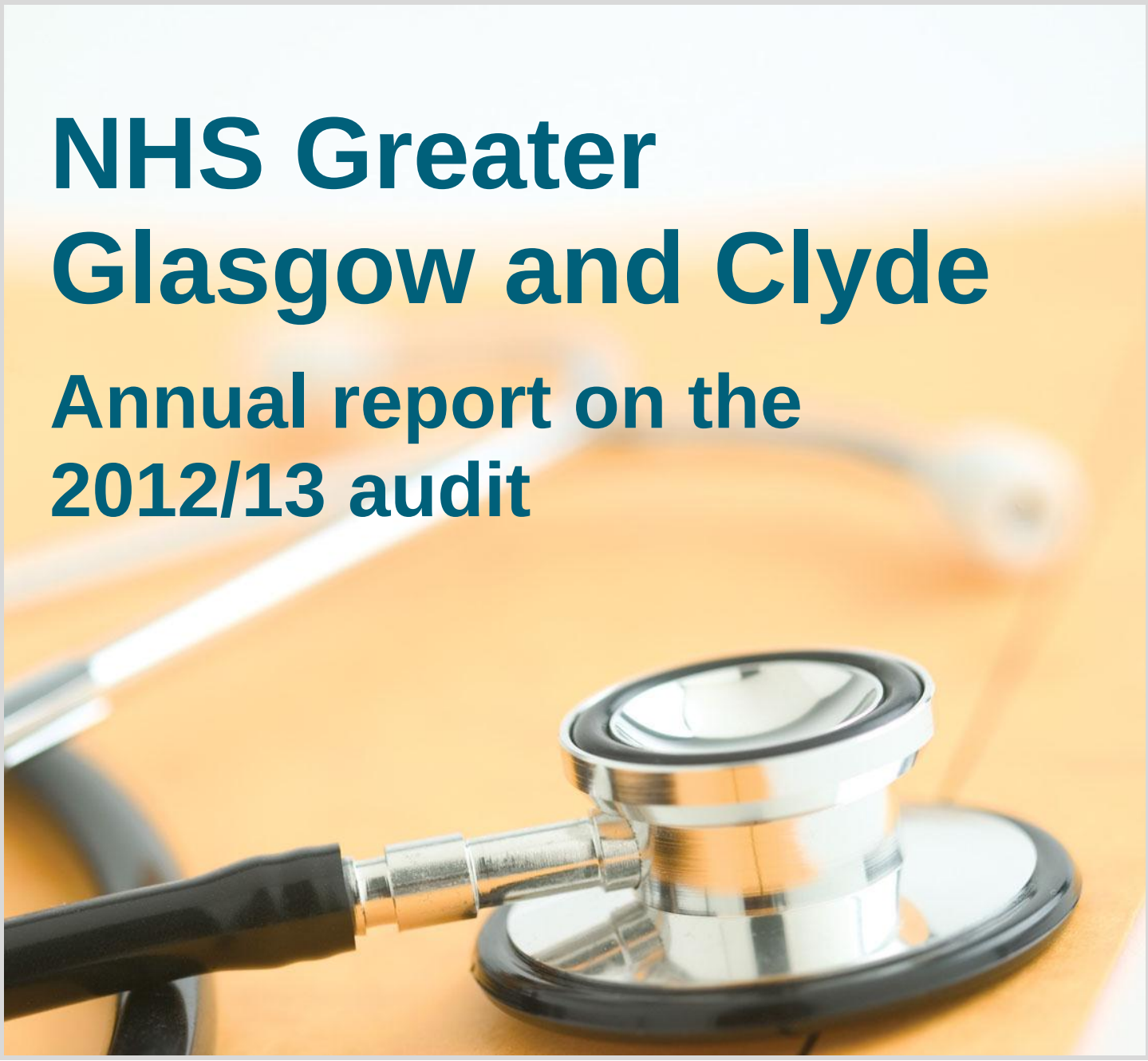
NHS Greater Glasgow and Clyde

Annual report on the 2012/13 audit



AUDIT SCOTLAND

Prepared for NHS Greater Glasgow and Clyde 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**.**

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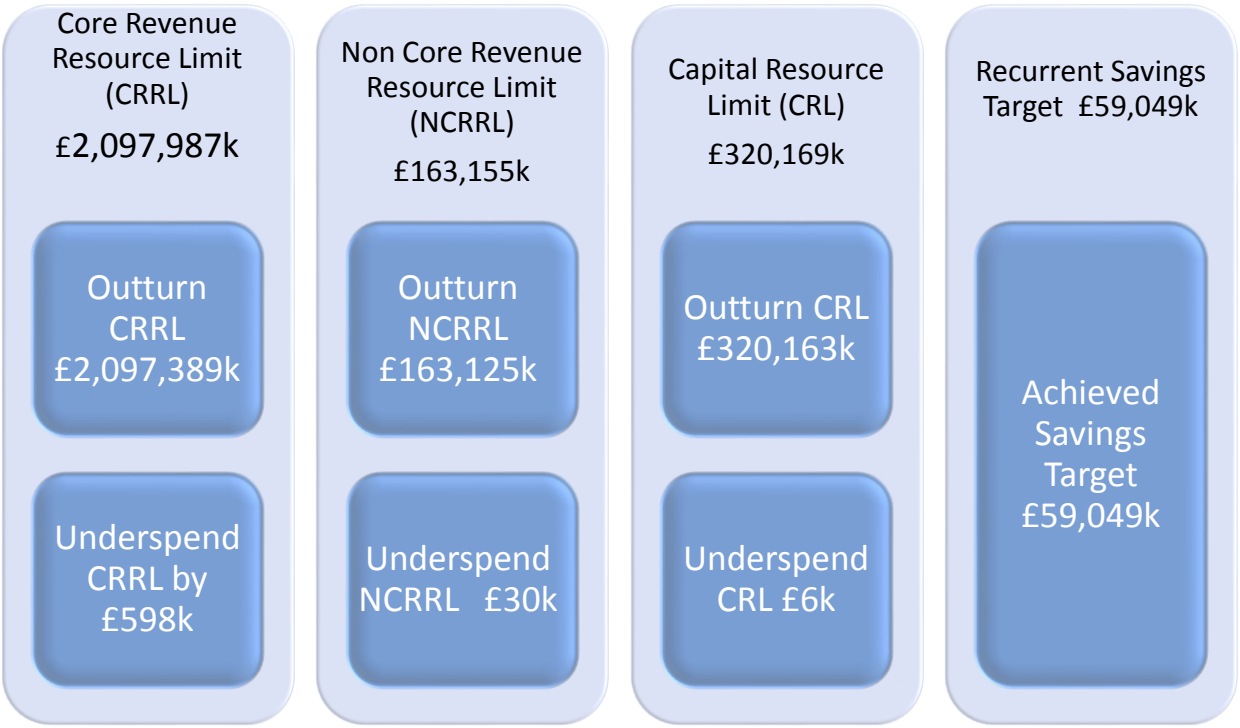
Key messages

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 NHS Greater Glasgow and Clyde (NHSGGC, the 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 Exhibit 1 below.

Exhibit 1: Financial performance 2012/13



Financial statements

We have given an unqualified audit report on the financial statements of NHSGGC 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 £0.628 million as at 31 March 2013.

The board achieved savings of £59.0 million in 2012/13, all of which were recurring.

The board's 2013/14 financial plan requires cost savings of £33.7 million to be generated from recurring sources, which will be extremely challenging. A further £26.2 million non-cash releasing savings are to be delivered. The plan gives indicative figures for 2014/15 and 2015/16 suggesting further recurring savings of around £38 million in each of these years will be required.

The board's total capital budget for 2012/13 was £320.2 million and this was underspent by £0.006 million. In addition the board returned £11.6 million to the Scottish Government Health and Social Care Directorates (SGHSCD) on the understanding that it would be available for spending in 2013/14.

Governance and accountability

In 2012/13, the board had sound overall governance structures in place which included a number of standing committees overseeing key aspects of governance. These included Audit, Staff Governance, Remuneration and Quality and Performance Committees. The board also maintained an effective internal audit function and anti-fraud arrangements were in place.

Performance and best value

The board has a well developed framework in place for monitoring and reporting performance. The board's integrated performance report, which is presented at each meeting of the Quality and Performance Committee, provides members with assurance on the overall performance of the organisation.

In 2012/13 the board met or exceeded a number of performance targets set by the Scottish Government. However, the board has not achieved its performance targets in some areas. In particular, the board did not achieve its delayed discharges target nor its carbon emissions target.

Audit Scotland's report on the management of patients on NHS waiting lists found limitations in the systems in use within NHSGGC to provide an audit trail for how waiting lists were managed. A local review of waiting times carried out by internal audit identified some areas for improvement. The board has provided written assurance to the Scottish Government that improvement actions identified by internal audit have either been implemented or are in progress.

Outlook

The financial position going forward is becoming even more challenging than previous years with limited increases in funding, increasing cost pressures and challenging savings targets. To achieve continuing financial balance the board will require to deliver further recurring cost savings. Expenditure during the year will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage.

The new South Glasgow Hospitals project continues to progress, with construction reported as being on time and on budget. It is due to be fully operational in 2015. In 2012/13 a further

£226 million was spent and as at 31 March 2013 £462 million of the £842 million capital budget had been spent.

The significant financial challenges in 2013/14 and beyond will require the board to prioritise further its use of resources. This will make maintaining or improving on the performance targets set by the Scottish Government even more challenging, including the key area of waiting times.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of NHS Greater Glasgow and Clyde. 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 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 the board.

3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the board understands its risks and has arrangements in place to manage these risks. The board and Accountable Officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.

4. This report is addressed to the board and the Auditor General for Scotland and should form a key part of discussions with the Audit Committee, as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, as appropriate. Audit is an essential element of accountability and the process of public reporting.

5. This report will be published on our website after consideration by the board. The information in this report may be used for the Auditor General's annual overview of the NHS in Scotland's financial performance later this year. The overview report is published and presented to the Public Audit Committee of the Scottish Parliament.

6. The management of the board is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.

8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
   - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
   - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
   - the regularity of the expenditure and income.

9. Auditors review and report on, as appropriate, other information published with the financial statements, including the directors' report, governance statement and the remuneration report. This section summarises the results of our audit of the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of NHSGGC 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.

11. The 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.

12. We have also reviewed the board's governance statement and concluded that it complies with Scottish Government guidance.

Regularity

13. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that require us to certify that, in all material respects, the expenditure and income shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.

Accounting issues

14. As required by auditing standards we reported to the Audit Committee on 19 June 2013 the main issues arising from our audit of the financial statements. The main points discussed are noted at paragraphs 15 to 31 below.

Accounts submission

15. We received the unaudited financial statements on 13 May 2013 in accordance with the agreed timetable. The working papers supplied by the Head of Financial Services were generally of a good standard. However, working papers supplied from elsewhere in the organisation in support of a number of specific accruals were of variable quality. We provided our proposed audit opinion to the Audit Committee on 19 June as outlined in our annual audit plan.

16. A number of presentational and monetary adjustments were identified in the financial statements during the course of our audit. These were discussed with senior finance officers who agreed to amend the financial statements. The effect of these adjustments was to decrease expenditure and increase net assets by £0.3 million. The more significant changes related to:

- £7.65 million (reduction in accruals) for expenditure which more correctly relates to 2013/14
- £3.8 million (increase in accruals) to recognise a payroll accrual to cover a further 4 years
- £2.4 million (increase in accruals) to reflect an increase in the untaken holiday pay accrual
- £0.96 million (increase in accruals) to reflect year end actual prescribing costs.

17. A number of other monetary errors were identified during the audit which were not processed through the financial statements by management. The net effect of these unadjusted differences would be to decrease expenditure / net operating costs by £0.64 million and to increase net assets by £0.64 million.

Disposal of Woodilee Hospital

18. In March 2007 the board agreed to the sale of the Woodilee Hospital site for a total of £32.5 million to a consortium of developers. Since then instalments totalling £16.5 million have been received by the board. A revised payment structure for the remaining sum was agreed in March 2012 for full recovery in instalments by November 2016. The board's contract with the consortium stipulates that the developers are jointly and severally liable for their obligations. Furthermore, standard securities, over the land, have been obtained from the developers and if all default on their obligations then the board could exercise the standard securities. In May 2013 the board received confirmation from their independent property advisor that the value of the security held is worth in the region of £18.6 million against an outstanding debt of £16 million.

Impairment of non current assets

19. The financial statements record impairments taken to operating costs of £52 million of which £44 million refers to the impairment of the Yorkhill sites in advance of the move to the new South Glasgow Children's Hospital. Three years remain of the hospitals' useful lives in advance of their planned closure. This was approved by the Property Management Group in

February 2013. However, there are a number of other hospital sites (for example, Victoria Infirmary and the Mansionhouse Unit) affected by the move to the new hospital which have not been impaired.

20. We have been advised by management that the other sites will be impaired once a firmer date is known for the completion of the new build and the related closure of the other sites. In addition, management are currently considering the timetable of closure in light of continuing pressures on bed numbers. The Accountable Officer has provided assurances that no firm decision has been taken in respect of closure of these other sites and consequently the carrying value of those non current assets have been properly stated in the accounts.

Equal pay claims

21. The National Health Service in Scotland has received in excess of 9,000 claims for equal pay and 3,884 (2011/12: 4,159) of these relate to NHSGGC. Developments over the past year have slowed down the progress of claims and led to a reduction of claims going forward.

22. The Scottish NHS Central Legal Office (CLO), which is co-ordinating the legal response to this issue, has stated that comparator jobs have still not been identified. As a consequence there is insufficient detail to allow an estimate to be made of the likelihood of the success of the claims or any financial impact they may have. We are aware that the extent of the potential liability is decreasing given that the period over which back pay for any established breach would have to be calculated is the period between dissolution of their employing Trust and 30 September 2004. The limited scope of these claims was upheld by the Employment Appeal Tribunal in the test case of Foley and Ors v Greater Glasgow Health Board (August 2012).

23. The Scottish Government Health and 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. Given the CLO's advice that, although some liability is probable, it is not possible to estimate the impact of the claims, it has been agreed that disclosure as an unquantified contingent liability remains appropriate for the 2012/13 financial statements of affected NHS boards.

24. As with other boards, NHSGGC 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.

Action point 1

Trades payables

25. We identified a number of payroll accruals which referred to periods in excess of one year (£8.05 million). In addition, an accrual for unpaid maternity pay on public holidays had already been processed in respect of 2012/13 but the board was instructed by SGHSCD (in May 2013) to accrue for the previous 4 years. This led to an adjustment of £3.8 million which increased net operating costs. We were satisfied that accruals were based on the best information available as at 31 March 2013.

26. Our audit review identified a number of year end expenditure accruals for which no goods or service had been received. We raised concerns as to the quality of the evidence being provided to demonstrate that there was a constructive obligation. In addition, we identified specific funding from the SGHSCD for projects, where, due to the nature of those projects, not all of the funding had been spent by the year end.

27. A further review by management resulted in a reduction in accruals by £7.65 million as they did not relate to constructive obligations at year end. We have discussed with the Director of Finance the need to review this area in conjunction with the SGHSCD and NHSGGC finance staff to ensure that liabilities are only accrued when there is a constructive obligation and that funding for special projects better reflects the planned phasing of expenditure.

Action point 2

28. Included within the original accounts submitted for audit was an accrual of £20.8 million in respect of untaken holiday pay. However, back-up for the calculation was only received on 13 June 2013 following review by management of this accrual. The revised figure resulted in an increase of £2.4 million. We were able to confirm with management that there has been no change to the methodology of the annual leave accrual but rather the size of the base population has increased giving a more accurate figure.

Clinical and medical negligence

29. Included within the financial statements are clinical and medical negligence claims made against NHSGGC of £69.3 million (£59.4 million 2011/12). This provision has been assessed using information provided by the CLO who have assessed the likely value of settlement. In addition to this, the board has finalised two structured settlements for clinical negligence (£16.8 million) involving an initial payment and further annual payments over the estimated lifetime of the persons affected. A creditor has been created for the total anticipated annual payments, along with a corresponding debtor to reflect the CNORIS compensating income the board will receive.

Vale of Leven inquiry

30. The Inquiry was set up by Scottish Ministers to investigate the occurrence of C.difficile infection at the Vale of Leven Hospital from 1 January 2007 onwards. The Inquiry also investigated the deaths associated with C.difficile which occurred between 1 December 2007 and 1 June 2008. The chairman was due to report by 31 May 2013. However, an extension has been agreed and it is intended the final report will be published in autumn 2013. Appropriate provision has been made in the accounts for all negligence claims received.

Heritage assets

31. We have been advised that management do not consider there to be any material heritage assets. Whilst this may be the case, we have again recommended that a review of the existence of such assets be undertaken so that the board fulfils its stewardship

responsibilities. This is particularly important at a time when there is a programme of planned hospital closures.

Action point 3

Other issues

32. Our audit identified a number of stock write-offs which had not been separately notified to finance officials and which exceeded the board's delegated limit. As a consequence a retrospective application for approval was made to the SGHSCD and is currently being awaited.

Action point 4

33. We reported to management that Scottish Government guidance (September 2007) states that the board is obliged to publish certain information as part of an annual report. The NHSGGC annual report appears in the "Health News" autumn edition and includes only some of the recommended financial information, for example outturn against Revenue Resource Limit and Capital Resource Limit. The expectation as laid out in the guidance is for boards to include a summary of operating costs and balance sheet items. In response, management have agreed to review the guidance and ensure compliance.

Outlook

Endowments

34. 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. It is anticipated that consolidation will take effect from 2013/14 onwards. However, discussions have been continuing between Audit Scotland and SGHSCD as to whether the consolidation will occur at board level or at SGHSCD level (as the 'ultimate parent'). Irrespective of where the consolidation occurs, NHSGGC will require to have endowment fund figures available for inclusion in the 2013/14 financial statements (both for the current and prior years).

Action point 5

Financial position

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

36. 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.

37. 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

38. All health boards are required to work within the resource limits and cash requirement set by SGHSCD. NHS boards are required to differentiate between core and non-core expenditure for both revenue and capital.

39. The board achieved all its financial targets in 2012/13 as outlined in Table 1 below:

Table 1: 2012/13 financial targets performance £'000s

Financial Target	Target	Actual	Variance
Revenue resource			
Core	2,097,987	2,097,389	(598)
Non core	163,155	162,125	(30)
Capital resource			
Core	320,169	320,163	(6)
Non core	0	0	0
Cash position			
Cash requirement	2,543,000	2,542,673	(327)

40. The board achieved a cumulative surplus of £0.628 million compared to a planned break even position. NHSGGC's 2012/13 financial plan included a £59 million savings target to achieve financial balance. By the end of 2012/13, all required savings were achieved on a recurring basis through the introduction of recurring savings schemes although some of the recurring

schemes started later than expected. As a consequence, additional non recurring savings were generated to make up for the in-year shortfall in cash terms. The achievement of savings on a recurrent basis places the board in a good position going forward.

41. Last year the board reported a net underspend of £0.302 million which was made up of a core RRL underspend of £1.289 million and a non-core RRL overspend of £0.987 million. During 2012/13, the SGHSCD returned the full core underspend of £1.289 million to the board to fund revenue activities. As reported in the annual accounts the reported outturn against the current year's RRL was a deficit of £0.661 million.

42. A transfer from capital to revenue funding was agreed by the SGHSCD to reflect the requirement to undertake backlog maintenance. While some £5.0 million was transferred out of the CRL, only £2.0 million was added to revenue in 2012/13. Management have advised that the remaining £3.0 million will be re-provided by the SGHSCD in 2013/14 as non-recurring revenue.

Budgetary control

43. The financial position was regularly monitored and reported to the board. While overspends were reported during the year, rising to £1.0 million in period 4, a break even position was anticipated by the year end. The deficit decreased as the planned savings were realised.

Capital resource limit

44. Capital expenditure during the year amounted to £320.2 million which was within the revised capital resource limit (£6k underspend); during the year £11.6 million was returned to the SGHSCD on the understanding that the funding would be available for spending in 2013/14.

45. The key area of the 2012/13 programme was the continuing work on the new South Glasgow Hospitals project. Expenditure of £226 million was spent on this major project during the year, giving a total to date of £462 million spent out of the overall budget of £842 million.

46. The total project is progressing in accordance with plan and within timescale and budget. In addition, the community benefit programme continues to generate employment and apprentice opportunities with 411 jobs being filled by March 2013. The completion date for this development is during 2015 and SGHSCD remains committed to funding the cost of this project.

47. In addition to the development of these hospitals, work continues on the provision for car parking. A joint project with the University of Glasgow for a Learning and Teaching Centre is being addressed with a full business case due to be submitted to the SGHSCD in October 2013. Future outline plans include provision for accommodation for administration staff.

48. Expenditure during 2012/13 on other major capital projects included Glasgow Royal Infirmary tower (£12.0 million), Alexandria Health Centre (£15.5 million) and medical equipment (£15.8 million).

49. NHSGGC has a number of PFI commitments which are disclosed in Note 22 of the accounts. Seven contracts are reported on balance sheet and include the Stobhill and Victoria Hospitals ambulatory care and diagnostic treatment centres, at a combined value of £193.8 million. The remaining projects (elderly and mental health facilities) range in capital value from £9.1 million to £19.0 million. The associated recurrent revenue cost of these schemes is £29.0 million with a total future commitment recorded in the balance sheet of £237.4 million.

Workforce

50. The 2012/13 workforce plan estimated a reduction of 578 whole time equivalent (WTE). However due to various operational pressures the actual reduction was only 63.7 WTE staff during the year. Additional funding was provided by the Scottish Government to offset the additional expenditure incurred. The notes to the accounts provide further information as to the numbers and values of exit packages agreed during 2012/13. (See paragraph 138 for further details). The initial workforce projections for 2013/14 are indicating an increased workforce which takes account of the various pressures and investments identified at paragraph 53.

Financial planning to support priority setting and cost reductions

51. The board's draft Local Delivery Plan (LDP) for 2013/14 aligns strategic priorities with 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.

Financial sustainability and the 2013/14 budget

52. In 2012/13 the board received a funding uplift of 2.4% and an uplift of 2.76% for 2013/14.

53. The board faces significant cost pressures of £91.5 million in 2013/14. These include: pay cost rises of £22.7 million (including £5.9 million related to pension fund auto-enrolment); prescribing growth and inflation increases of £27.7 million; energy and general inflation costs of £15.2 million; and service pressures and commitments of £17.2 million.

54. The board’s ability to achieve financial balance is again largely dependent on it successfully developing and implementing a comprehensive cost savings plan. There is currently a funding shortfall of some £33.7 million which will require to be met through the achievement of cash releasing efficiency savings. In addition, a further £26.2 million of non-cash releasing savings are to be delivered which, in total, reflects the equivalent of 3% of the board's baseline revenue allocation. It has been estimated that the majority of the savings will be achieved through service productivity (£30.3 million), general prescribing (£26.2 million) and procurement (£2.1 million).

55. The delivery of the cost savings plan in 2013/14 continues to be challenging because the level of flexibility in 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.

Action point 6

Outlook

Significant financial risks beyond 2013/14

56. The financial plan assumes that future funding uplifts will be in the range of 2% for the period 2014/15 to 2015/16. Further cost pressures are inevitable. There are early indications that the board may be required to achieve cash savings of approximately £38.0 million per annum in 2014/15 and 2015/16 in order to achieve financial balance. The majority of the cost savings in each year are expected to be generated from recurring sources.

Action point 6

Pension costs

57. The most recent actuarial valuation of the pension fund to be published is for the year 31 March 2004. Subsequent periodic valuations have been placed on hold by HM Treasury pending the outcome of public sector pension reforms. Given that periodic actuarial valuations are key to determining the adequacy of employer and employee contributions to the fund, there is increasing need to reflect on the adequacy of current contributions to meet future costs.

Action point 7

Governance and accountability

58. 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.

59. 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.

60. 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.

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

Corporate governance

Processes and committees

62. The corporate governance framework within NHSGGC is centred on the board which is supported by a number of standing committees that are accountable to it. These standing committees include:

- Audit Committee
- Quality and Performance Committee which incorporates the staff governance sub-committee which in turn incorporates the remuneration sub-committee
- Area Clinical Forum
- Pharmacy Practices Committee
- Discipline (for primary care contractors).

63. The Quality and Performance Committee (QPC) was established in 2011 and its objective is to take an integrated approach to governance including quality, clinical governance, patient safety and funding decisions, and to provide assurance to the board on performance in a number of critical areas. Its remit was considered by members at the July 2013 meeting where concerns were raised about the level of challenge it provides given the scope and length of the agenda. It was agreed that the review would be further considered at a board awayday, later in the year.

64. An Audit Scotland representative attends the meeting as an observer and we observe challenge exercised in a number of key areas. However due to the length of the agenda (meetings frequently exceed 3 hours) discussion can be restricted. Were the board to continue with the current structure, members need to be assured that effective scrutiny is exercised in committees and groups which report into the QPC and that members can rely fully on the information provided to QPC.

Action point 8

65. Our overall conclusion is that the overarching governance structures in NHSGGC, at board and committee level, are broadly satisfactory and have operated effectively throughout 2012/13. In addition, the board reviews and updates its governance arrangements on an annual basis.

66. We reported in our controls report, submitted in May 2013, that important corporate governance documents had not been subject to timely review and update: Standing Financial Instructions were last reviewed in April 2011; the Scheme of Financial Delegation and Financial Governance was last reviewed in 2006. There is a risk that financial policies and procedures are out of date. Management have advised that a review is ongoing with an expected completion date of September 2013.

Patient safety and clinical governance

67. Patient safety is at the heart of clinical governance and risk management and a number of national arrangements and initiatives are in place to assist boards in this area. NHS Healthcare Improvement Scotland (NHS HIS) has lead responsibility for reviewing boards' performance in relation to patient safety, and for working with boards to improve patient safety. The remit of the Healthcare Environment Inspectorate (part of HIS) is to reduce the risk of Health Acquired Infections (HAI) in acute hospitals through assessment, inspection and reporting of boards' performance against HAI standards.

68. The Healthcare Environment Inspectorate (HEI) carried out a number of planned and unannounced inspection visits to several hospital sites within the board area during 2012/13. The results of these inspections have been generally satisfactory and action plans have been put in place to address any issues raised. NHSGGC has responded positively to the challenge with an established board HEI Steering Group to ensure that actions and learning points from each inspection are cascaded to all hospitals within NHSGGC.

69. NHSGGC is continuing to make progress in implementing the Scottish Patient Safety Programme (SPSP) which is one of the national improvement programmes developed in relation to the national Healthcare Quality Strategy. Hospital mortality is a fundamental element of the SPSP. For all acute inpatient and day case patients admitted, the Hospital Standardised Mortality Ratio (HSMR) is now being measured and reported regularly to the Acute Clinical Governance Forum, the QPC and the board.

70. Mental Health Services have agreed to participate in phase one of the SPSP which is a voluntary programme, commencing with adult psychiatric inpatient units. Work will be

undertaken on the implementation of risk assessment and safety planning. This phase is due to conclude shortly and will inform the content of phase two, which is compulsory.

71. The board has reviewed the recommendations of the Francis Inquiry which outlined failings at Mid Staffordshire NHS Foundation Trust and considered the implications for NHSGGC. A report outlining how NHSGGC compares and identifying potential areas for action has been produced and shared with the QPC.

Partnership working

72. Partnership working in the NHS covers a number of areas, including partnerships with staff groups, local authorities, the voluntary sector, private healthcare providers and regional planning with other NHS Boards. The board has established Community Health Partnerships (CHPs) with 3 Councils and Community Health Care Partnerships (CHCPs) with 3 Councils. These partnerships provide care and public health services in a local setting to meet the needs of the local population.

73. NHSGGC is committed to the delivery of shared outcomes with its community planning partners. Public Partnership Forums are established in each CH(C)P area with relevant committees meeting during the year. These ensure that service users are involved in service developments, and links are established with other local governance structures, for example, community planning committees, to co-ordinate services which meet the needs of local areas. This is very much a developing area at a national level, and the Scottish Government's plans for integrating health and social care are further discussed in the Outlook paragraphs of this section of our report.

74. NHSGGC acts as the host body for the West Territory Hub Team. The West Hub will deliver capital projects in partnership through a joint venture company formed between various public and private sector bodies. Of the £200 million investment programme to be delivered in the next ten years, NHSGGC currently has five projects under development, two of which (Maryhill and Eastwood Health Centres) are at outline business case stage. The indicative capital equivalent value of these projects is £54 million.

Internal control

75. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, our wider responsibilities require us to consider the financial systems and controls of audited bodies as a whole. The extent of this work is also informed by our assessment of risk and the activities of internal audit. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements.

76. In their annual report for 2012/13 the board's internal auditors (PriceWaterhouseCoopers) stated their opinion that, based on the internal audit work undertaken during the year, 'there is a generally sound system of internal control, designed to meet the organisation’s objectives, and that controls are generally being applied consistently. Using the terminology set out in the

Department of Health guidance to Heads of Internal Audit (which is built into NHS Internal Audit Standards as adopted by the Scottish Government) this opinion would equate to Significant Assurance'.

77. As part of our audit we reviewed the high level controls in a number of NHSGGC systems that impact on the financial statements. This audit work included the general ledger, cash and cash equivalents, trade payables, trade receivables, family health services, payroll, stores, capital accounting and a general ICT review. A significant development was that NHSGGC moved onto the National Fixed Asset System during the year. Our overall conclusion was that NHSGGC had adequate systems of internal control which operated effectively during 2012/13. We identified some areas where controls could be strengthened and agreed an action plan of improvements with management. This will be followed-up at a future date to confirm that improvements have been made.

78. With the development of shared services in NHS Scotland, there are a number of systems where NHSGGC is dependent on another NHS body for provision of services. NHS National Services Scotland (NSS) provides the following services:

- Practitioner services
- National Information Management and Technology (IM&T).

79. In accordance with International Standard on Assurance Engagement 3402 (ISAE3402), NHS NSS has commissioned service auditors to provide independent assurance that the key controls and processes operate satisfactorily to support defined key objectives. All opinions from service auditors were unqualified for the year 2012/13. Management should continue to work closely with NHS NSS to ensure adequate resolution of the few matters identified for improvement.

80. As the national IM&T report did not include assurances regarding the controls in place in respect of the National Fixed Asset System we conducted additional work locally and did not identify any material weaknesses. We would recommend that the board seek assurances for this new national system in subsequent years.

Internal audit

81. A key element of our work on internal controls is the extent of reliance that we can place on the work of internal audit in terms of International Standard on Auditing 610 (Considering the Work of Internal Audit). We carried out a review of internal audit in November 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. We placed reliance on internal audit work in a number of areas. This avoided duplication of effort.

82. From 1 April 2013, a common set of Public Sector Internal Auditing Standards (PSIAS) were adopted which will apply to all internal audit service providers, whether in-house, shared services or outsourced. As part of our 2013/14 review of internal audit we will assess compliance with these new standards.

Governance statement

83. The governance statement, provided by the board's accountable officer, records the process by which he obtains assurances over the adequacy and effectiveness of the system of internal control. There was a new format for 2011/12 and the SGHSCD provided updated guidance in 2012/13. The format includes the requirement for explicit assurance that arrangements have been made to secure best value.

84. Overall it was concluded by the board that no significant control weaknesses or issues had arisen in 2012/13, nor had there been any significant failures in the expected standards for good governance, risk management and control. Through our audit work we concur with this assessment.

85. In response to a matter raised in our 2011/12 report, the accountable officer has sought to receive assurances from CH(C)P chairs and a wider range of directors who manage a range of internal control systems. However, our review noted that a number of these formal assurances were not received by the due date and some continue to remain outstanding. It is essential that such assurances are received in enough time to permit the accountable officer to fulfil his responsibilities effectively.

Action point 9

ICT service reviews

86. As part of our 2012/13 audit we carried out two ICT service reviews. The ICT Change Management audit reviewed and assessed the policies and procedures that the board has in place to implement changes in the ICT live environment.

87. Our overall conclusion is that the board's change management process is effective in that 90% of the changes implemented over the 16 months to April 2013 have been classified as successful. However, we identified a number of areas for improvement. We noted in particular that there is a lack of detailed infrastructure documentation which makes it difficult to determine which parts of the service will be affected by changes. This could lead to a higher risk of unplanned service interruptions which may impact on the delivery of front-line services. The draft report was issued to the Director of Health Information and Technology in July 2013.

88. Our second ICT audit is a review of the board's User Identity and Access Management process. Our review focuses on the controls in place to ensure access management is structured to securely maintain ICT information and that individuals can be held accountable for information that is processed. We will provide management with our draft report in August 2013.

Prevention and detection of fraud and irregularities

89. NHSGGC has a range of measures in place to prevent and detect fraud, including Standing Financial Instructions, Standing Orders and a Code of Conduct for Staff which incorporates both whistleblowing and fraud policies. The board has a formal partnership agreement with

NHSScotland Counter Fraud Services (CFS) and the Fraud Liaison Officer of NHSGGC ensures reports are circulated to appropriate managers and to the Audit Committee.

90. The board has a formal programme of internal audit work which, although not designed to detect fraud, provides assurance on the operation of the control systems which are designed to prevent fraud. In addition, the board has a formal protocol covering a programme of regular payment verification checks with the Practitioner Services Division of NHS National Services Scotland. In 2012/13 these checks included verification against patient records, requesting patients to confirm treatment, practice visit and examination of patients.

91. We have concluded that the board's arrangements are 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

92. NHSGGC participates in the National Fraud Initiative (NFI). NFI is the biennial data matching exercise whereby computerised techniques are used to compare and match information about individuals held by various public bodies on their financial systems to identify potential fraud, error or anomalies. It is part of the statutory audit and is now governed by Section 26F of the Public Finance and Accountability (Scotland) Act 2000 (as amended). The SGHSCD and NHS CFS have strongly supported the involvement of health bodies in the exercise, which is undertaken as part of the audits of the participating bodies.

93. NFI allows public bodies to investigate these data 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.

94. The 2012/13 NFI exercise has expanded upon the previous range of datasets and bodies. Datasets were submitted in October 2012 and matches were released to participating bodies at the end of January 2013. The data matching exercise for the board identified over 17,000 matches of which 1,470 were recommended for investigation. Progress has been made with 343 investigations completed (mainly in the payroll and VAT categories) by the end of June 2013. To date, there have been no cases of fraud or error found in this data matching exercise.

95. The board’s Fraud Liaison Officer provides regular reports and updates to the Audit Committee and Audit Support Groups on anti-fraud activities including updates on NFI.

96. As part of our on-going audit work, we will continue to monitor the board's response to the latest NFI exercise. This will include meeting with the board’s Fraud Liaison Officer and monitoring the progress of data matches on the NFI database.

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

97. 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.

98. NHSGGC's Code of Conduct for Staff was updated and re-issued during 2012/13. It takes account of the existing national guidance on Standards of Business Conduct, incorporates the whistleblowing and fraud policies and reflects the requirements of the new Bribery Act 2010 which was implemented in 2011. We concluded that the arrangements in NHSGGC are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Outlook

Partnership working

99. 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 to 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.

100. 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. Subsequently, the Scottish Government has re-emphasised the central role that community planning should play in driving the reform of public services in the 'Statement of Ambition' published by the Scottish Government and the Convention of Scottish Local Authorities. It 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.

101. Building upon pilot audits of community planning partnerships in 2012/13, an audit of the Glasgow Community Planning Partnership (CPP) and partnership working in Glasgow is planned in 2013/14. As NHSGGC is one of the key partners in the CPP they will have a direct interest in this audit.

102. Revised targets for delayed discharges mean that no health board is to have a delay over 4 weeks by 2013 and over 2 weeks by 2015. As at May 2013 the board reported 16 delayed discharges over 4 weeks, compared with 37 in 2011/12. Whilst good progress is being made, the national target has not been met. This further highlights the need to work effectively with other public sector bodies and consider fully the impact of closures and capacity issues in the private and voluntary care sectors.

Staff changes

103. We are aware that there will be a number of senior officers leaving the organisation over the next year. The Chief Operating Officer, Director of Human Resources, Director of Facilities, Director of Glasgow CHP and the Director for the South Glasgow Hospitals Project are all leaving the organisation. Several other senior officers are currently on secondment to the Scottish Government. These officials have extensive knowledge and experience of the health service which will be difficult to replace. Sound succession planning arrangements will need to be in place to ensure no disruption to service delivery arises from the departure of these senior officers particularly at a time when the board is facing a period of major change with the move to the new South Glasgow Hospitals and the integration of health and social care.

Public Bodies (Joint Working) (Scotland) Bill

104. The Public Bodies (Joint Working) (Scotland) Bill was published on 28 May 2013 and sets out the proposed principles for integrating health and social care. It provides two options for integrating budgets and functions:

- delegation to an integration joint board established as a corporate body - the NHS board and local authority would agree the amount of resources that each will commit to deliver services to support the delegated functions
- delegation between partners - the NHS board and/or local authority delegates functions and the corresponding amount of resource to the other partner.

105. NHSGGC responded to the Scottish Government consultation document by endorsing the vision and the case for change. The Chief Executive is continuing to meet with partner local authority chief executives to discuss specifically the implications of these proposals. We will monitor progress in this area.

Boundary changes

106. On 3 June, the Scottish Government announced that NHS board geographical boundaries were to match their local authority partners' boundaries, in order to support the new arrangements. This will have most effect on NHSGGC and NHS Lanarkshire in terms of the numbers of potential patients affected (78,000 patients moving to NHS Lanarkshire from NHSGGC). The Scottish Government's funding allocation process will take account of the financial implications of the changes in NHS board populations. GPs affected will need to transfer their contract to another NHS board as appropriate. The changes will come into effect in April 2014. A joint planning group is being set up with NHS Lanarkshire to manage the impact of the changes and ensure communication with local stakeholders.

Financial systems

107. From 1 April 2013 the board is using the eFinancials National Single Instance to record financial ledger transactions. NHSGGC was one of the last NHS boards to change onto this national system, marking a major milestone of the NHSScotland Shared Support Services Programme that started in 2002/03. All boards are now using the same ledger system and

coding structures on a single platform. Using shared services of this nature has brought about efficiencies with a reduced number of servers, improved security and smaller carbon footprint.

Benefits system changes

108. There have been a number of major changes to the UK welfare benefits system with effect from April 2013. The board has raised concerns that welfare reform could have a significant impact on services; officers advised that provisions were in place to refer patients for appropriate advice if necessary. It is too early to say whether the welfare reforms are impacting on demand for NHSGGC services or the way they are accessed. We will monitor developments in this area.

Best value, use of resources and performance

109. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value.

110. The Auditor General may require auditors to consider the arrangements to fulfil the duty of best value. Where no requirements are specified, auditors may, in conjunction with audited bodies, agree to undertake local work on this topic.

111. As part of her statutory responsibilities, the Auditor General 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.

112. 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 reviews in these areas.

113. During the course of their audit appointment, auditors consider and report on progress made by audited bodies in implementing recommendations arising from reviews in earlier years.

114. This section includes a commentary on the best value and performance management arrangements in NHSGGC noting headline performance outcomes. We also comment on any relevant national reports and the board's response to these.

Management arrangements

Best value

115. In March 2011, the Scottish Government issued new guidance to accountable officers on best value in Public Services. The guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement.

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

117. NHSGGC is committed to best value and has arrangements in place to help ensure continuous improvement. To assist the accountable officer in forming his view on arrangements to secure best value, a self assessment schedule is completed by executive

directors annually. The challenge however will be in demonstrating continuous improvement through the delivery of improved performance and outcomes.

118. The board is subject to an annual review process by the SGHSCD, and action plans are developed to address any issues raised at that annual public meeting. Internally the board conducts bi-annual organisational reviews for each business area, with action plans to address any recommendations for improvements.

119. We have raised previously that a number of Audit Scotland national reports have not been considered by any committee of the board. These reports provide an opportunity for the board to compare themselves against recognised good practice and can assist in the demonstration of best value. This omission has occurred due to a change in staff and management have assured the Audit Committee that a process is now in place to ensure consideration of all relevant Audit Scotland national reports. Action plans will be prepared, as appropriate, and presented to the Audit Committee.

120. We will continue to monitor the board's arrangements for demonstrating its commitment to best value and continuous improvement.

Best value toolkits

121. As part of our audit work for 2012/13, in agreement with management, we applied a best value toolkit on equalities.

122. The equalities toolkit assessed a number of areas including: knowing the profile and needs of its diverse communities; leading improvements in equality; providing equality of opportunity within a diverse workforce, and delivering positive outcomes for its diverse communities. Our report (issued June 2013) assessed NHSGGC as meeting many of the better practice as well as advanced practice examples cited in the toolkit. We noted a number of areas of good practice including:

- the board has a dedicated Corporate Inequalities Team who are responsible for mainstreaming equality issues across the organisation
- groups such as the Equality Health Reference Group and Patient Partnership Forums are well developed and have helped shape priorities in the corporate plan, the equalities scheme and transport and complaints policies
- members and officers at NHSGGC have demonstrated leadership and shared ownership in improving equality with specific corporate responsibilities for achieving equality goals
- commitment to improving equality outcomes is fully reflected in board policy and strategic objectives
- equality training is available to staff through a number of e-modules and seminars
- there is extensive use of equality impact assessments (EQIAs) across the organisation. The use of EQIAs has been incorporated into the board's Policy Development Framework. EQIAs help ensure that equality issues are considered during the development of policies, plans and strategies

- the board has a dedicated Equalities website that provides information to the public on the actions being taken to tackle inequalities in health as well as providing information to staff on the programmes and training available. In addition to this residents of the Greater Glasgow and Clyde area receive a bulletin, 'Health News', on a regular basis which communicates equality based news items and development.

123. We did identify a small number of areas for improvement including:

- there are currently limitations on collecting patient equalities information due to the numerous and varying ICT systems used across the board. The new Patient Management System will be fully introduced later in 2013 and should help improve the collection of patient information generally, including that relating to equalities
- community and stakeholder groups are not routinely involved in the EQIA process. There is a need for closer engagement with equality groups to ensure that their needs are fully understood and incorporated into policy, strategies and plans
- information on service user satisfaction is not routinely collected across all board services. As such it is not possible to make an overall judgement on whether user groups believe their diverse needs are being met
- there is no performance information available to demonstrate whether the board is delivering positive equality outcomes for the community as a consequence of its actions.

124. Overall, we have assessed that NHSGGC's arrangements for tackling inequality as falling within the 'better practices' category although there were some areas of basic and advanced practice identified. This is a good position to build upon. These results demonstrate the board's commitment to best value and continuous improvement.

Progress on the Equality Act 2010

125. In April 2011, the Equality Act 2010 introduced a new public sector 'General Duty' which encourages equality to be mainstreamed into the core work of all public bodies so that it is not a marginal activity but part of everyday business. As noted above lead responsibility for mainstreaming equality and diversity rests with the board's Head of Inequalities and Corporate Planning.

126. The legislation requires the board to publish information, by 30 April 2015, 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.

127. In response, the recently published 'Meeting the Requirements of Equality Legislation: A Fairer NHS Greater Glasgow & Clyde' refers to a set of outcomes to be delivered over the next three years. It is anticipated that these equality outcomes will be fully integrated into the mainstream planning process and progress will be monitored through the board's performance monitoring processes.

Service redesign

128. NHS bodies need to deliver high quality services in a challenging financial environment which requires them to focus on the design and sustainability of services. The Acute Services Review (ASR), conducted in 2002, identified the need for service redesign. This has resulted in the completion of two new ambulatory care hospitals, the new Beatson Oncology Centre and a new laboratory block. The final stage of those programmes is due to conclude in 2015 with the opening of the new South Glasgow Hospitals (one for adults, and one for children) at the current Southern General site.

129. Last year the board began a review of clinical services which will redefine the pattern of services from 2015. This review 'Clinical Services Fit for the Future', will consider the best ways to deliver safe, sustainable and patient-focused care that will achieve the best health outcomes for patients. This review aims to assist the board in responding to the national 2020 vision.

130. Implementation of the board's electronic Patient Management System ('TrakCare') has continued during 2012/13. It is now live in Clyde and South Glasgow hospitals. The final phase of the roll out to all North Glasgow sites commenced in May 2013. Benefits are already being realised with the ability to see bed availability in real time, and standardisation of processes across different sites. The challenge will be to ensure that users adapt their working practices to make full use of the facilities and efficiencies offered by the new system.

131. The impact of all service developments are closely monitored by the board and QPC to ensure that they continue to contribute to improving the patient experience whilst delivering best value.

Asset management

132. Following the review of NHS estate in Scotland, commissioned by the Scottish Government, officers conducted a review of the NHSGGC estate taking into account the impact of the completion of the new South Glasgow Hospitals. The Property and Asset Management Strategy (PAMS) 2013-2017 identifies backlog maintenance of £167 million. Funding has been set aside for property maintenance: £11 million in 2013/14 and £14 million in 2014/15. There remains a challenge in ensuring the estate remains fit for purpose.

Performance management

133. Delivery plans and performance management arrangements are based on Local Delivery Plans (LDPs), which are structured around a hierarchy of four key ministerial objectives: health improvement, efficiency, access, and treatment (HEAT). NHS Boards are required to agree their planned levels of performance, against each of the key measures with the SGHSCD. Boards' performance against these targets is a key component of the Annual Reviews conducted by the Cabinet Secretary for Health and Wellbeing.

134. In addition to reporting to SGHSCD, the board has a well established internal performance management framework to monitor and report on performance, including:

- bi-annual organisational performance reviews for all business areas
- performance reporting to the corporate management team
- reports on waiting times and access targets at each meeting of the CMT and board
- regular reporting to the QPC on HEAT and other performance targets
- individual performance appraisal of all directors and senior managers.

135. In addition, the board's policy and planning frameworks, include a quality framework that sets out the required outcomes and actions to deliver a quality service. These policy and planning frameworks are used to produce annual development plans for each part of the organisation.

People management

136. As with other health boards in Scotland, NHSGGC faces a challenge in achieving the 4% national sickness absence target. The average sickness absence rate over the year to 31 March 2013 was 4.9% which is an increase from the previous year (2011/12: 4.67%). The board continues to progress a range of approaches in order to reduce absence levels including detailed plans for each division.

Action point 10

137. It is important for NHSGGC to have effective workforce planning arrangements in place in order to secure best value and to meet challenging performance targets. The board continues to develop its planning arrangements, including corporate guidance, to help ensure workforce plans are properly aligned to service and financial plans.

138. The 2012/13 financial statements included £1.9 million in relation to 62 exit packages (2011/12: 68 packages, £1.9 million). Compromise agreements have been acknowledged by the board as offering a recognised way for employees to leave the organisation on a mutually agreed voluntary basis. As part of our 2012/13 audit, we discussed the Framework of Compromise Agreements and associated process with relevant officers and tested a sample of payments. The review established that each of the sample was as a result of a service redesign process, was supported by a business case, and had been appropriately authorised. However, we also identified occasions where the rationale for departing from the Framework had not been fully documented. Recommendations for improvements have been previously notified to management.

139. In response to the national objective to reduce management posts by 25%, the board has committed to reducing the total number of 262 senior manager posts by 66 within five years (from April 2010). The board remains on target to achieving this by 31 March 2015.

140. The board continues to face challenges in the recruitment of medical trainee and middle grade doctors. The shortfall has arisen due to the Scottish Government workforce reduction in trainee numbers agreed under Modernising Medical Careers. This is having most impact in Paediatrics, Emergency Medicine and Anaesthetics. 32 additional posts have been approved to increase capacity across the board at a cost of £3.5 million. It is anticipated that that similar difficulties will occur in future years.

Scotland's public finances – follow-up audit

141. A follow-up audit was carried out by local auditors in 2012/13 to assess the progress made by NHSGGC against the recommendations made in Audit Scotland's national report 'Scotland's public finances: addressing the challenge' (August 2011). This follow-up assesses how NHSGGC is responding to the challenges of public sector budget constraints and their efforts to achieve financial sustainability.

142. In carrying out the study we used a checklist based on the key issues identified in the national report. Our findings indicate that NHSGGC has sound arrangements in place for the production and review of financial plans and continues to meet its financial targets. A draft report will be issued in due course to management.

Overview of performance in 2012/13

143. The Quality and Performance Committee (QPC) receives regular performance reports on progress towards achieving the key performance targets set by the Scottish Government (HEAT targets and standards) and local targets. The board also continues to receive specific updates on waiting times and access targets.

144. Overall, the board's performance has been mixed. Performance against 25 HEAT targets and standards are recorded within the financial statements. Of these 16 were meeting the target, 6 were within 10% of the target while 3 were categorised as not being met. A further report submitted to the July 2013 QPC noted that of the 42 national and local standards and targets monitored by NHSGGC at that time, 25 were meeting the target, 9 were within 5% (reported as 'amber') and 8 were 5% or more outwith target trajectory (reported as 'red'). For those reported as 'red', the actions proposed to address performance were provided to members.

145. The board demonstrated good performance against a number of challenging HEAT targets including a decreasing rate of C.difficile infections, faster access to specialist services and improved child healthy weight intervention rates. The SGHSCD's standard that 90% of patients will wait no longer than 18 weeks from referral to treatment was one of the key targets achieved, as was the 12 week new outpatients referral target.

146. A number of targets were not met including: the 18 week target for accessing psychological therapies, the level of sickness absence and delayed discharges over 28 days. The four hour target for A&E waiting time is currently not being met, although by less than 5%. The board also missed targets on carbon emissions and overtime levels. It remains a challenge to balance achievement of performance targets against reducing funding levels and other competing service priorities.

Action point 11

National performance reports

147. 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.

148. With the exception of Management of patients on NHS waiting lists (published February 2013), the last national report considered by the Audit Committee was Patient Transport (published August 2011), which was considered in March 2012. This matter was referred to in paragraph 119 above.

149. Other reports in the past two years that may be of relevance to the board include:

Table 2: A selection of national performance reports 2011 - 13

- A review of telehealth in Scotland (October 2012)
- Health inequalities in Scotland (December 2012)
- NHS financial performance 2011/12 (October 2012)
- Prescribing in general practice (January 2013)

www.audit-scotland.gov.uk

NHSGGC management of waiting times

150. Following reported misuse of patient unavailability codes in one NHS board, SGHSCD requested NHS boards' internal auditors 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 Wellbeing reported to the Parliament the following findings:

- 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.

151. As part of this study NHSGGC was one of a number of boards where targeted sampling of individual patient records was carried out. However, due to the limitations of NHSGGC's extant electronic waiting list systems, Internal Audit was unable to extract all of the necessary data for testing. Internal Audit concluded that on the basis of the work performed that 'overall, the waiting times processes and procedures within NHSGGC were operating in a controlled manner with no material deficiencies identified. In addition, sample testing did not identify any evidence of inappropriate amendments or contraventions of NHSGGC Waiting Times Policy'.

152. The board had already recognised the limitations of its system and a new patient management system procured which will enable the board to access, review and evaluate patient information.

153. The Cabinet Secretary requested NHS boards to implement recommendations for improvement by March 2013. The Chairman of the Audit Committee provided 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 has requested that all boards undertake a follow-up audit to ensure planned improvements have been made and are working effectively. We will monitor the position at a future date.

154. Audit Scotland also carried out a review of waiting times across the health service in Scotland. The review recognised the need for independent assurance on the management of waiting times to restore public confidence in the system.

155. 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, inconsistent interpretation of the guidance, or deliberate manipulation of waiting lists
- there was not enough scrutiny of the increasing number of patients recorded as unavailable.

Prescribing in general practice in Scotland

156. 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

157. The report highlighted that the NHS in Scotland spends almost £1.4 billion per year on drugs, of which almost £1 billion (70%) is spent in general practice. 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.

158. 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.

Health inequalities in Scotland

159. 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. 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.

160. 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.

Outlook

Performance

161. Key to the delivery of best value and improved performance will be the successful completion of the hospital building programme under the Acute Services review. Intense and sophisticated project management arrangements will have to be in place to secure a smooth transfer of services between old and new hospital sites and to minimise double running costs. In addition, it is essential that delayed discharges and the related acute bed days lost are minimised in order for the board to achieve optimum performance from the new hospitals.

162. Over recent years the board has invested substantial resources in order to achieve challenging performance targets set by the Scottish Government. The significant financial challenges that will be faced in 2013/14 make maintaining or improving performance even more challenging.

163. The Auditor General has been asked by the Public Audit Committee of the Scottish Parliament to provide an update on Audit Scotland's report: Management of patients on NHS waiting lists 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 will be carried out in September and October 2013 with a report to the Public Audit Committee by the end of December 2013.

Appendix A: audit reports

External audit reports issued for 2012/13

Title of report or opinion	Date of issue	Date presented to Audit Committee
Internal Audit Reliance Letter	21 December 2012	22 January 2013
Annual Audit Plan	31 January 2013	22 January 2013
Internal Controls Management Letter	30 May 2013	4 June 2013
ICT Change Management Process		
User Identity and Access Management		
Report to Audit Committee in terms of ISA 260	14 June 2013	19 June 2013
Independent auditor's report on the financial statements	14 June 2013	19 June 2013
Annual Report on the 2012/13 Audit	31 July 2013	6 August 2013
Scotland's Public Finances - Follow-up audit		
Best Value toolkit - Equalities	27 June 2013	8 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	24	**Equal pay** NHSGGC, as with other boards, has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities could have a significant impact on the board's financial position.	The Health Board will continue to work with the Central Legal Office in respect of Equal Pay claims and will provide for any liabilities when advised by Central Legal Office.	P James Director of Finance	May 2014
2	27	**Accruals** A number of projects were inappropriately accrued at year end and adjusted for in the final accounts. There is a risk that if expenditure is not accounted for in the correct accounting period, there is a loss of transparency in financial reporting. This has implications for subsequent resource allocation.	A review of the accrual process will be undertaken during 2013/14 and this will enable a stricter policy to be implemented for the year-end annual accounts.	P Ramsay Head of Financial Services	May 2014
3	31	**Heritage assets** From 2011/12 boards, under FRS 30, were required to separately disclose any heritage assets. No formal review has been undertaken by NHSGGC. There is a risk that the	A group has been set up to review potential Heritage Assets in NHSGGC in 2013/14.	P Ramsay Head of Financial Services	May 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		board does not fulfil its stewardship responsibilities.			
4	32	**Stock write-off** A number of stock write downs were not specifically notified to Finance. Several of these were in excess of the board's delegated limits. There is a risk approval from the SGHSCD to record such losses is not received.	A new procedure has been implemented in both finance and procurement to identify potential stock write-offs as they occur. This will allow control over the requirement of approval from SGHSCD to be sought when Health Board limits are exceeded.	P Ramsay Head of Financial Services	May 2014
5	34	**Endowment funds** The board needs to work closely with the SGHSCD to conclude on consolidation arrangements for 2013/14. This impacts on the compilation of prior year comparative figures. Delay in concluding this matter may add to the complexity of the production of consolidated accounts.	When the decision on consolidation arrangements has been taken, NHSGGC will set up a process to ensure that there is no delay in the production of the 2013/14 consolidated annual accounts.	P Ramsay Head of Financial Services	May 2014
6	55, 56	**2013/14 savings plan and beyond** The board faces a wide range of challenges in delivering the LDP and Quality Improvement Agenda. There is a risk that it may not be able to deliver its	The savings plan targets for 2013/14 and beyond will be challenging but the Health Board will continue to monitor this area in line with	P James Director of Finance	March 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		savings targets in 2013/14. This would impact on the longer term financial plan.	previous years to ensure that targets are met.		
7	57	**Actuarial valuation** No pension fund actuarial valuation has been published since 2004. There is a risk that the current level of contributions from employers and employees will not meet the future commitments of the fund.	The Health Board will comply with the guidelines of the SGHSCD in respect of this area.	P James Director of Finance	May 2014
8	64	**Quality and performance committee** The remit of the QPC should be reviewed in order to assess whether it is achieving all its objectives and is able to provide appropriate assurance to the board on relevant performance and governance issues.	A review of the remit of the QPC is ongoing and this will identify any potential improvements in the operation of the Committee.	P James Director of Finance	March 2014
9	85	**Governance statement** The accountable officer seeks assurances from his management team as to the effectiveness of the internal controls in operation. Several assurances remained outstanding at year end. There is a risk that without specific and formal consideration by management, limited	We will put procedures in place to ensure that all Audit Assurance statements are available for the Audit Committee meeting at the beginning of June 2014 to allow the 2013/14 Annual Accounts to be completed in line with the timetable.	P Ramsay Head of Financial Services	May 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		confidence can be placed on the system of internal control system.			
10	136	**Sickness absence** NHSGGC faces a challenge in achieving the 4.0% sickness absence target. This may have an impact on service delivery.	The Health Board will continue to monitor this area in line with the Attendance Management policy to achieve the 4.0% sickness absence target.	I Reid Director of Human Resources	March 2014
11	146	**Performance targets** There is a risk that in a climate of reducing funding and completing priorities, performance targets are not achieved or maintained.	Performance targets will continue to be reviewed at QPC and any issues arising will be identified and action plans implemented to address them.	P James Director of Finance	March 2014