

A REPORT BY THE AUDITOR GENERAL FOR SCOTLAND UNDER SECTION 22(3) OF
THE PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000

THE 2004/05 AUDIT OF GRAMPIAN HEALTH BOARD

1. I submit the audited accounts of Grampian Health Board and the auditor's report in terms of section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report which I have prepared under section 22(3) of the Act.
2. The auditor's report, which is incorporated at pages 11 – 12 of the accounts, highlights a failure to meet a financial target although the auditor's opinion is not qualified in this respect. An NHS board's net resource outturn should not exceed its Revenue Resource Limit (RRL). In 2004/05, Grampian Health Board recorded a net resource outturn of £620.351 million against an RRL of £609.577 million, resulting in an excess against the RRL of £10.774 million. This represents 1.8% of the total RRL.
3. Grampian Health Board has agreed a budget for 2005/06 which will exceed the RRL by £8.123 million and the Board's financial recovery plan does not show recurring in-year balance until 2006/2007. The auditor has reported that there is a risk that the Board will not achieve recurring in-year balance by then because of significant recurring cost pressures and reliance on capital to revenue transfers and asset sales. Reliance on asset disposals amounts to £16.8 million in 2005/06 and £10.7 million in 2006/07. The Scottish Executive Health Department has provided assurances to the Board that it will have access to cash throughout the financial years 2005/06 and 2006/07, which will allow the Board to meet its liabilities as and when they fall due. At the time of the audit the Board's financial recovery plan had yet to be approved by the Scottish Executive Health Department although this has now been agreed.
4. I am submitting this report because of Grampian Health Board's failure to meet a financial target.
5. I will also prepare an overview report on the NHS. This report will comment on significant issues arising from the 2004/05 audits of NHS bodies including qualifications by auditors and financial performance.

ROBERT W BLACK
Auditor General for Scotland
23 September 2005