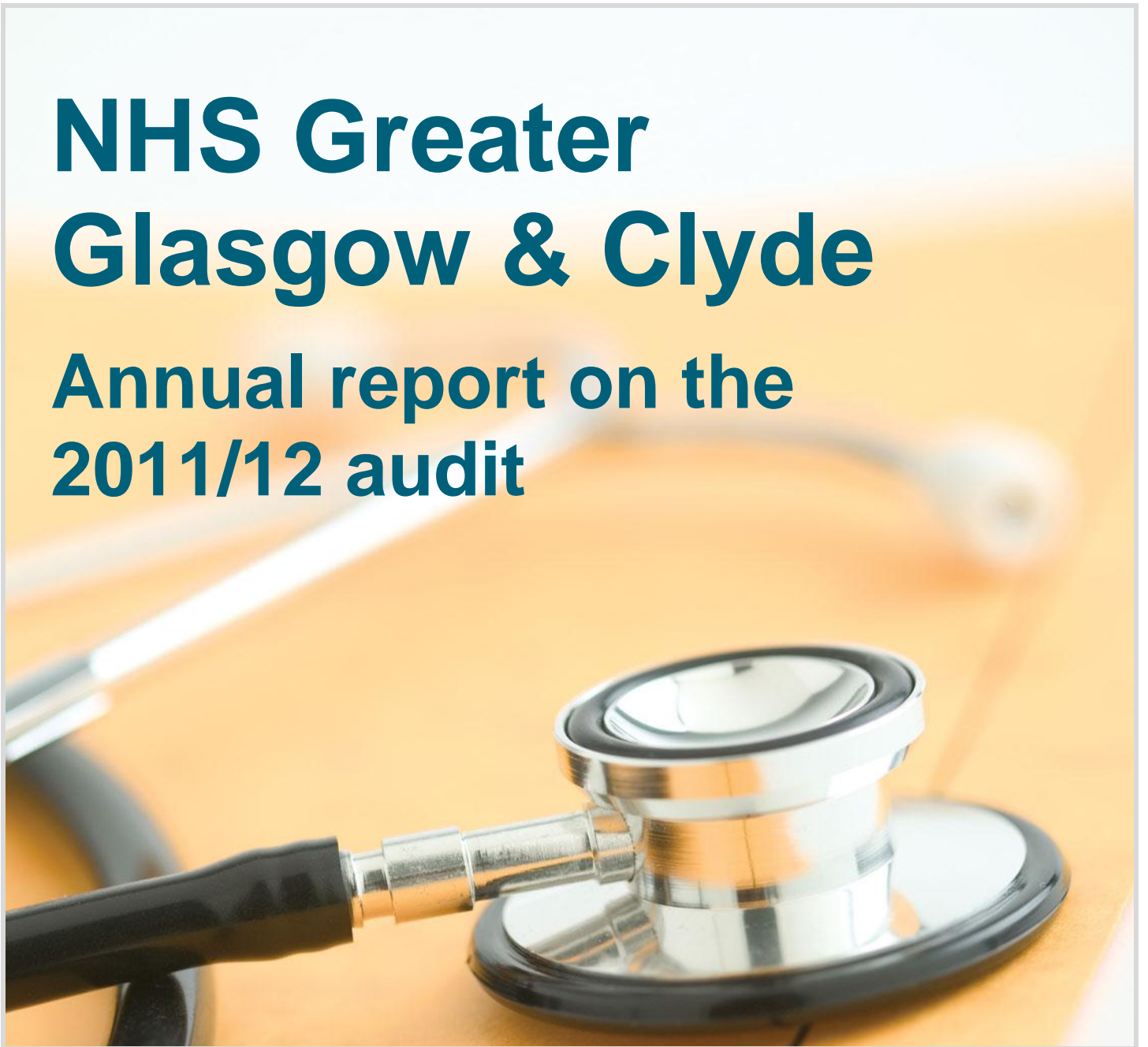


# NHS Greater Glasgow & Clyde

## Annual report on the 2011/12 audit



Prepared for NHS Greater Glasgow & Clyde and the Auditor General for Scotland  
July 2012

**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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# Contents

<b>Key messages</b> .....	<b>4</b>
2011/12 .....	4
Outlook.....	5
<b>Introduction</b> .....	<b>6</b>
<b>Financial statements</b> .....	<b>7</b>
Audit opinion .....	7
Accounting issues .....	7
Outlook.....	10
<b>Financial position</b> .....	<b>11</b>
The board's financial position as at 31 March 2012.....	11
Financial planning to support priority setting and cost reductions .....	13
Outlook.....	14
<b>Governance and accountability</b> .....	<b>16</b>
Corporate governance.....	16
Prevention and detection of fraud and irregularities.....	21
Standards of conduct and arrangements for the prevention and detection of corruption..	22
Outlook.....	22
<b>Best Value, use of resources and performance</b> .....	<b>25</b>
Management arrangements .....	25
Overview of performance in 2011/12.....	29
National performance reports .....	29
Outlook.....	30
<b>Appendix A: audit reports</b> .....	<b>31</b>
<b>Appendix B: action plan</b> .....	<b>32</b>

# Key messages

## 2011/12

The Scottish public sector faces significant challenges in balancing budgets while also delivering on its commitments. In 2011/12 we assessed the key strategic and financial risks being faced by NHS Greater Glasgow & Clyde. 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 key findings.

We have given an unqualified audit report on the financial statements of NHS Greater Glasgow & Clyde for 2011/12. 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.

The board achieved all of its financial targets in 2011/12 and returned a saving against its total Revenue Resource Limit of £0.302 million as at 31 March 2012. In 2011/12 the board achieved savings of £57 million which was in line with the planned savings target; all the savings were achieved on a recurring basis.

Overall, we have concluded that the Board's governance arrangements in 2011/12 were soundly based and operated effectively. In April 2011 the Board approved the establishment of a Quality and Performance Committee (Q&P) which replaced several committees. The aim of this new committee is to ensure there is an integrated approach to governance and performance across a range of areas including clinical quality, patient safety, finance and performance. While the agenda is widely based and covers many areas, it has proved to be effective so far. At the July Q&P, it was agreed to allow the committee a further year to bed in and to review performance in 2013.

The board has a well developed framework in place for monitoring and reporting performance. In 2011/12 the board has met or exceeded a number of challenging performance targets set by the Scottish Government and, in a number of areas, performance continues to improve. However some performance targets were not fully achieved and in those cases the board has established actions to improve performance.

The board has arrangements in place to consider national performance reports issued by Audit Scotland, whereby local performance is compared to the national findings outlined in the report. Furthermore, as stated in the governance statement, the board produces an annual best value assurance report which provides overt assurance that arrangements are in place to secure best value. We have however made some recommendations to further enhance procedures.

## Outlook

The position going forward is becoming even more challenging than previous years with limited increases in funding, increasing cost pressures in respect of prescribing growth and utility costs, and challenging savings targets. To achieve continuing financial balance the board will require to deliver £59 million of recurring cost savings in 2012/13. 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 significant financial challenges that the board will face in 2012/13 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.

The completion of the new South Glasgow Hospitals in 2015 and the continued implementation of redesign strategies will require changes to be made in the numbers and skill mix across all professions. It is essential that effective workforce planning is in place which takes account of this and any future reconfiguration of services and is applied in such a way to ensure that staff morale is not adversely affected.

# Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of NHS Greater Glasgow & Clyde (NHSGGC). The nature and scope of the audit were outlined in the Audit Plan presented to the Audit Committee in January 2012 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is 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 NHSGGC.
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 NHSGGC 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, either prior to or as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, as audit is an essential element of accountability and the process of public reporting.
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. The auditor is responsible for auditing and expressing an opinion on the financial statements. 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 and Operating and Financial review, 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 NHS Greater Glasgow and Clyde for 2011/12 give a true and fair view of the state of the body's affairs and of its net operating cost for the year.
11. NHSGGC is required to follow the 2011/12 Government Financial Reporting Manual (the FReM) and we confirm that the 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 requires us to certify that, in all material respects, the expenditure and income shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers. We have 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 agreed, the unaudited accounts were provided to us on 14 May 2012 supported by a comprehensive working papers package. The good standard of the supporting papers and

the timely responses from NHSGGC staff allowed us to conclude our audit within the agreed timetable and we were able to provide our proposed opinion to the Audit Committee on 19 June 2012 as outlined in our Annual Audit Plan.

15. Several modifications were required to be made as a result of the audit, all of which were adjusted for.
16. As required by auditing standards we reported to the Audit Committee on 19 June 2012 the main issues arising from our audit of the financial statements. The main points were as follows:

### Equal pay claims

17. The National Health Service in Scotland has received in excess of 10,000 claims for equal pay and as at 31 March 2012, 4,159 of these relate to NHSGGC. These have been referred for the attention of the NHS Scotland Central Legal Office (CLO) to co-ordinate the legal response to this issue.
18. Developments over the past year have slowed the progress of claims and led to a reduction of claims going forward. The CLO have stated that claims still do not provide sufficient detail about the comparator jobs to allow an estimate to be made of the likelihood of the success of the claims or any financial impact they may have. The CLO and Equal Pay Unit are monitoring the progress of claims as well as developments relating to NHS equal pay claims elsewhere that may further inform the position. We are aware that a test case which was concluded in favour of NHSGGC is currently under appeal.
19. Discussions have been held between Audit Scotland, its partner firms, the Scottish Government, the CLO and board representatives to ascertain the appropriate accounting treatment of equal pay claims in 2011/12. 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 2011/12 financial statements of affected NHS boards.
20. We continue to strongly encourage NHSGGC management, working with Scottish Government Health and Social Care Directorates, the CLO and other NHS boards to form a view of the potential liabilities as soon as possible taking into account the progress of cases in Scotland and England. There is a risk that these liabilities could have an impact on the board's financial position.

**Action point 1**

### Trades payable

21. Following discussion with management on the adequacy of the accrual in respect of untaken holiday pay, the basis was reviewed and amended to better reflect the actual position at the year end. We are satisfied that the revised figure is a fair reflection of the estimated liability.



## Disposal of Woodilee Hospital

22. In March 2007 the board agreed to the sale of the Woodilee Hospital site to a consortium of developers for a total of £32.5 million. Instalments of £8 million, £3 million and £2.5 million were received by the board in March 2010, March 2011 and March 2012 respectively. A revised payment structure for the remaining £19 million was agreed in March 2012 for full recovery in instalments by November 2016. Officers advise that 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. The Accountable Officer has provided assurance that the proceeds due from Woodilee, in his judgement, will be fully recovered. However, there remains a risk that, given the current economic climate and the reduction in land values, the income due from the site may not be fully realised

**Action point 2**

## Allocations for specific projects

23. During 2011/12 NHSGGC received funding from the Scottish Government Health and Social Care Directorates (SGHSCD) for specific projects. Due to the nature of those projects, not all of the funding had been spent by year end. In discussion with management it was agreed to reverse expenditure of £11.7 million.
24. We have discussed with the Director of Finance the need to review this area in conjunction with the SGHSCD to ensure that funding for special projects better reflects the planned phasing of expenditure. A similar point was raised in our 2010/11 annual audit report.

**Action point 3**

## Trades receivables

25. Included within trades receivables are outstanding sundry debtor balances of £41.4 million against which there is a bad debt provision of £1.1 million. However of this £41.4 million, £13.6 million is in respect of debts older than 90 days. We have been advised that it is policy to exclude all public bodies and other healthcare providers and to provide 100% for the remaining debts greater than 90 days. Assurances have been provided that adequate provision has been made in the 2011/12 financial statements against all amounts owing to the Board, although management have agreed to review the level of bad debt provision in 2012/13 to ensure it accurately reflects the level of non-recoverable income.

**Action point 4**

## Other matters

### Prior year adjustments: donated assets and transfer of prisoner healthcare

26. The 2011/12 FReM required boards to change the accounting treatment for donated assets which led to the removal of the donated asset reserve from the accounts. As this requirement

was a change in accounting policy a prior year adjustment was reflected in the financial statements of NHSGGC.

27. In addition, responsibility for the healthcare of prisoners transferred from the Scottish Prison Service to health boards on 1 November 2011. The transfer was a 'machinery of government' change, which the FReM requires to be accounted for using merger accounting. This entailed prior year comparatives being restated to achieve uniformity of accounting policies.
28. The net effect of these adjustments in 2010/11 was to increase net operating costs by £3.46 million and to reduce net liabilities by £0.398 million.

### Heritage assets

29. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. From 2011/12 boards were required to separately disclose any heritage assets. We have been advised by management that as they do not consider there to be any heritage assets, no review was undertaken. Whilst we do not consider heritage assets to be material to the accounts, we have recommended that a formal review of the existence of such assets be undertaken so that the board fulfils its stewardship responsibilities and follow the principles of FRS 30 Heritage assets.

**Action point 5**

## Outlook

### Endowments

30. As a result of an agreed derogation from the FReM NHS Scotland boards were not required to consolidate endowment funds within their 2011/12 financial statements, in terms of *IAS 27, Consolidated and Separate Financial Statements*. HM Treasury and Scottish Government have delayed the consolidation of NHS Endowment Funds into board accounts until financial year 2013/14.

# Financial position

31. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
32. 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.
33. 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 2012

34. NHS Greater Glasgow and Clyde is required to work within the resource limits and cash requirement set by the Scottish Government Health and Social Care Directorates (SGHSCD). The SGHSCD has required NHS boards to differentiate between core and non-core expenditure for both revenue and capital.
35. In 2011/12, the board overspent its non-core funding target and underspent its core funding target, achieving its target overall (see Table 1 below):

**Table 1: 2011/12 Financial Targets Performance £'000s**

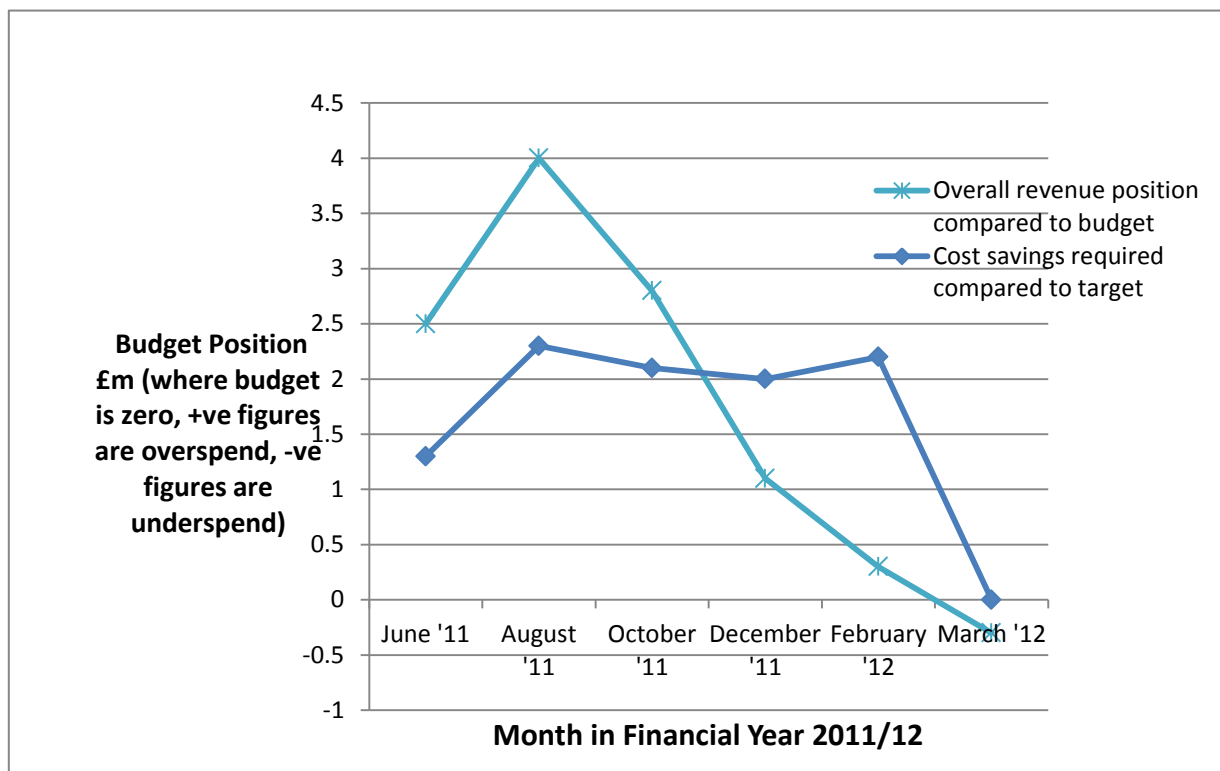
Financial Target	Target	Actual	Variance
<b>Revenue resource</b>			
Core	2,085,292	2,084,603	1289
Non Core	152,091	153,078	(987)
Net revenue resource outturn			302
<b>Capital resource</b>			
Core	203,931	203,913	18
Non Core	0	0	0
<b>Cash position</b>			
Cash requirement	2,432,000	2,431,306	694

36. The board has achieved a cumulative surplus of £0.302 million compared to a planned break even position. NHSGGC's 2011/12 financial plan included a £57 million savings target to achieve financial balance. By the end of 2011/12, all required savings were achieved on a recurring basis, which places the board in a good position going forward.

### Budgetary control

37. The financial position was regularly monitored and reported to the board. While overspends were reported during the year, rising to £4 million in August 2011, a break even position was anticipated by the year end. The deficit decreased as the planned savings were realised. Table 2 below demonstrates the financial performance against break even and the achievement of savings over the year.

**Table 2: NHSGCC Financial Position**



### Capital Resource Limit (CRL)

38. Capital expenditure during the year amounted to £203.9 million which was within the capital resource limit. The CRL was originally agreed at £248.4 million. During the year, £39 million was returned to the SGHSCD (£35 million as brokerage and £4 million approved slippage) on the understanding that the funding would be available for spending in 2012/13. Members were advised that capital expenditure was to be delayed in order to enable the national capital programme to achieve a balanced overall position for 2011/12.
39. The key area of the 2011/12 programme included the continuing work on the new South Glasgow hospitals project (£155 million was spent out of the total budget of £841.7 million). Good progress continues to be made with this major project. The new laboratory building was

handed over to the board on time and within budget on 9 March 2012 and all staff transfers to date have taken place in accordance with the migration plan. Approximately 700 staff will transfer to the new facility by the end of July 2012.

40. Stage 2 of the project (new adults' and children's hospitals) is progressing in accordance with the plan; building work is progressing in accordance with timescales and budget. In addition, the community benefit programme continues to make good progress with over 45 apprentices being employed. The completion date for this development is during 2015 and SGHSCD remains committed to funding the cost of this project.
41. NHSGGC has a number of PFI commitments which are disclosed in Note 22 in 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 million. The associated recurrent revenue cost of these schemes is £24.9 million with a total future commitment recorded in the balance sheet of £237.6 million.

### Workforce reduction

42. Staff costs account for over 58% of board expenditure and therefore any significant cost savings are likely to have some staffing impact. The 2011/12 workforce plan estimated a reduction of 860 whole time equivalent (WTE). By managing the workforce and the redeployment of staff where possible, there was a reduction of 983.7 WTE staff during the year. The notes to the accounts provide further information as to the numbers and values of exit packages agreed during 2011/12. Further planned reductions are anticipated for 2012/13.

### Financial planning to support priority setting and cost reductions

43. Uplifts in financial settlements have been reducing in recent years. In 2009/10 there was a general uplift of 3.15%, in 2010/11 the corresponding figure was 2.15% while the baseline revenue funding uplift for 2011/12 was 1.1% (after adjusting for the loss of prescription income and the introduction of the Change Fund). This pattern has continued into 2012/13, with the board's baseline revenue funding uplift being confirmed as 1%. After taking account of earmarked recurring funding (for example, access support £20.7 million and prisoner healthcare £4.4 million) NHSGGC has received a funding uplift of £46.2 million (2.4%) for 2012/13.
44. Looking forwards, indications are that funding uplifts are likely to be around 2.7% in 2013/14 and 2014/15. However given the current economic conditions and the impact of national spending priorities, there is also a risk that these pressures will have a significant impact on long term financial planning and the control of pay and non-pay costs.
45. 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 £59 million which will require to be met through the achievement of efficiency savings, which is the equivalent to 3% of the board's baseline revenue allocation. It has been estimated that the majority of the savings will be achieved through a reduction in

clinical pay costs (£15.2 million), management and administration costs (£5.1 million), general prescribing (£18.9 million) and non-pay costs (£14.9 million).

46. The board plans to break even in 2012/13 although it is facing significant cost pressures with projected expenditure growth of £107.9 million. These cost pressures include:
- **Pay costs.** The board anticipates that pay growth in 2012/13 will be £14.8 million as a result of an increase in pay for lower paid staff, changes to National Insurance rates and Agenda for Change incremental progression
  - **Prescribing.** For 2012/13 prescribing growth and inflation cost increases are likely to be in the order of £30.4 million. The board expects to achieve costs savings of £16.5 million in 2012/13 through a wide range of initiatives thereby containing net overall prescribing expenditure growth within £13.9 million. The scale of the cost savings and the initiatives which require to be successfully implemented present a high level of risk for the board.
  - **Energy and general inflation costs.** A 1% estimate has been set aside for non-pay costs (£9.6 million) and increased forecast energy costs (£4.4 million)
  - **New service commitments.** The impact of the full year effect of existing service commitments including prisoner healthcare, Change Fund and access to treatment funding is estimated to total £37 million.
47. All additional expenditure will require to be met from the board's existing resource and any significant fluctuations in these costs will present a major challenge to achieve financial balance for the coming year.
48. The delivery of the cost savings plan in 2012/13 will be more challenging than it has been in recent years. The level of flexibility within expenditure budgets is considerably reduced by the release of cost savings in previous years. Failure to achieve planned cost savings will impact on the board's ability to achieve a break even position.

**Action point 6**

## Outlook

### Significant financial risks beyond 2012/13

49. Looking forwards, there are early indications that the board may be required to achieve cash savings of approximately £40 million per annum in 2013/14 and 2014/15 in order to achieve financial balance. The majority of the cost savings in each year are expected to be generated from recurring sources. These levels of savings will be extremely challenging as the majority of readily achievable savings initiatives will have already been identified in previous years.
50. Furthermore the financial plan assumes that future funding uplifts will be in the range of 2.7% to 2.8% for the period 2013/14 to 2014/15. This combined with growing cost pressures, will make the delivery of cost savings even more important.

**Action point 6**

## Pension costs

51. Following national guidance from the Scottish Government, Note 23 of the accounts: Pension Costs reflects a Scotland-wide net liability of £370 million for the NHS Superannuation Scheme arising from the most recent actuarial valuation for the year 31 March 2004. Given that the Scheme ought to be subject to a full actuarial valuation every five years, a more up to date valuation would have been expected to have been reflected in the 2011/12 accounts.
52. A more recent actuarial valuation was carried out at 31 March 2008, but the publication of this valuation has been placed on hold by HM Treasury pending the outcome of public sector pension reforms. Periodic actuarial valuations are key to determining the adequacy of employer and employee contributions to the Scheme and publication of the latest actuarial valuation will bring clarity as to the adequacy of current contributions to meet future commitments.
53. As the net liability figure for the Scheme, as disclosed in Note 23, is out of date, there is a risk that the level of contributions will not be adequate to meet the future commitments of the Scheme.

**Action point 7**

# Governance and accountability

54. 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.
55. 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.
56. 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.
57. In this part of the report we comment on key areas of governance.

## Corporate governance

### Processes and committees

58. 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:
  - 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)
59. *The Role of Boards – A follow-up audit* was carried out by local auditors in 2011/12 to assess the progress that NHSGGC has made to improve the performance and operation of its board against the recommendations made in Audit Scotland's national performance report 'The Role of Boards' (September 2010).
60. In carrying out the study a checklist based on the key issues identified in the national report was used. The board has made good progress in implementing the recommendations outlined in the national report and we are satisfied that the board is committed to achieving



improvements in its performance. There are some areas which continue to be developed and we shall continue to monitor their progress.

61. The Quality and Performance Committee (Q&P), established in 2011, is a relatively new committee and incorporates the responsibilities of several committees that existed under the previous structure. Its objective is to create 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. Staff governance is overseen by a sub-committee of the Q&P.
62. Overall, the board's governance arrangements in 2011/12 were soundly based and operated effectively.

### Patient safety and clinical governance

63. 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 hospital acquired infections (HAIs) in acute hospitals through assessment, inspection and reporting of boards' performance against HAI standards.
64. The Healthcare Environment Inspectorate (HEI) carried out a number of planned and unannounced inspection visits to several hospital sites within the board area during 2011/12. The results of these inspections have been generally satisfactory and action plans have been put in place to address any issues raised. NHSGGC have responded positively to the challenge and has established a board HEI Steering Group to ensure that actions and learning points from each inspection are cascaded to all hospitals within NHSGGC. In addition, a corporate inspection team, led by the Director of Nursing (Acute) has been developed. This team involves senior members of staff from all directorates who participate in an inspection which uses the same inspection tools and methodology as the HEI.
65. NHSGGC is continuing to make progress in implementing the Scottish Patient Safety Programme (SPSP). The board aims to achieve full implementation of the core programme in Acute Services by December 2012. The programme is currently being extended into elements of the mental health services and primary care.
66. An independent public inquiry ordered by the Cabinet Secretary into the Clostridium Difficile (C.Diff) outbreak at the Vale of Leven Hospital commenced in February 2010 with reporting due by 31 May 2013. The most recent reporting of HEAT targets indicate that NHSGGC has a lower than average incidence of C.Diff compared to other boards and that it is currently achieving the 2013 target for patients aged over 65.

## Partnership working

67. 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. It is the intention that Community Health Partnerships (CHPs) will contribute to one of the key principles set out in the Scottish Government's "Better Health, Better Care" publication which emphasises the need for ensuring better, local and faster access to health care.
68. There have been some significant changes to a number of NHSGGC's partnership arrangements with local authorities. The five Community Health and Care Partnerships (CHCPs) in the City of Glasgow were replaced by a single health-led Community Health Partnership (CHP) and integrated CHCPs were established in the Inverclyde and West Dunbartonshire areas, replacing the former CHPs. These arrangements continue to bed in and the partnerships continue to deliver appropriate healthcare services to their local population.
69. Since April 2011, a change has been implemented which sees services formerly managed by the Mental Health Partnership fully disaggregated and devolved to local CHP and CHCP committees.
70. Developments are evolving at a national level, and the Scottish Government's plans for integrating health and social care are discussed in the Outlook section in our report. In the interim, the risk remains that there may be tensions amongst the partners due to, for example, the differing legislative and governance bases of the partners, the willingness of partners to contribute and the availability of funds.
71. NHSGGC acts as the host body for the West Territory Hub Team. The West Hub will deliver 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 four projects for which initial agreements are being prepared. The indicative capital cost of these projects is £47 million.

## Internal control

72. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. The extent of this work is informed by their assessment of risk and the activities of internal audit.
73. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2011/12 PricewaterhouseCoopers, the board's internal auditors, provided their opinion that, based on the internal audit work undertaken during the year, there were no significant weaknesses that required specific mention in the annual governance statement.

74. As part of our audit we reviewed the high level controls in a number of NHS Greater Glasgow and Clyde systems that impact on the financial statements. This audit work covered a number of areas including cash income and banking, trade payables, trade receivables, capital accounting, family health services, payroll and general ledger. Our overall conclusion was that NHS Greater Glasgow and Clyde had adequate systems of internal control in place in 2011/12. 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.
75. 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 IM&T
76. In accordance with International Standard on Assurance Engagement 3402 (ISAE3402). Which replaced Statement on Auditing Standard No 70, 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 2011/12. Management should continue to work closely with NSS to ensure adequate resolution of the few matters identified for improvement.

## Internal audit

77. 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 December 2011 and concluded that the internal audit service operates in accordance with Government Internal Audit Standards and has appropriate documentation standards and reporting procedures in place. We placed reliance on internal audit work in a number of areas. This not only avoided duplication of effort but also enabled us to focus on other significant risks.

## Governance statement

78. The governance statement, provided by the board's Accountable Officer, reflects the main findings from both internal and external audit work, and highlights the process by which the accountable officer obtains assurances over the adequacy and effectiveness of the system of internal control. This is a new format of disclosure for 2011/12 as specified by the SGHSCD. The new format includes the requirement for an overt assurance that arrangements have been made to ensure best value.
79. Overall it was concluded by the board that no significant control weaknesses or issues have arisen, that no significant failures have arisen in the expected standards for good governance, risk management and control, and that appropriate arrangements for Best Value are in place. Our audit has confirmed that we concur with this assessment.

80. Internal control systems comprise the whole network of systems established in an organisation to provide assurance that organisational objectives will be achieved. To enable the accountable officer to sign the governance statement, assurances are required on the maintenance and review of the whole range of internal control systems, many of which will be directly managed by other senior officers. We have therefore recommended to management that to assist the accountable officer fulfil his responsibilities, specific assurances should be sought from senior staff in the organisation.

**Action point 8**

### Use of government procurement cards and other credit cards

81. Across the public sector government procurement cards have been used to reduce the costs relating to the purchase of small items and some internet based purchases where a credit card is the most effective way of making payment. A recent significant fraud, in another public body, which in part resulted from misuse of the government procurement card highlighted that bodies need to ensure that their processes for the use of these cards are fit for purpose.
82. As part of our audit, we carried out a high level review of the use of such cards within the board and the controls in use. NHSGGC uses credit cards for the procurement of goods and travel. Twelve credit cards have been issued to NHSGGC staff with six considered to be 'back-up' cards. We identified that there was no review process in place to assess the continuing need for the cards. As a result, management have agreed to undertake a review of the cards in use together with their usage in order to assess the business need.

### ICT Service delivery

83. The information and communications technology (ICT) based systems, supported by the Health Information and Technology (HI&T) department, underpin all aspects of healthcare delivery throughout the board. Our 2009/10 review of ICT service delivery reported that the board was making good progress towards consolidating systems and developing a single service.
84. As part of our 2011/12 audit we have reviewed continuing developments. There are a number of significant infrastructure projects currently underway that aim to further consolidate the systems in use and increase the board's resilience capabilities, for example:
- the implementation of TrakCare providing, for the first time, a single Patient Management System serving all of the board's hospitals
  - the continued rationalisation of computer facilities, which will see the board's key clinical systems supported by a resilient architecture delivered from the data centre facilities at Westward House and Glasgow Royal Infirmary.
85. Overall our assessment indicates that good progress has been made with most actions agreed in 2009/10 and that current developments to consolidate and rationalise services will provide a good basis for continuing improvements. Our findings will be agreed with management and presented in due course.

## SCI-Store

86. NHSGGC has made significant investment to support the move away from paper based support systems by progressively introducing the use of electronic based patient records. NHSGGC use its local SCI-Store as the main central repository for clinical reports, laboratory results and correspondence relating to each patient, with clinicians increasingly relying on this data as a routine aspect of patient care.
87. As part of our 2011/12 audit we are performing a review of the operation of SCI-Store, with particular interest in the controls that are in place to assure the quality of the data that is held within SCI-Store. We are currently concluding on this work and anticipate that our findings will be agreed with management during the summer.

## Prevention and detection of fraud and irregularities

88. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
89. NHS Greater Glasgow and Clyde has a range of measures in place to prevent and detect fraud, including Standing Financial Instructions, a Code of Conduct for Staff and policies covering 'whistleblowing' and fraud. The board has entered also into a formal partnership agreement with NHSScotland Counter Fraud Services (CFS) and a Fraud Liaison Officer is in place to ensure reports are circulated to appropriate managers and to the Audit Committee.
90. The board's internal audit function has a formal programme of work, which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud. Additionally, the board has agreed a formal protocol covering a programme of payment verification checks with the Practitioner Services Division of NHS National Services Scotland.
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. NHS Greater Glasgow and Clyde participate in the National Fraud Initiative (NFI). It uses computerised techniques to compare information held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. The SGHD and NHS Counter Fraud Services 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 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 most recent data matching exercise collected data in October 2010 with follow up matches being undertaken thereafter. Based on the 2010/11 exercise, we were able to conclude that the board is proactive in preventing and detecting fraud. The board's Financial Governance and Audit Manager and his team systematically review NFI data matches to identify areas for further investigation. In addition, the Audit Committee and Audit Support Groups receive regular reports on anti-fraud activities including updates on NFI.
95. The national report published in May 2012 noted that savings of £14.1 million had been directly identified from the 2010/11 investigations. The report includes a self-appraisal checklist which we recommend is considered by NHSGGC prior to commencing the next NFI round.
96. The next round of NFI is due to commence in June 2012, and will look to expand the range of data sets and bodies. Participants should now be preparing for the 2012/13 exercise where data will be requested by October 2012.

## **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. Auditors consider whether bodies have adequate arrangements in place.
98. NHSGGC has a Code of Conduct for Staff which takes account of the existing national guidance on the Standards of Business Conduct and which incorporates the Whistleblowing Policy and the Fraud Policy. We noted that the board's Code of Conduct for Staff and online registration arrangements were last reviewed in 2009 and have not been updated to reflect the requirements of the new Bribery Act 2010 which was implemented in 2011. We have been advised that the code is currently being reviewed and will be updated and re-issued during 2012/13. With the exception of this, we have concluded that the arrangements in NHS Greater Glasgow and Clyde are satisfactory and we are not aware of any specific issues that we need to identify in this report.

## **Outlook**

### **Processes and committees**

99. The creation of the Quality and Performance Committee was designed to improve the review and scrutiny of governance arrangements. However, its responsibilities are extensive and challenging. The committee considered its remit and performance at the July 2012 meeting. It was agreed by members that the committee is starting to bed in, agendas are becoming more streamlined and the over-arching remit does assist members to focus on several inter-linked areas of governance. It was agreed that the committee remit and performance will be re-assessed in 2013.

## Partnership working

- 100.** This is a developing area at a national level. In December 2011 the Cabinet Secretary for Health and Wellbeing announced the Scottish Government's plans to integrate adult health and social care across local government and the NHS. The main proposals are as follows:
- Community Health Partnerships will be replaced by Health and Social Care Partnerships (HSCPs). The partnership will be the joint responsibility of the NHS and local authorities, and will work with the third and independent sectors.
  - HSCPs will be accountable to Ministers, leaders of local authorities and the public for delivering new nationally agreed outcomes. These will initially focus on improving older people's care.
  - NHS boards and local authorities will be required to produce integrated budgets for older people's services.
  - The role of clinicians and social care professionals in the planning of services for older people will be strengthened.
- 101.** A smaller proportion of resources, money and staff, will be directed towards institutional care and more resources will be invested in community provision. The Scottish Government launched a consultation on the integration of adult health and social care in May 2012. The consultation sets out proposals to inform and change the way that the NHS and Local Authorities work together and in partnership with the third and independent sectors. The board recognise that the agreement of joint business and service priorities is essential to implementing these changes. The Chief Executive of NHSGGC has now met with a number of local authority chief executives to discuss specifically the implications of these proposals and to commence consideration on how to progress the proposed integration of services. We will monitor progress in this area.

## NHS waiting times

- 102.** The Auditor General has asked Audit Scotland to examine the use of patient unavailability codes in the management of NHS waiting times. This follows the recent critical review into NHS Lothian's reported misuse of patient unavailability codes and recognises the importance of this for patients and the public and the need for independent assurance.
- 103.** Audit Scotland will look at how these codes were being used by health boards in Scotland during the past year. Audit Scotland will prepare a report on its findings which the Auditor General will present to Parliament after its summer 2012 recess. In addition, boards' internal auditors have been requested by the SGHSCD to carry out a review of waiting times as part of their 2012/13 internal audit plans. The results of this work are to be reported by 17 December 2012.

## Transfer of prisoner healthcare

- 104.** From 1 November 2011 responsibility for the provision of healthcare services to prisoners transferred from the Scottish Prison Service to individual health boards. Within the Greater

Glasgow and Clyde area, the board became responsible for providing healthcare at HMP Barlinnie, the largest prison in Scotland, and HMP Greenock. The associated cost is £4.4 million in 2012/13. The challenge will be to ensure that the services provided are effective and are performing to the required standard to the prison population.



# Best Value, use of resources and performance

- 105.** Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value.
- 106.** The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. Where no requirements are specified for auditors in a period they may, in conjunction with their audited bodies, agree to undertake local work in this area.
- 107.** As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
- a performance audit which may result in the publication of a national report
  - an examination of the implications of a particular topic or performance audit for an audited body at local level
  - a review of a body's response to national recommendations.
- 108.** Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments. Audit Scotland has prepared a series of best value toolkits to facilitate its reviews in these areas.
- 109.** During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
- 110.** This section includes a commentary on the best value / performance management arrangements within NHSGGC. We also note any headline performance outcomes / measures used by NHSGGC and any comment on any relevant national reports and the board's response to these.

## Management arrangements

### Best value

- 111.** In March 2011, the Scottish Government issued new guidance for 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.
- 112.** The guidance identifies the themes which an organisation needs to focus on in order to deliver the duty of best value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

113. NHSGGC is committed to best value and has arrangements in place to help ensure continuing performance improvement. To assist the accountable officer in forming his view as to the arrangements in place to secure best value, a self assessment schedule which closely follows the guidance is completed by executive directors. The challenge will be in demonstrating the achievement of best value through continuous improvement and the delivery of improved performance and outcomes.
114. The board also has arrangements in place to develop systems in response to relevant reviews and developments, including consideration of Audit Scotland national reports. We have however recommended that management take a more pro-active role in ensuring that actions identified from the comparison of board practice to the national report are clearly identified and followed up regularly.

**Action point 9**

115. In addition, the board conducts bi-annual organisational reviews for each business area, with action plans to address any recommendations for improvements. The board is also subject to an annual review process by the SGHSCD, again with plans developed to address any issues raised.
116. We will continue to monitor the board's arrangements for demonstrating its commitment to best value and continuous improvement.

**Best value audit toolkits**

117. A key element of Audit Scotland's approach to the audit of best value in the public sector is the use of audit toolkits which cover the fundamental principles of best value. As part of our audit work for 2011/12, in agreement with management we applied a best value toolkit on procurement and we followed up on the actions taken following the publication of our report "Best Value use of resources – people management" which was issued in July 2010.

**Best value toolkit: procurement**

118. The procurement toolkit assessed a number of areas including overall direction, the framework to guide purchasing decisions, processes and systems to support procurement activity, and capability to ensure effective performance. Our draft report, which is currently being finalised, has assessed NHSGGC as largely displaying better and advanced practices. We noted some areas of good practice including:
- The Head of Procurement is a suitably senior role within the organisation and through membership of various forums and groups is able to exert influence throughout the organisation and into the external environment.
  - In the 2010 Procurement Capability Assessment NHSGGC achieved a score of 85% which indicates superior performance.
  - Procurement performance is reported on a monthly basis to the Facilities Directorate senior management team. This includes an indication of whether the annual savings plan target is on course to be met.

- The board has strategies and processes in place which allow local small and medium sized enterprises to win contracts, especially concerning the South Glasgow Hospitals programme.

119. We did identify a small number of areas for improvement which will be discussed with management. The results of our review indicated that NHSGGC is able to demonstrate its commitment to the efficient use of procurement and meets many of the advanced practice examples cited in the toolkit. This is a good position to build on.

### **Best value toolkit: People management follow-up**

120. The overall conclusion of the 2010 report was that the organisation was predominantly at the “better practices” level in terms of people management. However, we identified three areas for improvement:

- NHSGGC did not yet have a coherent approach to talent management which linked together recruitment, retention, reward, appraisal processes and succession planning
- there was a need to provide development opportunities for frontline managers
- NHSGGC did not measure individual and team productivity at all levels of the organisation.

121. In response to these issues, we were advised by the Director of Human Resources that:

- a succession planning process for senior and clinical staff is now underway
- NHSGGC has continued to invest in its “Ready to Lead” and that the total number of staff having benefited from the course is now over 600
- a series of workforce planning tools are now in use throughout the organisation to begin to ensure that staffing is in line with activity. This is most advanced in nursing.

### **Service redesign**

122. The board has managed service redesign through the Acute Services Review (ASR) and Acute Services Acceleration Plan.

123. The ASR which is being implemented over a thirteen year period has already delivered a number of key developments including two new Ambulatory Care Hospitals and the new Beatson Oncology Centre.

124. The ASR has now moved into its final stage which is the re-development at the Southern General hospital site. In 2012, the board began a review of its clinical services which will redefine the pattern of services from 2015 (when the ASR will conclude) and will assist the board in responding to the national 2020 vision. The continued redesign of services will require changes to be made in the numbers and skill mix of staff. This together with the impact of cost pressures on staffing levels may result in a loss of essential knowledge and experience or, more generally, a loss of staff morale.

**Action point 10**

## Asset management

**125.** In 2011, the Scottish Government commissioned a review of the NHS Estate in Scotland. The report 'State of the NHSScotland Estate' found there were significant maintenance backlogs at a number of NHSGGC sites and concern was expressed about the sustainability of assets given the low level of maintenance. Management are currently reviewing the findings of this report and preparing a response which will take account of the completion of the new South Glasgow hospitals. The completion of this project together with the associated changes in the use of the remaining assets will impact positively on the state of NHSGGC assets.

## Performance management

**126.** NHSGGC has a well established performance management framework in place for monitoring and reporting on performance. The main elements of this framework are:

- bi-annual organisational performance reviews for all activities within NHSGGC
- performance reporting to the corporate management team
- reports on waiting times and access targets at each meeting of the CMT
- regular reporting to the Quality and Performance Committee on HEAT and other performance targets
- individual performance appraisal of all Directors and senior managers.

**127.** In addition, the board's policy and planning frameworks, which inform the annual planning and performance cycle, 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 establish the annual development plans produced by each part of the organisation.

**128.** NHSGGC is subject to an annual review which is chaired by the Cabinet Secretary for Health and Wellbeing and held in public. As part of the review the Cabinet Secretary meets with the Area Clinical Forum and the Area Partnership Forum. The annual review highlights good performance and identifies areas where specific action would be required to improve health and treatment.

## People management

**129.** As with other health boards in Scotland, NHSGGC faces a major challenge in achieving the national sickness absence target of 4%. The current sickness absence rate for the board is 4.67% which although above target is a slight improvement on last year when the rate was 4.77%. Sickness absence is a key focus of performance reviews and each division has a detailed plan in place to reduce absence levels.

**130.** It is crucial for NHSGGC to have effective workforce planning arrangements in place in order to secure best value and 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.

## Using locum doctors in hospitals – follow-up audit

131. *Using Locum Doctors in Hospitals – A follow-up audit* was carried out by local auditors in 2011/12 to assess the progress made by NHSGGC against the recommendations made in Audit Scotland's national report 'Using Locum Doctors in Hospitals' (June 2010). This follow-up report assesses the extent to which the board is using locum doctors more efficiently, effectively and safely.
132. In carrying out the study we used a checklist based on the key issues identified in the national report. Our draft report was issued to management in May 2012. We found that good progress has been made by NHSGGC in applying the recommendations identified in the Audit Scotland national report 'Using Locum Doctors in Hospitals'. However, the board faces a number of challenges achieving compliance with its own internal policy and with the continued development of the internal medical bank. A number of points were identified for management action which we will continue to monitor throughout our audit appointment.

## Overview of performance in 2011/12

133. The Q&P now has the responsibility for reviewing performance and it receives an integrated quality and performance report at each meeting which covers Health improvement, Efficiency, Access to service and Treatment (HEAT) targets and standards, quality outcome measures which link directly to the national quality ambitions, and local key performance indicators. The board also continues to receive specific updates on waiting times and access targets.
134. As reported to the May 2012 meeting of the Q&P, 23 out of 33 indicators met or exceeded their targets. Examples where 2011/12 performance has met or exceeded the targets include alcohol brief intervention, inequalities targeted cardiovascular health checks, all suspicion of cancer treatments within 31 days, 18 weeks referral to treatment, completion rates for child healthy weight intervention and reductions in A&E attendance.
135. Some targets were not fully achieved. These include faster access to specialist services for child and adolescent mental health, acute beds lost to delayed discharge, delayed discharge and sickness absence rates. In each case management have established actions to improve performance. There remains the challenge to balance achievement of performance targets against reducing funding levels and other competing service priorities.

**Action plan11**

## National performance reports

136. 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.
137. These reports are considered in detail by the board members and where appropriate relevant senior managers are invited to outline the impact of the national report and indicate how the board will address any recommendations made. Reports in the last year that have been issued are noted in Table 3 below and can be found on the Audit Scotland website.

**Table 3: A selection of national performance reports 2011/12**

<ul style="list-style-type: none"> <li>• Transport for health and social care (Aug 2011)</li> </ul>	<ul style="list-style-type: none"> <li>• Overview of the NHS Scotland's performance 2010/11 (Dec 2011)</li> </ul>
<ul style="list-style-type: none"> <li>• Scotland's public finances - addressing the challenges (Aug 2011)</li> </ul>	<ul style="list-style-type: none"> <li>• Cardiology services (Feb 2012)</li> </ul>
<ul style="list-style-type: none"> <li>• A review of telehealth in Scotland (Oct 2011)</li> </ul>	<ul style="list-style-type: none"> <li>• Commissioning social care (Mar 2012)</li> </ul>

Source: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

- 138.** In relation to Transport for Health and Social Care, officers compared NHSGGC's performance against the checklist included within the national report and this was considered by the audit committee in March 2012. The board considers that many of the recommendations have been actioned and the board continues to work with partners in order to baseline activity patterns and identify opportunities to eliminate transport duplication.
- 139.** All of the other national performance reports highlighted in table 3 will be considered by the audit committee in October 2012.

## Outlook

### Service redesign

- 140.** The current Acute Services Review will conclude during 2015 with the completion of the new South Glasgow Hospitals project. Looking forwards, the clinical services review (launched in February 2012) will seek to deliver an integrated strategy for health services across the board area which takes account of changing demand and demographics, improves efficiencies and achieves financial sustainability.

### Equality Act 2010

- 141.** In April 2011, the Equality Act 2010 introduced a new public sector 'General Duty' which encourages equality to be mainstreamed into public bodies' core work so that it is not a marginal activity but part and parcel of how public bodies operate. Following on from this the Scottish Government consulted on a set of 'Specific Duties' which came into force in May 2012. There are nine specific duties listed which aim to support public bodies to better perform against the 'General Duty,' including the duty to assess the impact of equalities in all policies and decisions as well as the requirement to publish a set of equality outcomes (and reporting requirements) no later than 30 April 2013. We will consider progress made by the board in implementing these requirements as part our 2012/13 audit.

# Appendix A: audit reports

## External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Audit Committee
Internal Audit Reliance Letter	22 December 2011	10 January 2012
Annual Audit Plan	31 January 2012	10 January 2012
The Role of Boards – Follow-up audit	29 May 2012	5 June 2012
Using Locum Doctors in Hospitals – Follow-up audit	Draft issued 29 May 2012	19 October 2012 (proposed)
Internal Controls Management Letter	4 June 2012	5 June 2012
Report to Audit Committee in terms of ISA 260	20 June 2012	19 June 2012
Independent auditor's report on the financial statements	19 June 2012	19 June 2012
ICT Service Review		19 October 2012 (proposed)
Annual Report on the 2011/12 Audit	31 July 2012	19 October 2012 (proposed)
Best Value Use of Resources – Procurement		19 October 2012 (proposed)

# 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	20	<p><b>Equal Pay</b></p> <p>NHSGGC has not been able to quantify the extent of its liability for Equal Pay claims.</p> <p>There is a risk that these liabilities will have a significant impact on the board's financial position.</p>	The Board will continue to work with CLO in respect of Equal Pay claims and will quantify the liability when information is available.	Paul James, Director Of Finance / Ian Reid, Director of Human Resources	By March 2013
2	22	<p><b>Disposal of Woodilee Site</b></p> <p>The board's balance sheet includes a debtor balance of £19 million in respect of the disposal of the Woodilee Hospital site.</p> <p>There is a risk that, given the current economic climate and the reduction in land values that the income due from the site may not be fully realised.</p>	The Board has a legal agreement in place with the developers and a standard security over the land has been included in the agreement. There is a schedule of payments in place with the developers and the Board will continue to monitor the situation during the period of the agreement.	Paul James, Director Of Finance	April 2012 to March 2016
3	24	<p><b>Allocations for specific projects</b></p> <p>The board needs to stay in close dialogue with SGHD to ensure better matching of funding flows to the timing of spending plans for specific projects. There is a risk of this limited</p>	The Board will monitor the SGHD allocations throughout 2012/13 to ensure that funding and expenditure are matching timeously.	Paul James, Director Of Finance	By March 2013



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		resource not being directed towards priorities.			
4	25	<p><b>Bad debt provision</b></p> <p>Included within trades receivables are outstanding sundry debtor balances of £41.4 million against which there is a bad debt provision of £1.1 million.</p> <p>There is a risk that the provision does not accurately reflect the level of non-recoverable income.</p>	A review of the bad debt provision will be carried out in 2012/13.	P Ramsay, Head of Financial Services	By March 2013
5	29	<p><b>Heritage Assets</b></p> <p>From 2011/12 boards were required to separately disclose any heritage assets. No formal review was undertaken by NHSGC.</p> <p>There is a risk that the board is unable to fulfil its stewardship responsibilities and follow the principles of FRS 30 Heritage assets.</p>	A formal review will be undertaken by the Board in 2012/13 in respect of potential heritage assets.	P Ramsay, Head of Financial Services	By March 2013
6	48, 50	<p><b>2012/13 Savings Target</b></p> <p>The board faces a wide range of financial challenges in delivering the LDP and Quality Improvement Agenda.</p> <p>There is a risk that it may not be able to make its savings targets in 2012/13. The longer term financial plan remains at</p>	The Board has initiated processes to review performance against savings targets on a monthly basis to ensure the savings target of £59.0m identified for 2012/13 is achieved.	Paul James, Director Of Finance	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		risk of not being affordable and is a significant challenge to the board moving forward.			
7	53	<p><b>Actuarial valuation</b></p> <p>There is a risk that the current level of contributions from employers and employees will not meet the future commitments of the Scheme. NHSGGC should work with the SGHSCD to ensure that the Scheme is subject to timely evaluation in compliance with the requirements of the Scheme, and that the adequacy of the employer and employee contributions has been reviewed.</p>	The Board will work with SGHSCD in 2012/13 to ensure that the scheme is subject to a timely evaluation in compliance with the requirements of the scheme.	Paul James, Director Of Finance	By March 2013
8	80	<p><b>Internal control assurances</b></p> <p>The accountable officer relies on informal assurances from his management team as to the effectiveness of the internal controls in operation.</p> <p>There is a risk that without specific and formal consideration of these controls by management, together with their assurances, that limited confidence can be placed</p>	<p>The Board will continue its practice of seeking formal assurance from the Audit Committee, Audit Support Groups, Q&amp;P Committee (in respect of Clinical Governance), Staff Governance Committee, Risk Management Steering Group and Information Governance.</p> <p>The Board will consider</p>	Paul James, Director Of Finance	By March 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		on the internal control system.	measures to roll out a process to gain assurance on internal controls from appropriate senior staff.		
9	114	<p><b>Audit Scotland National Reports</b></p> <p>Action plans arising from the review of Audit Scotland national reports should be followed up.</p> <p>There is a risk that the good practice identified in these national reports is not applied in NHSGGC.</p>	<p>The Board will continue to ensure that national reports are issued to relevant directors to prepare action plans to implement improvements.</p> <p>National reports and action plans are considered by CMT and outcomes scrutinised by the Audit Committee. A follow-up process will be put into place to ensure all actions have been implemented.</p>	Paul James, Director Of Finance	Ongoing
10	124	<p><b>Workforce Planning</b></p> <p>It is likely that the board will require to reduce staff numbers in order to achieve its 2012/13 cost savings plan and to address the reconfiguration of services. There is a risk that this may result in key personnel leaving the board with a consequent loss of essential knowledge and experience or more generally a loss of staff morale.</p>	<p>The Board will continue its process for reviewing all vacancies in order to assess whether posts can be released as savings.</p> <p>Where an individual is considered to have key skills, succession planning arrangements are put in place to help minimise any risk from the loss of key skills and experience.</p> <p>Ongoing modernisation</p>	Ian Reid, Director of Human Resources	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
			of services will help to improve recruitment and retention of staff.		
11	135	<p><b>Performance Targets</b></p> <p>There is a risk that in a climate of reducing funding and completing priorities, performance targets are not achieved or maintained.</p>	<p>The Board has in place a performance management system which has been designed to ensure that performance against key targets is monitored. This is facilitated both through the Organisational Performance Review process and oversight by the Quality and Performance Committee to minimise the risk that key performance targets are not met.</p>	Robert Calderwood, Chief Executive	Ongoing