

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

THE 2005/06 AUDIT OF WESTERN ISLES HEALTH BOARD

1. I submit the audited accounts of Western Isles 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 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 2005/06, Western Isles Health Board recorded a net resource outturn of £59.815 million against an RRL of £57.331 million, resulting in an excess against the RRL of £2.484 million which includes £0.738 million excess brought forward from 2004/05. The cumulative excess represents 4.33% of the total RRL. A financial recovery plan has been agreed with the Scottish Executive Health Department, which aims to recover the cumulative excess by 2008/09. The Scottish Executive Health Department has provided assurances to the Board that it will have access to cash throughout the period 2006 to 2009, which will allow the Board to meet its liabilities as and when they fall due. There are, however, a number of significant risks that could impact on the successful delivery of the financial recovery plan.
3. The auditor highlighted a number of serious weaknesses, last year, concerning the Board's governance arrangements. The Board's Internal Audit Service carried out a review in 2005/06 of internal controls and concluded that the Board did not have a satisfactory set of internal controls in place during the year. The Statement of Internal Controls prepared by Western Isles Health Board indicated that the Board had taken action to address the issues raised by Internal Audit but that further work was required to improve risk management arrangements.
4. On the 2nd August 2006, the Chair of the Western Isles Health Board resigned and the Minister for Health and Community Care appointed an interim chairman in his place. A senior managerial and clinical team, drawn from other NHS boards and the Scottish Executive Health Department, has also been put in place to support the Chair.
5. I am submitting this report because of the Board's failure to meet a financial target and to draw attention to the continuing issues around governance arrangements. I will also prepare an overview report on the NHS. This report will comment on significant issues arising from the 2005/06 audits of NHS bodies, including financial performance and governance arrangements.



ROBERT W BLACK
Auditor General for Scotland
12 September 2006