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NHS Western Isles

Annual report to Those Charged with Governance and the Auditor General for Scotland

Final

Year ended 31 March 2016

June 2016

pwc

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The Healthcare Governance and Audit Committee
NHS Western Isles
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29 June 2016

Ladies and Gentlemen,

We are pleased to enclose our report to the Healthcare Governance and Audit Committee in respect of our audit for the year ended 31 March 2016. The primary purpose of this report is to communicate the significant findings arising from our audit that we believe are relevant to those charged with governance.

The scope and proposed focus of our audit work was summarised in our audit plan, which we presented to the Healthcare Governance and Audit Committee in February 2016. We have subsequently reviewed our audit plan and concluded that our original risk assessment remains appropriate. The procedures we have performed in response to our assessment of significant audit risks are detailed in Section 2.

We have completed our audit work and expect to be able to issue an unqualified audit opinion on the financial statements on 29 June 2016. At the time of writing, the key outstanding matters, where our work has commenced but is not yet finalised, are:

- Representation letters; and
- Subsequent events review.

We will provide an oral update on these matters at the meeting on 29 June 2016.

We look forward to discussing our report with you on 29 June 2016. Attending the meeting from PwC will be Martin Pitt and Kelly Macfarlane.

Yours faithfully

PricewaterhouseCoopers LLP

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Section 1. Executive summary

Introduction

We set out in this report our significant findings from our audit of NHS Western Isles ("the Board") for 2015/16, together with those matters which auditing standards require us to report to you as "those charged with governance" of the Board.

We carried out our audit work in line with our 2015/16 audit plan that we presented to you on 10 February 2016. Our audit is not designed to identify all matters that may be relevant to you. Accordingly, the audit does not identify all such matters. 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.

Framework for Our Audit

Our audit is conducted in accordance with Auditing Standards (International Standards on Auditing ('ISAs') (UK and Ireland)) and the Code of Audit Practice ('the Code').

The Code explains how external auditors should carry out their functions under the Public Finance and Accountability (Scotland) Act 2000. The audit of financial statements is covered by engagement and ethical standards issued by the UK Auditing Practices Board (APB), so the Code focuses more on the wider functions of public sector auditors. We have conducted our audit in accordance with the relevant requirements of the Code.

Respective Responsibilities of Management and Auditors

Management

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

- acting within the law and ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority;
- maintaining proper accounting records;
- preparing financial statements timeously which give a true and fair view of the financial position of the Board and its expenditure and income for the year ended 31 March 2016; and
- preparing a Performance Report and an Accountability Report, including the Corporate Governance Report and the Remuneration and Staff Report.

Auditors' responsibilities

Our responsibilities in accordance with the Code of Audit Practice are to provide you with an audit report, stating whether, in our opinion the financial statements and the part of the Remuneration Report to be audited and give an opinion on:

- whether they give a true and fair view of the financial position of the Board and its expenditure and income for the year;
- whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
- whether the information which comprises the annual report included with the financial statements is consistent with the financial statements; and

- whether expenditure and receipts have been incurred and applied in accordance with guidance from Scottish Ministers (the regularity opinion).

We are also required to review and report as necessary on other information published with the financial statements, including the directors' report, annual governance statement, statement on internal control or statement on internal financial control and the remuneration report.

Financial Statements

As a result of our work, we proposed a number of disclosure audit adjustments to the draft financial statements. No financial adjustments were proposed as a result of our work. There are no unadjusted misstatements at the conclusion of our audit, as these have been resolved and accepted by management.

We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on 29 June 2016.

Financial performance

The Board's key financial performance for the year is as follows:

- In the year the Board had a final outturn of £78.106m against its core revenue resource limit of £78.112m, achieving an underspend of £6,000 (2014/15: £2,000). The Board had an excess of £1,000 against its non-core revenue resource limit of £1.953m, achieving a final outturn of a £5,000 underspend.
- The Board achieved a saving of £1,000 (2014/15: nil) against its Core Capital Resource Limit of £1.640m.
- The Board had a cash efficiency target for 2015/16 of £2.498m (2014/15: £2.139m), however, the Board achieved efficiencies amounting to £2.436m, meaning that the Board did not meet its target by £62,000 which represents 2.5% of the target. 73% (2014/15: 90%) of the Board's efficiency savings were made through recurring savings.

Please note that copies of this report will be sent to Audit Scotland in accordance with their requirements.

We thank the management and staff of the Board for their co-operation and assistance during the course of our work.

Section 2: Significant audit and accounting matters

We have set out in this section the significant matters arising from our audit.

Matters identified in our audit plan

Set out below is a summary of our response to matters identified in our audit plan:

Matter arising	Audit response
Fraud and management override of controls – Significant Risk ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In any organisation, management may be in a position to override the financial controls that you have in place. The current economic conditions may also increase fraud risk.	• We tested the appropriateness of journal entries, with a focus on those of a higher risk nature; • We examined management's accounting estimates for bias and in particular performed detailed testing over accruals and provisions; • We performed unpredictability testing over journals which fell outwith the scope of our usual testing parameters, to confirm that these were appropriate. **We did not identify any issues to report to you as a result of our work.**
Recognition of income – Significant Risk Under ISA (UK&I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition. There is a risk that the Board could adopt accounting policies or treat income transactions in such a way as to lead to material misstatement in the reported revenue position. Because of the fact that the focus for NHS bodies is on how funding is expended, we extend this presumption to the recognition of expenditure in the NHS (please see below).	• We evaluated and tested the accounting policy for income recognition to ensure that it is consistent with the requirements of the International Financial Reporting Standards (IFRSs), as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (FReM); • We obtained an understanding of key revenue controls in place within the Board; • We performed substantive testing on a sample of transactions from each material category of revenue and confirmed with reference to supporting documentation that each was recorded at the correct value, in the correct accounting period and was posted correctly within the accounts; • We identified high risk journals posted to revenue accounts, including significant value revenue journals and journals impacting an unusual combination of account codes, and identified the rationale for these transactions; and • We reviewed intra-NHS confirmations of balances between other health boards. **We did not identify any issues to report to you as a result of our work.**

Matter arising	Audit response
Recognition of expenditure– Significant Risk We extend the above presumption of risk of fraud in revenue recognition to the recognition of expenditure in the NHS. In the current economic climate, all NHS Boards are required to deliver significant efficiency savings and are also under scrutiny in relation to financial sustainability.	• We evaluated and tested the accounting policy for expenditure recognition to ensure that it is consistent with the requirements of the International Financial Reporting Standards (IFRSs), as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (FReM); • We performed substantive testing on a sample of transactions from each material category of expenditure and confirmed with reference to supporting documentation that each was recorded at the correct value, in the correct accounting period and posted correctly within the accounts; • We identified high risk journals posted to expenditure accounts and identified the rationale for these transactions; and • We reviewed estimates for expenditure, including key management judgements on accruals and provisions in areas such as the paid as if at work accrual and CNORIS provision and are content with the basis of estimate used by management. **We did not identify any issues to report to you as a result of our work.**
Recognition of expenditure misclassification– Elevated Risk The Board has a number of financial targets to meet, including: - Revenue resource limit; - Capital resource limit; and - Cash. There is a risk that expenditure could be misclassified so as to ensure that the targets above are achieved.	We have performed detailed testing of expenditure transactions and fixed asset additions to determine whether they have been classified appropriately in line with the requirements of the FReM and the Board's accounting policies. **We have noted no matters to bring to your attention as a result of our work.**
Risk of incorrect accounting treatment for the new Integration Joint Board – elevated risk The Board entered into an Integration Joint Board with Comhairle nan Eilean Siar for the delivery of the Health and Social Care Integration legislation. These new legal structures and governance arrangements came into place during 2015-16 for the first time, and will therefore be required to be accounted for accurately.	We have considered the financial position of the Integrated Joint Board for 2015/16. We have reviewed management's decision not to consolidate the entity on an equity basis due to materiality. **We have noted no matters to bring to your attention as a result of our work and concur with the approach adopted.**

Matter arising	Audit response
Wider scope audit risk – financial sustainability – elevated risk There is unprecedented financial pressure on the NHS as a result of ever increasing demand during a period of financial austerity in UK public services. This is leading to Boards across the country finding it increasingly difficult to fill budget gaps through the identification of efficiency savings. As a result there is an increasing risk that financial statements could be manipulated through manual transactions to present compliance with RRL and CRL targets.	We have reviewed management's financial plans going forward to assess their robustness. We obtained an understanding of the 2015-16 financial performance and ensured that our substantive testing programme was delivered to reflect the areas of risk such as cut off, provisions and unrecorded liabilities. We have also considered management's arrangements to manage its future financial position. **Our commentary in relation to financial sustainability of the Board is set out in Section 3.**

Materiality

We have conducted our work in accordance with the materiality levels detailed below. These figures have been based upon actual results for the year and therefore differ from those reported in our audit plan. We have applied a de-minimus level of £85,780, which was agreed with the Healthcare Governance and Audit Committee upon submission of our annual audit plan.

	£
Overall materiality – This is the amount we have applied in assessing the overall impact on the financial statements of potential adjustments	1,715,600
Performance materiality - We have applied this to direct the amount of work performed over each financial statement line item – for example in calculating sample sizes	1,286,700
De-minimus posting level - Under ISA (UK & I) 450, we are required to report to the Audit Committee on all unadjusted misstatements in excess of a 'de-minimus' or 'clearly trifling' amount	85,780

Other Areas of Audit Focus

In addition to the significant risks described above, we also identified the following area of accounting treatment during the course of our work that we wish to draw to your attention.

Related parties

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

It is a requirement of International Accounting Standard 24 that transactions with related parties are identified and disclosed in the financial statements. In the context of the Board, related parties would include Directors and Senior Management and their close family members.

NHS Western Isles obtains annual related parties declarations from Board members. This was used by the Board as the basis for identifying related parties.

As part of the audit process, we performed audit procedures to confirm that related party declarations were complete and that the related party disclosure within the accounts was also complete.

General ledger

In accordance with ISA (UK&I) 240 (revised): *The Auditor's responsibilities relating to fraud in an audit of financial statements,* an auditor is required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

For our journals testing in 2015/16 we have used a data auditing package, 'Halo', which is an application that analyses and assures data using a suite of algorithms. We have used this software to focus our journals testing on the arears of greatest risk and through this process we have identified some key trends in the Board's use of journal entries.

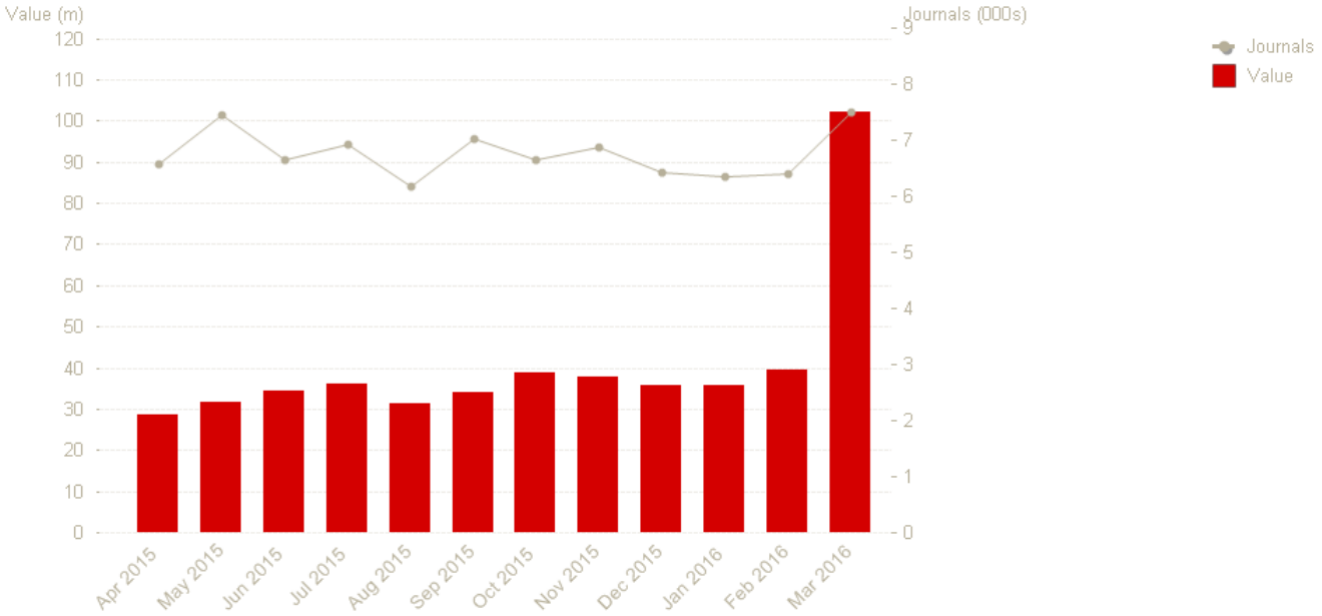
We performed detailed analysis on the Board's journals and identified that a total of 77,153 were posted in the year. Of these 28,583 (37%) were under £10.

Journal and line item totals	**2015/16**
Total number of journals posted	77,153
Average lines per manual journal	20.4
Journals under £10	28,583

The number of journals with a value of under £10 is in our experience high, however, on further investigation the majority of these related to automatic stock postings.

The graph below shows the distribution of journals throughout the year which demonstrates that there is a steady posting of journals until the final month for year-end adjustments which are posted by the finance department.

Figure 1: Journal totals in 2015/16



Misstatements and significant audit adjustments

We report to you all misstatements that we have found during the course of our audit, other than those of a trivial nature, which have not been corrected by management in the financial statements. There are no such unadjusted misstatements to report. No financial adjustments were proposed during the course of our audit.

Qualitative aspects of accounting practices

Improving the quality of NHS annual report and accounts

In October 2015 Audit Scotland published a follow up to the good practice note *'Improving the quality of NHS annual report and accounts'* published in 2014/15. This comprised a follow up review of the recommendations made in the original publication and concluded there have been significant improvements in the presentation of NHS Board accounts in 2014/15.

We have once again considered the key issues raised in the original publication and ensured that the Board has addressed these in the presentation of their annual report and accounts document.

We have also reviewed, and tested the material disclosures in the financial statements. We identified no significant issues as part of this work.

Governance Statement

The Financial Reporting Manual requires Chief Executives to sign a Governance Statement which covers all controls including financial, operational, compliance and the management of risk.

We reviewed the governance statement and considered the following:

- Compliance with the required elements of the proforma statement developed by SGHSCD; and
- Consistency with the remainder of information presented within the annual accounts and our overarching understanding of the entity.

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

Performance Report and Accountability Report

The NHS Accounts Manual reflects requirements set out in the 2015/16 FReM. The most significant change is that, in accordance with chapter 5.1 of the FReM, Boards are now required to prepare an annual report which comprises the following:

- A Performance Report;
- An Accountability Report (including the Corporate Governance Report); and
- The financial statements.

This replaces the previous requirement to prepare Directors' and Strategic Reports. Based on our normal audit procedures, we believe these have been presented appropriately within the 2015/16 Annual Report and Accounts.

Western Isles Integrated Joint Board

Financial year 2015/16 represented the shadow year for the Western Isles Integrated Joint Board (IJB). During the shadow period, the IJB incurred some running costs although not operational until 1 April 2016. For 2015/16 the NHS Accounts Manual sets out the requirement for Boards to consolidate the IJB on an equity basis. On the basis of materiality, the Board has assessed that there is no need to consolidate the IJB in the current year. Total expenditure from NHS Western Isles to the IJB was £42k. This related to costs of the Chief Officer. Total expenditure by the IJB in the period was £93k.

The level of activity and number of financial entries within the IJB is expected to increase significantly for 2016/17 in comparison to the figures shown in the table above and will mean that consolidation will be required.

Section 3. Financial performance

Financial targets

The Scottish Government Health and Social Care Directorates set three financial targets for the Board on an annual basis. These targets are:

- Revenue Resource Limit – a resource limit for ongoing operations;
- Capital Resource Limit – a resource budget for net capital investment; and
- Cash requirement – a financing requirement to fund the cash consequences of the ongoing operations and net capital investment.

The Board's performance against its three financial targets for financial year 2015/16 is set out below:

Table 1: Financial targets summary 2015/16

	Limit as agreed by SGHSCD £ 000	Actual Outturn £ 000	Underspend/ (Overspend) £ 000
Revenue Resource Limit (RRL)			
Core	78,112	78,106	6
Non-core	1,953	1,954	(1)
TOTAL	**80,065**	**80,060**	**5**
Capital Resource Limit (CRL)			
Core	1,640	1,639	1
Cash Requirement			
Cash Requirement	79,093	79,093	-

The underspend for the year 15/16 is £5,000 against the limit agreed by the Scottish Government Health and Social Care Directorate (SGHSCD). The key variances were as follows:

- An overspend of £353k on Off Island Therapeutics and an 18% rise in biological therapeutics;
- An overspend of £407k due to patients being treated at Boards with whom NHS Western Isles does not have an SLA;
- An overspend of £435k against the SLA budgets due to more patients being treated through the Board's Cardiac SLA with Golden Jubilee, a 100% rise in Multi Sclerosis treatments and ongoing difficulties with NHS Highland activity data;
- An overspend of £425k on the medical consultant budget due to the level of locum requirement to cover continued vacancies specifically in general medicine and surgery;

The Board was able to apply a contingency budget to offset these pressures. As part of the annual budget setting process, a contingency budget is established for general spend, extra-contractual referrals (patient referrals to mainland health boards which are above and beyond the expected amounts within the service level agreements with the boards) and prescribing. The standard budget in each of these areas will be set as the target for budget holders and will be used for the purposes of monitoring, however, if any overspends are identified during the

year, the contingency budget will be used to offset these amounts. The contingency budget was just sufficient to cover the additional cost pressure variances incurred.

Efficiency savings

The Board has achieved £2.463m of efficiency savings in 2015/16, failing to meet its target for the NHS Scotland Efficient Government efficiency savings target of £2.498m. The sources through which the Board has achieved these efficiencies are set out below:

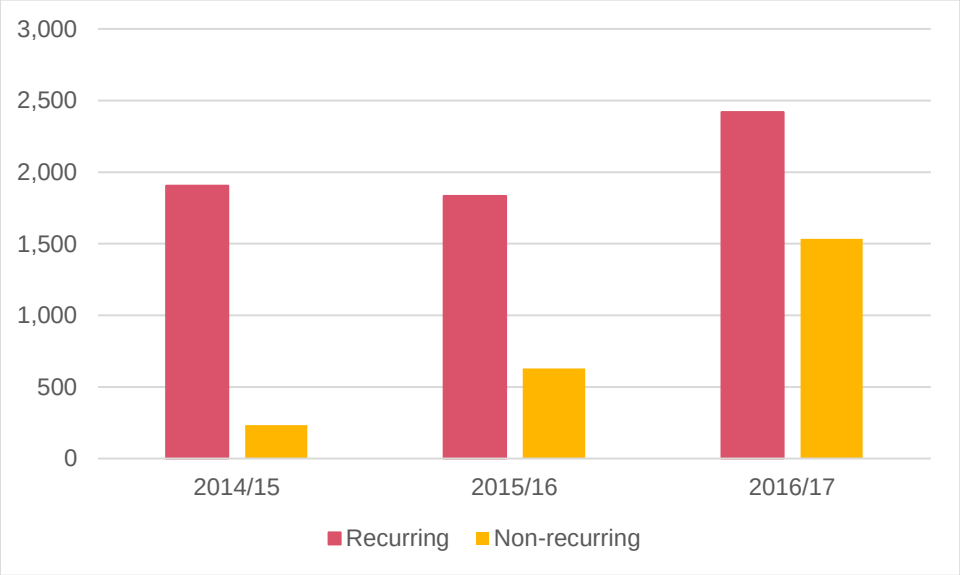
Table 2: Efficiency savings 2015/16

Source	Savings £ million	% of total
Service Productivity	0.496	20%
Drugs & Prescribing	0.139	6%
Procurement	0.329	13%
Workforce	0.982	40%
Estates and Facilities	0.380	6%
Other sources	0.137	15%
Total reported	**2.463**	**100%**

74% of the efficiency savings achieved by the Board were made through recurring savings, with £629,000 (26%) identified from non-recurring sources.

The graph below shows the recurring and non-recurring savings over the past two years and the Board's forecast efficiency savings for 2016/17.

Figure 2: Breakdown of Recurring v Non-Recurring Efficiency Savings



The Board's financial plan identifies a requirement to deliver £3.953m savings for 2016/17 on a recurring basis to remain in recurring financial balance. Over the past three years there has been an increase in the proportion of its savings which are non-recurring in nature. However, as at June 2016 only £1.859m of total planned recurring savings have been identified for 2016/17. A further £1.372m of savings have been identified from non-recurring sources and the remainder (£0.722m) of required savings is unidentified at present. Additionally, of

the identified savings, £0.455m is considered to be high risk, £2.257m is classified as medium risk and the remainder is classified as low risk.

Financial sustainability

In recent years NHS Boards in Scotland have faced significant challenges in delivering healthcare services amidst continued financial pressures. Audit Scotland's publication '*NHS in Scotland 2014/15*' recognises the difficulties caused by the focus on meeting annual targets and the extent to which this focus can hinder the longer term financial planning process. The overarching recommendation for NHS Boards is in relation to a strengthened approach to long term financial planning, considering in detail the resources required to implement service changes.

In light of this, financial sustainability has become a key matter for consideration by Boards and it is vital that consideration of longer term financial plans takes place.

2016/17 financial plan

NHS Western Isles' Financial Plan for 2016/17 highlights the following key areas of Income and expenditure, recurring and non-recurring:

Table 3: 2016/17 Financial Plan

NHS Western Isles	2016/17 Projected (£ million)
Recurring income	80.664
Recurring expenditure	84.067
Recurring savings	2.378
Underlying recurring (deficit)/surplus	-1.025
Non-recurring income	-0.749
Non-recurring expenditure	-0.188
Non-recurring savings	1.586
Non-recurring (deficit)/surplus	1.025
Financial (deficit)/surplus	0
Recurring deficit as percentage of recurring income	-1.3%

The financial plan shows recurring funding increasing to £80.664m and an increase in recurring expenditure to £84.067m.

The Board has not planned any underspends, with a break even position expected for the next three years. The plan assumes that net reliance on non-recurring funding sources to cover recurring expenditure in 2016/17 will be around £1.025m which is envisaged to continue in 2017/18 (£0.750m) and 2018/19 (£0.750m).

2017/18 and beyond

The Board has developed a five year financial plan to 2020/21 (submitted as part of the LDP) which forecasts a break even position in each year. The Board has a requirement to deliver efficiency savings each year in order to meet the Scottish Government efficiency target. However, it is noted that the savings targets are becoming increasingly challenging to meet each year and it will become difficult to continue to achieve these levels of savings in the coming years. In setting its five year plan, the Board considers the following to be the areas of greatest risk in future years:

Table 4: Future Risks

Risk	Impact
Financial Efficiency Plan	The challenges posed by the Financial Efficiency Plan are significant and the savings may not be achieved in their entirety. Of the cash releasing savings required to break even, £1.177m are currently rated as high risk or unidentified.
Delayed discharges	The high levels of sustained delayed discharges experienced during 2015/16 may continue. This may have a significant impact on the Board's ability to meet the Treatment Time Guarantee, and result in additional costs for mainland treatment and patient travel.
Increased patient travel costs	There is a risk that increased activity levels may result in increased patient travel costs.
Inability to recruit	The inability to recruit critical posts may result in expensive locum cover. Recruitment processes are continuing and should the posts remain vacant then NHS locums will be sought in the first instance.

The Board's main capital commitment over the coming years will continue to be redevelopment of St Brendan's Hospital and Care Home in Barra. A further outline business case will be submitted to the Scottish Government for review, following a delay in progress as a result of a dispute around access rights.

Financial planning and budgetary control

In order to support the balance between achieving targets in year and longer term financial planning it is vital that Boards' have in place a sound system of financial planning and budgetary control.

The annual budget setting process takes place in consultation with the different service areas based on indicative allocations from the Scottish Government. The Board has designated budget holders within the organisation who are responsible for the activities provided within that budget. Spend against budget is monitored on a monthly basis and monthly financial monitoring reports are prepared and are reported to the Board and Healthcare Governance and Audit Committee as standing items.

Based upon our audit work we consider that there is an appropriate financial planning and budgetary framework in place to support the Board's activities going forward.

Section 4. Governance and internal control

Governance structure

There has been no change to the Board's governance structure in the year, with the Board supported by the following standing committees:

- Healthcare Governance and Audit Committee;
- Staff Governance Committee;
- Remuneration Committee; and
- Patient Focus and Public Involvement Committee.

The terms of reference for all Committees is included within the Code of Corporate Governance, and the terms of reference are reviewed on an annual basis.

In accordance with legislation, an Integrated Joint Board was formally established during 2015/16 between the Board and Comhairle nan Eilean Siar with the approval of the Integration Scheme by the Scottish Ministers. This formally established the partnership and organisational arrangements with the Local Authority, with the scope of services delegated to IJB including Adult Social Care Services and all operational health services including Acute Services. In addition the Board's well developed community planning processes enable it to work effectively with the local authority and the voluntary sector and other public sector partners. We have reviewed the Integration Scheme and confirmed that adequate financial governance provisions were made to ensure that public funds can be accounted for appropriately.

The Nurse Director post was filled by an interim Nurse Director to 31st December 2015 before being appointed to the post permanently from 1 January 2016. No further changes to senior management of the Board have taken place during the year.

We have reviewed the Governance Statement in the annual accounts, which based on our knowledge of the Board, is a fair reflection of the governance arrangements in operation during 2015/16.

System of internal control

The Chief Executive Officer in conjunction with management and the Healthcare Governance and Audit Committee is responsible for developing and implementing systems of internal financial control and having in place proper arrangements to monitor their adequacy and effectiveness in practice.

We review these arrangements for the purposes of our audit of the financial statements and for our review of the annual governance statement and report to you any significant deficiencies in internal control that we find during our audit.

We have no significant matters to bring to your attention in relation to the system of internal control.

Based on our work performed we consider the systems of internal control to be appropriate.

Risk management

NHS Western Isles has a system in place for the identification, assessment, management and reduction of risk. The Board has a Risk Management Strategy in place which is accompanied by an action plan, monitored by the Healthcare Governance and Audit Committee.

The Board's risks are recorded on risk registers which are in place at Corporate, Single Operating Division and service level. The corporate risk register is a standing item on the agenda of the Healthcare Governance and Audit Committee and the Board.

Performance management

Local Delivery Plan standards

The Scottish Government Health and Social Care Directorates requires NHS Boards to prepare Local Delivery Plans (LDPs) on an annual basis. The LDPs set performance indicators and standards which have replaced the system of HEAT Targets for 2015/16.

The table below sets outs the Board's performance against the LDP standards, which we are not required to audit:

Table 5: Summary of LDP Standards performance

LDP Standard	Status	Period	Actual	Status
1. Detect Cancer Early	To increase the proportion of people diagnosed and treated in the first stage of breast, colorectal and lung cancer by 29%.	No new data	N/A	N/A
2. Cancer Waiting Times (31 days)	95% of all patients diagnosed with cancer to begin treatment within 31 days of decision to treat	March 2016	100%	Target met
3. Cancer Waiting Times (62 days)	95% of those referred urgently with a suspicion of cancer to begin treatment within 62 days of receipt of referral.	March 2016	88.9%	Target not met (96%)
4. Dementia Post Diagnostic Support	People newly diagnosed with dementia will have a minimum of 1 year's post-diagnostic support. (No data available for monitoring purposes)	March 2016	0%	Target not met (100%)
5. Treatment Time Guarantee	100% of patients to wait no longer than 12 weeks from the patient agreeing treatment with the hospital to treatment for inpatient or daycase treatment	March 2016	100%	Target met
6. Early Access to Antenatal Care	At least 80% of pregnant women in each SIMD quintile will have booked for antenatal care by the 12th week of gestation.	No new data	N/A	N/A
7. IVF Treatment Times	Eligible patients will commence IVF treatment within 12 months by 31 March 2015	December 2015	100%	Target met

LDP Standard	Status	Period	Actual	Status
8. 18 Weeks Referral to Treatment	90% of planned / elective patients to commence treatment within 18 weeks of referral	March 2016	88.4%	Target not met (90%)
9. 12 Weeks First Outpatient Appointment	No patient will wait longer than 12 weeks from referral (all sources) to a first outpatient appointment (measured on month end Census).	March 2016	89.3%	Target not met (95%)
10. Clostridium difficile infections	NHS Boards' rate of Clostridium difficile infections in patients aged 15 and over is 0.32 cases or less per 1000 total occupied bed days	March 2016	0.18	Target met
11. CAMHS Waiting Times	90% of young people to commence treatment for specialist Child and Adolescent Mental Health services within 18 weeks of referral	March 2016	100%	Target met
12. Psychological Therapies Waiting Times	90% of patients to commence Psychological Therapy based treatment within 18 weeks of referral	March 2016	96%	Target met
13. MRSA/MSSA Bacteraemias	NHS Boards' staphylococcus aureus bacteraemia (including MRSA) cases are 0.24 or less per 1,000 acute occupied bed days	March 2016	0.15	Target met
14. Drug and Alcohol Treatment: Referral to Treatment	90% of clients will wait no longer that 3 weeks from referral received to appropriate drug or alcohol treatment that supports their recovery.	March 2016	95%	Target met
15. Alcohol Brief Interventions	Sustain and embed alcohol brief interventions in 3 priority settings (primary care, A&E, antenatal) and broaden delivery in wider settings.	March 2016	267	Target not met (317 for 2015/16)
16. Smoking Cessation, most deprived	Sustain and embed successful smoking quits, at 12 weeks post quit, in the 60% most deprived within-island SIMD areas	March 2016	43	Target met (41 successful quits)
17. 48hr access GP Practice Team	48 Hour access or advance booking to an appropriate member of the GP team (90%)	March 2016	97.5%	Target met
18. Sickness Absence Rate	NHS Boards to achieve a sickness absence rate of 4% or less	March 2016	5.5%	Target not met (4%)

LDP Standard	Status	Period	Actual	Status
19. Accident and Emergency Waiting Times	4 hours from arrival to admission, discharge or transfer for A&E treatment (95% with stretch 98%)	March 2016	99.5%	Target met
20. Financial Performance	Operate within agreed revenue resource limit; capital resource limit; and meet cash requirement	1 April 2015 – 31 March 2016	**Revenue** £80.060m **Capital** £1.639m **Cash** £79.093m	Target met Revenue £80.065m Capital £1.640m Cash £79.093m

In summary, of the 20 LDP standards set for 2015/16:

- 12 have been met
- 6 have not been met
- 2 had no data available.

Delayed Discharges

One area of public scrutiny and an area of significant cost pressure for the Board is delayed discharges. From April 2013 onwards, no patient should wait more than 28 days to be discharged from hospital into a more appropriate care setting after being recognised as fit for discharge. This was reduced to a maximum of 14 days from April 2015 and remained at this level for 2015/16. Table 6 below shows that in the past four quarters NHS Western Isles has failed to achieve the 14 day discharge target:

Table 6: Total number of delayed discharges (Source: ISD)

	Apr-15	Jul-15	Oct-15	Jan-16	Mar-16
Total Delays beyond 14 days	**6**	**6**	**5**	**6**	**7**

Weekly meetings are held to discuss delayed discharges and to monitor and manage actual and potential delayed discharges. Additionally, a report is presented to the Board on a quarterly basis to update Board members on the numbers of delayed discharges along with the associated risks and actions. Key actions include:

- Monitoring of delayed discharges by the Joint Planning Group (for Health and Social Care Integration); and
- Individual case reviews of delays implemented. Discharge Action Group to continue to review all delayed discharges and potential delays.

Internal Audit

We have reviewed the work of the Board's internal audit function and have used it to understand and evaluate the control environment of the Board and to focus our audit on particular areas of risk. Areas of activity during the year have included reviews into delayed discharges, estates and asset management, consultant contracts and a review into financial controls in relation to expenditure and bank and cash.

Based on audit work performed we consider the Internal Audit function to be appropriate for the needs of the Board.

Health and social care integration

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed in April 2014 as part of the Scottish Government's agenda to drive improvement in the provision of health and social care services. The act details the integration models available to Health Boards and Local Authorities in developing their integration strategy as well as required documentation and timescales for delivery of integration schemes.

Cùram is Slàinte Nan Eilean Siar or Western Isles Integration Joint Board (IJB) was formally established on 21 September 2015 and agreed to operate in shadow until 31st March 2016. Delegated functions from the Comhairle include adult social work services (including criminal justice), homecare, adult day care, care homes, and housing support. Delegated functions from NHS Western Isles include A&E, some elements of inpatient care, General Practice, AHPs, Dentistry, Mental Health, Community Nursing, Health Visiting and School Nursing.

Following the agreement of an integration scheme, it was submitted jointly by the Board and the Council for approval by Scottish Ministers. The Integration Scheme was approved by the Scottish Government in June 2015 and was laid before parliament to be established by Order of the Scottish Ministers. The Joint Board (IJB) was formally established in September 2015 and agreed to operate in shadow form until 31st March 2016.

The IJB has four voting members each from the Comhairle and NHS Western Isles. In addition, six professional advisors have been appointed as non-voting members. These are:

- The Chief Social Work Officer;
- The Chief Officer of the IJB;
- The Section 95 Officer of the IJB (Chief Finance Officer);
- A registered nurse employed by the NHS Board;
- A General Medical Practitioner; and
- A Medical Practitioner who is not a GP.

Finally, the IJB is required to appoint stakeholder members who are non-voting members. These include:

- Two staff side representatives working within an integrated function;
- Two representatives of the third sector;
- A service user; and
- An unpaid carer.

Other matters

Compensation and Confidentiality Agreements

During the year no exit packages were paid by the Board and as such, no confidentiality agreements were in place.

Medical workforce

Medical workforce shortages across the Health sector in Scotland are leading to an increased use of medical locums, having a significant impact on the costs associated with staffing certain specialties. During 2015/16 NHS Western Isles spent £2,235,624 on the use of medical locums, with the greatest spend across the following five specialties:

Table 7: Areas of medical locum spend

Specialty	2015/16 Spend £
General Medicine	565,746
General Surgery	392,612
Radiology	297,621
Nursing	165,467
Dental	124,932

Spending on medical locums has increased over the past five years as illustrated in Table 10:

Table 8: Medical Locum Spend over the past 5 years

	2011/12 £'000	*2012/13 £'000*	*2013/14 £'000*	*2014/15 £'000*	*2015/16 £'000*
Locum Spend (£000)	957	2,010	1,203	1,291	2,236

This is a recurring issue faced by NHS Western Isles caused by a shortage of permanent medical staff who are willing to move to the area.

In response to the increased reliance on medical locums the Board has undertaken the following key actions:

- Negotiations with agencies to reduce the flat hourly rate to cover on call shifts;
- Advertising for substantive consultant posts, fixed term consultant posts and bank consultant posts with varying degrees of success as the remote location of the islands, the on call rota and the autonomy of the job can be a barrier to recruitment. Recently the Board has been trying to recruit abroad; and
- The Board has been proactive in looking at projects that will help recruit medical staff and was the lead partner in the £3m EU Northern Periphery Programme Recruit and Retain Project which set out to find solutions for the difficulties in recruiting and retaining high quality professionals to work in the public sector of the remote rural areas of Northern Europe.

Section 5. Fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors and management are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

National Fraud Initiative (NFI)

The Board participates in the National Fraud Initiative (NFI). 87 recommended matches were identified for the 2014/15 year and management had investigated these and uploaded all results on to the national NFI system. In accordance with our responsibilities as your appointed auditor, we have completed a second questionnaire on the results of the 2014/15 NFI process. As a result of this we had the following observations:

- All matches, including the 87 recommended matches, were processed with commentary included on the NFI website;
- All matches have been investigated and closed on the NFI website;
- The Board has not identified any fraudulent transactions to date from the investigation of matches.

Prevention and detection of fraud and corruption

The Director of Finance of the Board is also the designated Fraud Liaison Officer.

The Board has in place a Fraud Policy and a Counter Fraud action plan. This has included developing a counter fraud communication strategy, reviewing arrangements in place in relation to the prevention of bribery, raising awareness of fraud amongst new staff and raising awareness of fraud amongst primary care contractors. Fraud reports are routinely presented to the Healthcare Governance and Audit Committee. This includes progress against the Counter Fraud action plan as well as any national developments released by Counter Fraud Services.

Based on audit work performed we consider the controls in place to prevent and detect fraud or corruption to be suitable for the operations of the Board.

Section 6. Independence

Independence and objectivity

We have made enquiries of all PricewaterhouseCoopers' teams providing services to you and of those responsible in the UK Firm for compliance matters.

There are no matters which we perceive may impact our independence and objectivity of the audit team.

Independence conclusion

At the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Board, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

In the event that, pursuant to a request which Western Isles Health Board has received under the Freedom of Information Scotland Act 2002, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Western Isles Health Board agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Western Isles Health Board shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Western Isles Health Board discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.