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EDINBURGH AND GLASGOW



NHS Fife

Annual Report to Fife Health Board and the Auditor General for Scotland 2007/08

July 2008

NHS Fife

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Executive Summary

Finance

Our audit of the 2007/08 financial statements is complete and our audit opinions are unqualified. NHS Fife achieved a saving against its Revenue Resource Limit (RRL) of £5.664 million. The Board is required, as a minimum, to break even against its RRL which it has therefore achieved whilst also meeting its Capital Resource Limit (CRL) and Cash Requirement targets.

The Board is planning a revenue trajectory that will ensure it can meet the recurring revenue costs of the major planned service shifts in future years. This planned trajectory includes a number of significant in-year surpluses between 2008/09 and 2010/11. The projected surpluses will then return to a more normal level from 2011/12.

NHS Fife estimates that it is currently £6.8 million per annum below its resource entitlement calculated by the National Resource Allocation Committee (NRAC). The Scottish Government Health Directorates (SGHD) have advised the Board that its financial plans should include £1.5 million additional funding in both 2008/09 and 2009/10. Further, SGHD can give no indication on any potential increase in funding beyond 2009/10, and this is recognised by the Board as an area of uncertainty in terms of financial plans.

Performance

As part of Audit Scotland's roll-out of Best Value (BV) audits across the NHS we undertook a review of financial management arrangements. We have issued an interim report and our overall conclusion is that the Board has a reliable framework in place to ensure the Board's ongoing financial health. Audit Scotland plans to hold a discussion forum where the findings of the BV audits at each health board will be discussed. We plan to issue our final report once this discussion has taken place.

Whilst the Board is performing well against a number of its performance targets there are three areas where the Board has to focus its attention to ensure that national targets continue to be met. These are delayed discharges, accident and emergency waiting times and cancer waiting times.

We performed a follow-up review of our 2006/07 Review of ICT Infrastructure and eFinancials report and are pleased to report progress against nearly all of our recommendations. During 2007/08, the Board approved its e-Health Information Governance strategies. The Board also approved a business continuity strategy in April 2008.

Governance

NHS Fife has strong governance processes in place, and has fully completed its transition to single-system working; all operations of the Board are now delivered in this manner.

The Board's risk management arrangements were found to be strong and the Board is demonstrating continuous improvement in this area. Policies, procedures and structures are in place that will help to ensure that risk management is effectively implemented across NHS Fife.

NHS Quality Improvement Scotland (NHS QIS) performed a review of each NHS board's clinical governance and risk management arrangements and issued its report in October 2007. NHS QIS has a standard scoring system in place and NHS Fife scored 6 out of a possible 12. This score is consistent with most of the other health boards in Scotland; 7 was the highest score of any territorial board.

The Board continues to be challenged by the sickness absence target and recognises that this requires a continued managerial focus at all levels. The Board has given its full commitment to meeting the target. The latest reported position at April 2008 was 5.37%. The national target to be achieved by March 2009 is 4%, therefore an overall reduction of 1.37% is required to meet this target.

The Board's partnership with Fife Council will promote Fife wide, customer focused care through the implementation of the Fife Health and Social Care Delivery Plan 2008-11 and its supporting action plans.

Conclusion

This report concludes the 2007/08 audit of NHS Fife. We have performed our audit in accordance with the Code of Audit Practice published by Audit Scotland, International Standards on Auditing (UK and Ireland) and Ethical Standards.

This report has been discussed and agreed with the Chief Executive and Director of Finance. We would like to thank all members of NHS Fife's management and staff who have been involved in our work for their co-operation and assistance during our audit visits.

Introduction

- 1 This report summarises the findings from our 2007/08 audit of NHS Fife. The scope of the audit was set out in our External Audit Strategy and Plan, which was presented to the Audit Committee on 16 January 2008.
- 2 The main elements of our audit work in 2007/08 have been:
 - Audit of the financial statements, including a review of the Statement on Internal Control
 - Review of governance arrangements
 - Review of internal controls and financial systems
 - Best Value Audit of Financial Management
 - A review of the Board's self-assessment of Best Value
 - Compliance check on overseas staff working in the NHS – pre-employment screening
 - Follow-up review of our 2006/07 review of ICT infrastructure and eFinancials
- 3 In addition to this report, we have issued the following detailed reports during 2007/08:
 - Interim Management Report
 - Report on the Audit of the Financial Statements
 - Best Value Audit of Financial Management – Interim Report
 - National Fraud Initiative Questionnaire
 - Letter to the Chief Executive on overseas staff

The key issues arising from these reports are summarised in this annual report.
- 4 As part of our audit, we have also made use of the work of other inspection bodies including the Board's internal audit service, Audit Scotland's Health Performance and Public Reporting Group and the NHS Quality Improvement Scotland (NHS QIS) review on Clinical Governance and Risk Management.
- 5 This report will be submitted to the Auditor General for Scotland and will be published on Audit Scotland's website, www.audit-scotland.gov.uk

Finance

Introduction

- 6 It is the responsibility of the Board to conduct its financial affairs in a proper manner. It is our responsibility to audit the financial statements and also to consider the Board's governance arrangements in relation to the Board's financial position.

Annual accounts and audit opinion

- 7 The Board of NHS Fife approved its Annual Accounts on 24 June 2008. We are pleased to report that our independent auditors' report expressed an unqualified opinion on the financial statements of the Board for the year ended 31 March 2008 and on the regularity of transactions reflected in those financial statements. The Annual Accounts were submitted to the Scottish Government Health Directorates (SGHD) and the Auditor General for Scotland prior to the 30 June 2008 deadline.
- 8 We received draft Annual Accounts and supporting papers of a high standard on 7 May 2008 in line with our agreed audit timetable. We are pleased to report that the audit process ran smoothly, and our thanks go to the Finance Department staff for their assistance with our work.
- 9 We issued a separate report on the audit of the financial statements which included eight recommendations for improvements. The only recommendation which was considered a priority one was in relation to equal pay and that issue is replicated in this report.

The Board's financial performance in 2007/08

- 10 The Board is required to work within the resource limits and cash requirements set by the SGHD. As shown in table 1 below, NHS Fife has met all of its financial targets.

Table 1 – Performance against financial targets

Financial Target	Target £000s	Actual £000s	Underspend £000s	Target achieved
Revenue Resource Limit	520,388	514,724	5,664	Yes
Capital Resource Limit	23,468	23,428	40	Yes
Cash Requirement	544,033	544,033	-	Yes

(Source: Fife Health Board Annual Accounts 2007/08)

- 11 NHS Fife achieved a surplus against its Revenue Resource Limit (RRL) of £5.664 million. This surplus represents an underspend of 1.088% against the RRL and is £460,000 above the 1% limit. The Board has received formal confirmation from the SGHD that they will be allowed to retain this excess as part of the 2008/09 RRL.

- 12 The Board's original financial plan forecast that the Board would break-even in 2007/08. Early in the financial year, the Board identified a potential underspend for the year. With changing circumstances, the Board's projected underspend varied during the year from £1.4 million in July 2007 to a high of £7.3 million in January 2008 and then £5.6 million in March 2008.

Reasons for in-year variance

- 13 The underspend is mainly due to the following variances:

Table 2 – Significant variances from budget

Variance from budget	Underspend / (Overspend) £000
Unutilised reserves	5,450
Non-recurring expenditure	(3,250)
Prescribing underspend	1,424
Dunfermline & West Fife CHP underspend	934
Operational Division underspend	731
Aggregate of other variances	375
Overall saving against RRL	5,664

(Source: Director of Finance)

Unutilised reserves and non-recurring expenditure

- 14 NHS Fife has a reserves budget line within its expenditure budgets. The reserves budget represents funding set aside for future developments. When the developments commence, the budget is transferred from the reserve to the relevant budget line.
- 15 The majority of the reserves underspend is made up of additional SGHD allocations received during the year which the Board was unable to utilise fully in-year. The main allocations affected were:
- **Keep well £850,000**
 - £1 million was received for this project during the year. The unspent amount was attributed to the time taken in formulating a project delivery plan.
 - **CHD / Stroke £500,000**
 - This unutilised allocation represents an accumulated carry forward from previous periods. The slippage has been attributed to recruitment delays.
 - **Drug & Alcohol Action Team £340,000**
 - This amount also represents slippage due to recruitment delays.

- 16 The Board identified non-recurring initiatives, many of which were accelerated from future years, which could start in 2007/08 due to unutilised reserves and savings achieved. This represented a large number of small projects such as repairs and maintenance.

Prescribing underspend

- 17 NHS Fife achieved an underspend against its GP prescribing budget due to a fall in prices of Category M drugs. This fall in prescribing expenditure is in line with the rest of NHS Scotland.

Dunfermline & West Fife CHP underspend

- 18 The main underspend is in relation to the Learning Disabilities service. The underspend is due to a timing issue with the Lynebank Hospital Discharge Programme as well as staff vacancies.

Operational Division underspend

- 19 NHS Fife's services were all given savings targets in 2007/08 and the underspend within the Operational Division is due to these savings being fully achieved.

Recurring and non-recurring income and expenditure

- 20 Performance against financial targets can be affected by non-recurring funding and expenditure. To gain a better understanding of the Board's financial position it is helpful to analyse the Board's position into recurring and non-recurring items. The table below shows the Board's 2007/08 income and expenditure analysed between recurring and non-recurring items.

Table 3 – Achievement of 2007/08 surplus

	£000s
Recurring income	533,827
Recurring expenditure	(536,108)
Recurring savings	<u>4,746</u>
Underlying recurring surplus	2,465
Non-recurring income	13,816
Non-recurring expenditure	10,617
Non-recurring savings	-
Underlying non-recurring surplus	3,199
2007/08 surplus	5,664
Underlying recurring surplus as a percentage of recurring income	0.46%

(Source: Director of Finance)

- 21 NHS Fife first achieved a recurring surplus in 2006/07 and has reported a further recurring surplus in 2007/08. The non-recurring income in 2007/08 includes the brought forward surplus of £5 million from 2006/07.

Capital Resource Limit

- 22 The Board incurred capital expenditure of £23.428 million in 2007/08. The main items of capital expenditure in the year were GH&MS enabling works (£6.5 million), redevelopment of Randolph Wemyss Memorial Hospital (£3.2 million) and Linburn Road Health Centre (£2.8 million).
- 23 The Board's Capital Resource Limit was originally £26.478 million. The Board did not require this full allocation and agreed with SGHD that the excess of £3.01 million would be carried forward to 2008/09. This is in addition to the unutilised allocation of £12.5 million from 2006/07 and is a continuation of the medium-term strategy agreed with SGHD to support major projects coming on stream in future years.
- 24 Included within the capital spend is £925,000 (2006/07: £263,000) of capital grant to other public bodies. The main capital grants were in relation to primary care modernisation and the new St Andrews Community Hospital and Health Centre.

Right for Fife

- 25 In common with other health boards in Scotland, NHS Fife has identified that it will not be able to sustain its current level of service within the existing estate and resource due to changes in population demographic and care requirements. NHS Fife conducted a major consultation exercise, 'Right for Fife', between 2000 and 2002 which resulted in a set of strategies. Among the service redesign projects approved as a result of this exercise were:
- General Hospitals and Maternity Services (GH&MS); and
 - St Andrews Health Centre and Community Hospital Services.

General Hospitals and Maternity Services project

- 26 NHS Fife has continued to progress with its GH&MS project during the year. The project consists of plans to develop a Diagnostic and Treatment Centre within Queen Margaret Hospital as well as a new build at, and reconfiguration, of Victoria Hospital. The services currently provided from Forth Park will be re-provided at Queen Margaret Hospital and Victoria Hospital. The first stage of the project involves the construction of a new wing and reconfiguration of Victoria Hospital. The new wing at the Victoria Hospital will be financed through a Public Private Partnership (PPP) and the refurbishment work through SGHD funding. The Board has capitalised expenditure of £5.9 million in relation to the first stage of works at Victoria Hospital. The major element of this expenditure has been the grouting works on the land as well as professional fees. These costs are included within the total Assets Under Construction of £13.94 million shown in note 11 (a) to the financial statements.
- 27 The Victoria Hospital element of the GH&MS project is complex. It includes a new build and a major reconfiguration of existing facilities. There is a risk that the Board could capitalise costs

which are of a revenue nature. We recommended in our 2006/07 Annual Report that the Board commissions regular valuations of the works at Victoria Hospital. We are pleased to note that the Board plans to obtain a formal valuation at the end of each stage of the project. In addition to this, when preparing the 2008/09 financial statements we recommend that the Board make an assessment of the likely revenue / capital split of any works partially complete at the next balance sheet date. This assessment should be based on valuers' advice where necessary. This should ensure that the fixed assets are not misstated in the financial statements.

Follow-up action plan – 14

St Andrews Community Hospital and Health Centre

- 28 Construction has begun on the new St Andrews Community Hospital and Health Centre. The new facility is being financed through the Public Private Partnership (PPP) mechanism and the building will not appear as an asset on the Board's balance sheet under the current accounting rules. The new facility is expected to be open in the summer of 2009.

Financial plans

- 29 The Board has prepared a five year financial plan covering the period 2008–13. We have reviewed these forecasts and we do not consider the assumptions on which they are based to be unreasonable. Table 4 below provides a high level summary of the 2008/09 plan.

Table 4 – Forecast financial outturn 2008/09

	£000s
Recurring income	550,155
Recurring expenditure	(554,208)
Recurring savings	4,284
Underlying recurring surplus	<u>231</u>
Non-recurring income	13,510
Non-recurring expenditure	(11,750)
Non-recurring savings	0
Underlying non-recurring surplus	<u>1,760</u>
2007/08 surplus	1,991
Underlying recurring surplus as a percentage of recurring income	0.04%

(Source: Director of Finance)

- 30 The Board estimates that the cost of its recurring expenditure will increase by more than the increase in its 2008/09 recurring income and the Board will need to deliver its target savings to achieve recurring surplus in 2008/09.

- 31 As shown in table 5 below the Board is planning to build up surpluses until 2010/11. This is to meet the expected revenue costs of major service changes, with the GH&MS project planned to be completed in 2011/12. The Board will then incur the unitary charge from the PPP element of the project.

Table 5 – Forecast outturn against RRL 2008-13

	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s	2012/13 £000s
Forecast outturn against RRL	1,991	2,392	8,636	6,855	1,661

(Source: Director of Finance)

Funding

- 32 NHS Fife has received significant increases in funding over the past few years. Despite a tight spending review settlement for Scotland, health expenditure is to increase by an average of 4.1% per year over the next 3 years. All NHS boards will receive a minimum uplift of 3.15% in 2008/09.
- 33 The SGHD's share of funding to NHS boards has previously been calculated under the Arbuthnott formula. The Arbuthnott formula distributes funding based on a weighted capitation approach starting with the number of people resident in each NHS board area and then makes adjustments for the age/sex of the NHS board population, their needs based on morbidity and life circumstances (including deprivation) and the additional costs of providing services in remote and rural areas. The NHSScotland Resource Allocation Committee (NRAC) was established in 2005 to improve the current formula and has published its report on a revised funding formula. The Cabinet Secretary has accepted the recommendations of the NRAC report. Based on its current population NHS Fife's share of the total funding would be 6.87% compared to 6.88% under Arbuthnott.
- 34 The Board received an additional £3 million in 2007/08 towards its funding entitlement as calculated under Arbuthnott. But the Board is still approximately £6.8 million below its full NRAC entitlement. In line with revised SGHD advice, the Board's financial plans have now assumed £1.5 million additional funding in both 2008/09 and 2009/10 in relation to NRAC parity. The Board has been advised by SGHD that for the current Spending Review period this will be the only movement towards parity. No indication of movement after that date can be given by SGHD at this stage.
- 35 In addition to the general revenue allocations, the Scottish Government has announced that there will be access to additional funding for a number of the health priorities set out in the Scottish Budget, including significant investments to:
- Support health improvement and reduce health inequalities
 - Reduce waiting times and prioritise treatment for patient groups with particular needs

Allocations during the year

- 36 Health boards are informed of their core funding from the SGHD before the start of each financial year. In addition to the core funding, the Board receives additional allocations throughout the year. For example, NHS Fife received additional allocations (excluding its brought forward surplus) of £8.49 million in 2007/08. The Board has previously experienced problems fully utilising allocations that are issued late in the financial year. Working arrangements with the SGHD have however improved as the SGHD Finance section now contact the Board in advance of providing the allocations to establish whether the allocations can be fully utilised.

Cost pressures

- 37 Cost pressures must be well managed and monitored on an ongoing basis to minimise the risk of overspends and keep the Board in a position to achieve its financial targets.
- 38 As reported above, one of the biggest local cost pressures facing NHS Fife is the implementation of its GH&MS project. In addition to this, pay modernisation continues to be one of the largest cost pressures faced by the NHS, resulting in substantial additional recurring costs. Agenda for Change and Modernising Medical Careers remain key elements of the modernisation process which have to be considered on an ongoing basis by the Board.
- 39 The Board face similar pressures to those being encountered across the NHS in Scotland, including demographic change, price increases, drug bill cost increases, health improvement initiative costs and expenditure in relation to reducing patient waiting times.

Savings plans

- 40 Savings plans are identified as being a key means by which to improve efficiency and eliminate waste. Achieving recurring savings helps the Board to maintain recurring financial balance and manage the cost pressures the Board has and will continue to face in future years.
- 41 The Challenge Group, which is a sub-group of the Strategic Management Team (SMT), co-ordinates the savings effort. Its broad purpose is to identify and give in-depth consideration to issues which will help NHS Fife achieve its financial targets each year. The Challenge Group seeks to identify savings opportunities in all parts of NHS Fife including the Operational Division, the CHPs and Corporate Directorates.
- 42 NHS Fife achieved its target savings of £4.746 million in 2007/08. This comprised numerous individual savings with examples being the reduced use of agency nursing and the redesign of the learning disabilities service.

Future savings plans

- 43 The Board has put in place an annual savings programme. The target for services in 2008/09 is to manage a 0.75% reduction in their budgets from 1 April 2009. Services are expected to

deliver 25% of this reduction during 2008/09, which equates to 0.1875%. The Board will continue to set annual savings targets to support future service investment.

Efficient Government Initiative

- 44 In 2004 the (then) Scottish Executive (SE) launched the Efficient Government Initiative. As part of this initiative, the (then) Scottish Executive Health Department (SEHD) set NHS Fife a three year Efficient Government target of £12.784 million by 2007/08. NHS Fife met this target.
- 45 The Scottish Government announced the Efficiency Delivery Plans for the three years to 2010/11, including a 2% saving from NHS Scotland. NHS Fife has incorporated this 2% saving into its Local Delivery Plan and this equates to approximately £10 million per annum.
- 46 Efficient Government savings include not only cash releasing savings but also efficiency savings. Efficiency savings arise where the Board can increase operations without increasing costs, such as increasing the number of out-patients seen by a certain clinic.

Accelerated depreciation

- 47 Where the Board has approved a decision to close a property (or a part thereof), the NHS Board Accounts Manual requires the Board to write the value of the property down to its net realisable value over the asset's remaining life. This is known as accelerated depreciation. Forth Park Maternity Hospital and a number of the smaller buildings at the Victoria Hospital site are expected to be surplus to requirements with the completion of the GH&MS project. The St Andrews Memorial Hospital is also expected to be surplus to requirements with the opening of the new St Andrews Community Hospital and Health Centre. NHS Fife has incurred total accelerated depreciation of £2.307 million. The accelerated depreciation charge is included within the total depreciation charge in the year of £14.527 million.
- 48 In 2006/07 the (then) SEHD agreed to fund the Board's accelerated depreciation and impairment charges and this funding was included in the Board's 2006/07 RRL. In 2007/08 accelerated depreciation has been funded directly by the Treasury and not by the SGHD. This is shown as a deduction – Annually Managed Write-Downs – from the Board's net resource outturn in the Operating Cost Statement.

Agenda for Change

- 49 NHS Fife continued to make good progress with the implementation of Agenda for Change during 2007/08, with the majority of staff assimilated and in receipt of back pay by 31 March 2008. The bulk of the staff still to be assimilated are bank nursing staff and those who have left the organisation since the Agenda for Change effective date of October 2004. An action plan has been developed that includes all outstanding Agenda for Change issues and is monitored regularly.
- 50 NHS Fife has recognised a liability for Agenda for Change as at 31 March 2008 of £6.5 million (2006/07: £8.4 million). This primarily relates to outstanding assimilations and arrears payments,

the projected impact of post reviews and the likely application of the new Recruitment and Retention Premium (RRP).

Equal Pay

- 51 The National Health Service in Scotland has received a number of claims for equal pay, under the Equal Pay Act 1970, in which additional backpay is sought. These claims are mainly from women seeking compensation for past inequalities with male colleagues under the pay arrangements which preceded Agenda for Change. The NHS Central Legal Office (CLO) is instructed by NHS Scotland's Management Steering Group and co-ordinates the NHSScotland approach to this issue.
- 52 For 2006/07, we accepted that no estimate of the potential liability for these claims could be identified because of the stage of development. As a result a contingent liability was included within NHS Fife's financial statements. We strongly encouraged NHS Fife's management, working with the Scottish Government Health Directorates and other NHS boards, to resolve this matter in advance of the completion of the 2007/08 financial statements.
- 53 As at 31 March 2008, NHS bodies had received over 12,000 claims and these had been passed for attention to the CLO. It is possible that these claims represent a current liability for NHS boards generally. There were 886 grievances or employment tribunal claims registered against NHS Fife as at 31 March 2008.
- 54 The CLO has co-ordinated the legal response to all claims and has attended Tribunal Hearings at which discussions about procedural matters have taken place. The CLO affirms that the cases in Scotland remain at too early a stage to allow any assessment of financial risk to be included in the financial statements.
- 55 A number of issues contribute to this uncertainty, these include:
- Certain recent applications incorporate a challenge to the Agenda for Change system, stating that it is, in itself, discriminatory and perpetuates discrimination. This allegation is made in terms of section 77 of the Sex Discrimination Act and seeks to bring all those who were signatories to the Agenda for Change Final Agreement into the proceedings, including Unison and GMB. This allegation of discrimination needs to be legally tested.
 - Claimants also seek to identify whether the Scottish Government, or the health boards, are responsible for all the claimants' terms and conditions relating to pay. This is often referred to as the "single source issue". If this issue is actively pursued by the claimants, then it will require to be legally tested.
- 56 We note the CLO's current view of the stage the cases have reached but strongly encourage NHS Fife's management, working with the Scottish Government Health Directorates and other NHS boards, to form a view of the potential liabilities as soon as practicable taking into account the progress of cases in Scotland and in England.

Action plan – 1

International Financial Reporting Standards (IFRS)

- 57 NHS Fife was preparing for the introduction of IFRS in 2008/09, prior to the announcement in the Chancellor's Budget Statement in March 2008 that implementation would be deferred until 2009/10.
- 58 The preparatory plan for the Board includes the establishment of a Working Group which will have representation from all areas of Finance. One of the activities that the group will be tasked with is the provision of restated comparatives for 2008/09. The date of commencement of the group has yet to be decided.

Pension liabilities

- 59 NHS Fife has pension liabilities arising from previous decisions to grant early retirement to employees, including those that have retired early due to injury sustained during work. Pension payments to these former employees are made by the Scottish Public Pensions Agency (SPPA) and then the costs are recharged to NHS Fife. SPPA have continued to make payments during the year and recharge these to NHS Fife, however SPPA have not provided the necessary information to support the payments. This situation is common across NHS Scotland
- 60 NHS Fife bases the calculation of its liability on information from SPPA and the information on which the annual accounts position is based is now 14 months out of date.
- 61 This has led to a position where, through no fault of the Board, there is a risk that this liability is misstated due to the level of increases in pension charges or former employees no longer receiving pensions. We are satisfied that any potential misstatement is not likely to be material at this stage. However, we recommend that the Board continues to pursue SPPA for the required information to ensure that the Board is not exposed to the risk of a significant hidden liability.

Action plan – 2

Performance

Introduction

62 This section summarises the Board's performance in the following areas:

- Best Value standards
- Key national performance targets
- National Audit Scotland reports
- Information management

Best Value follow-up

63 In 2005/06 the Board undertook a self-assessment of compliance with Best Value (BV) in conjunction with its previous auditors Henderson Loggie. From the review it was identified that the Board is well developed in a number of BV areas including commitment and leadership, responsiveness and consultation and the use of options appraisal. Areas under development included accountability and sound management of resources and contractual relationships.

64 The Board has not undertaken any specific follow-up work to determine how this position has changed since 2005/06. The Board considers BV to be at the core of what it does and does not therefore see a need to undertake a separate exercise to establish progress.

65 By undertaking the initial BV exercise the Board raised awareness of the BV requirements and, by ensuring an increased focus on this agenda and seeking to ensure continuous improvement in the work that it does, the Board is monitoring BV on an ongoing basis.

66 To emphasise the need for a BV focus, when the Board revised its 'Code of Corporate Governance' in December 2007, each committee's constitution and terms of reference was revised to state that "the committee shall provide assurance to the Board on the achievement and maintenance of Best Value standards relevant to the committee's area of governance, as set out in Audit Scotland's baseline report 'developing Best Value arrangements'."

67 At the Audit Committee meeting in March 2008 a discussion took place on how BV standards should be included in the work of each of the Board's committees. Since that time internal audit has allocated resources in their 2008/09 audit plan to work with each of the Board's committees to develop and embed BV standards and to enable the committees to take the standards forward through their work.

Best Value Audit of Financial Management Arrangements

68 In 2007/08 Audit Scotland outlined a programme of audit toolkits which are to be used across the NHS to build on the previous self-assessment process. Audit Scotland is currently developing seven toolkits which will assess boards' compliance against their overall 'use of resources' and these are to be rolled out as part of external audit work during 2007/08 and 2008/09.

- 69 In 2007/08 Audit Scotland introduced the first toolkit for use by auditors on BV which specifically looked at financial management. We undertook a review of the Board's financial management arrangements using this toolkit in April and May 2008.
- 70 Our review assessed performance in five key areas:
- financial governance (and leadership)
 - financial and service planning
 - finance for decision-making
 - financial monitoring and control
 - financial reporting
- 71 We have outlined below the key issues we identified from our review.
- 72 The Financial Management toolkit states that effective financial management underpins service quality and improvement, is an essential element of good corporate governance, and provides a clear accountability basis for the stewardship of resources.
- 73 We identified that effective working relationships are in place between the Finance Department and the other services within the Board. This included regular reporting of financial matters throughout the organisation and dedicated finance links between the services and the Finance Department.
- 74 Prudent financial and resource management currently has a significant profile within NHS Fife. This prudent culture across the Board may have been a contributing factor to the Board reporting an underspend of £5.664 million in 2007/08, although a number of other NHS boards have reported underspends on a similar scale. We appreciate, therefore, that the underspend has occurred partly as a result of national issues affecting all NHS boards, including reductions in drug prices, as well as the receipt of additional revenue allocations. However we have recommended in previous management reports that NHS Fife carries out a review of its budget setting and monitoring system in light of the surpluses achieved. We therefore reiterate our recommendation. In particular, NHS Fife should review the reasons for its 2007/08 surplus and determine whether any lessons can be learned in respect of budget setting, monitoring or action taken in respect of variances to budget.

Follow-up action plan 13

- 75 Although NHS Fife has undertaken a number of service reviews, it does not have a programme of service reviews linked to the Board's strategic objectives or one that responds to the identification of key risk areas within service delivery. Through the establishment of such a programme, and also a formal programme of post implementation reviews, NHS Fife would be able to demonstrate effective delivery of services and may also identify areas of good practice and efficiencies which can be replicated across the organisation.
- 76 The Finance and Resources (F&R) Committee is considered by the Board to provide a robust challenge to the financial planning of the Board. Interviews carried out during this audit suggested that further work may however be needed to reinforce to non-financial managers the

content of the Code of Corporate Governance regarding the differing roles of the F&R and Audit Committees. Our review also identified that non-executives would welcome ongoing development opportunities in order to strengthen committee capacity for scrutiny.

- 77 Finally, our report has also recommended that the Board where possible benchmarks its services and performance against other health boards and, where applicable, other public and private sector bodies.
- 78 Audit Scotland is proposing to report on information and findings from all of the audits undertaken across NHS Scotland in this area in autumn 2008. Following the release of this information, key issues and information from this national overview will be reported to the Board along with our overall findings for NHS Fife. A separate interim report detailing the local findings and recommendations has already been produced.

Balanced Scorecard

- 79 The Board continues to monitor progress against targets through its Balanced Scorecard. Progress on NHS Fife's 2007/08 Balanced Scorecard was reported to the Board on three occasions during 2007/08 with the final report taken to the Board in April 2008. This set out how NHS Fife had progressed in the year and where in particular action still had to be taken. The Balanced Scorecard is based on the targets set out in the Board's Local Delivery Plan (LDP). This performance was self-assessed by the identified executive leads concerned and ratified by the SMT.
- 80 The LDP is now clearly structured by the Scottish Government to ensure that the narrative response element of the report looks at how risks will be managed with regard to delivery, finance, workforce and improvement implications. Locally, the initial narrative on risks is written by the Lead Officer for each target and then passed to Finance and HR colleagues to review and to add in any further appropriate text relevant to those aspects.
- 81 In taking forward the Balanced Scorecard in 2008/09 the Board is also taking into account the developments between the Scottish Government and the Convention of Scottish Local Authorities (COSLA). In 2007/08 the bodies agreed a Concordat setting out the terms of a new relationship between the Scottish Government and local government. As part of the new approach, a Single Outcome Agreement (SOA) is to be agreed by all councils and the Scottish Government, based on 15 key national outcomes agreed in the Concordat. The national outcomes reflect the Scottish Government's national performance framework and established corporate and community plan commitments. Fife has a Community Planning Partnership which includes amongst its partners NHS Fife, Fife Council and Fife Constabulary.
- 82 Although the national timetable allows for a local government SOA for 2008/09, followed by a Community Planning Partnership based document from 2009 onwards, Fife Partnership agreed that the SOA submitted for 2008/09 should be the work of the Partnership. The Council submitted, on behalf of the Partnership the draft SOA to the Scottish Government in March 2008. Comments from the Scottish Government have since been received and the finalised agreement

went to the Board of NHS Fife in June 2008 for approval. The finalised document has also gone to the boards or equivalent governance bodies of NHS Fife's partners.

- 83 The target outcomes agreed by the partners have been matched to existing monitoring systems such as in NHS Fife's Balanced Scorecard. There is significant crossover between targets in the HEAT system which are monitored through the Balanced Scorecard and expectations of SOAs. There are 45 indicators and 52 proposed local targets. Some depend on NHS activity, some on joined up NHS and local authority activity and some depend on local authority and other bodies e.g. police.
- 84 Key areas of crossover are:
- Health Improvements / Inequalities
 - Mental Health and Wellbeing
 - Community Care
 - Long-Term Conditions
- 85 In a Community Planning review which we undertook as the appointed auditors to Fife Council in 2008, we outlined that there was a need to ensure that the Partnership reports consistently and effectively against the new SOA. There is also a need to ensure lines of reporting and monitoring are clear and transparent across the Partnership given the additional reporting requirements needed for the SOA. The Partnership, of which NHS Fife is a key component, will be taking forward these recommendations over the next couple of months and NHS Fife will be involved in this.

Performance against national targets

- 86 The Board continues to produce Activity and Finance reports for Board members assessing the Board's performance against nationally determined targets. This includes key performance areas across the different elements of waiting times and delayed discharges. For a number of areas performance is shown graphically to enable Board members to monitor performance over different months and years and trajectories are set for some areas. This is not however apparent for all targets. Two key targets in particular where the national target or historical performance was not clear were those for cancer waiting times and delayed discharges.
- 87 The cancer target set nationally is to treat a minimum of 95% of cases within the maximum wait from urgent referral to treatment of 62 days. It was not clear from the activity report that the target was 95%. Although the report refers to delayed discharges performance, and separate reporting also takes place, in neither case are the numbers of delayed discharges presented graphically. If this were done it would provide useful information for Board members to allow them to easily identify which months in particular were hot-spots, whether achievement of the target was made in census months and whether this position was maintained by the Board.

Action plan – 3

- 88 Overall the Board is performing well in relation to a number of its targets. The Board is ahead of its trajectories to ensure that no patient waits over 15 weeks for an out/in patient or a day case admission.
- 89 Cancer waits however indicate that only 92.2% of patients were being seen within 62 days from referral to treatment for urgent referrals at December 2007. This performance is an improvement on the Board's previously reported quarterly figures of 91.9% but remains below the 95% national target. The reported South East Scotland Cancer Network (SCAN) figure at that time was 94.1% and the Scotland wide figure was 93.6%.
- 90 The Board achieved its unscheduled care targets of 98% during 2007/08. However, the latest available reports to June 2008 show that in May 2008 the Board fell just below the unscheduled care target. Combined performance of the acute hospitals in Fife indicated performance being at 97.4%.
- 91 The position with patients awaiting discharge has improved since we undertook our review in March 2008. At that time although it was clear that effective partnership working was in place in Fife there were clear issues in relation to the delayed discharges position. 127 delays had been reported to ISD in December 2007 with 63 being reported as over 6 weeks. At that time papers were being distributed to all Board members on a monthly basis to keep the position under review. During 2007/08 Fife was at times reported to have the highest number of delayed discharges in Scotland.
- 92 The national target is zero patients delayed over six weeks and zero delays for patients in a short stay facility. Fife achieved this at the April 2008 quarterly census and had a total of 41 overall delays. At the June census however, Fife had slipped again to 1 patient over 6 weeks and 3 in short-stay beds.

National reports

- 93 In 2007/08 Audit Scotland issued the following national reports:
- Overseas staff in the NHS – pre-employment checks
 - Primary care out-of-hours services
 - Managing long term conditions
 - Free personal and nursing care
 - Review of the new General Medical Services contract

Overseas staff in the NHS – pre-employment checks

- 94 In November 2007 Audit Scotland undertook a review of arrangements for recruiting overseas staff across a sample of five NHS boards in Scotland. As part of this review all health boards were required to submit information to Audit Scotland on the number of overseas staff employed by them. The collated information from the boards estimated that there were at least 1,200 overseas staff working within the NHS in Scotland. Audit Scotland was not however confident that these figures were robust and an extended review was undertaken across the remaining boards by individual appointed auditors. As NHS Fife's external auditors we therefore reviewed

the Board's arrangements for identifying, processing and recruiting any non-European Economic Area (EEA) staff.

- 95 Our review identified that the Board are compliant with expected arrangements in relation to identity checking, professional qualification checking and residence/work permit requirements. We did identify some issues with the recording of both reference checks and health checks/"fit slips", and the completeness of disclosure/police checks undertaken. Further, we feel that the Board would benefit from revising the structure and indexing of the HR files to allow the completeness (or otherwise) of files to be ascertained and action taken as appropriate. A more detailed synopsis of our findings will be presented to NHS Fife in a letter to the Chief Executive, in line with Audit Scotland's agreed reporting requirements.
- 96 The Board's HR function is in the process of reviewing its policies and practices to ensure that they are in line with the new PIN guidance "Safer Pre and Post Employment Checks". It is important that the Board ensures a consistent approach across NHS Fife and that the new policies and practices seek to identify and ensure appropriate arrangements are in place for all non-EEA staff employed by the Board.

Primary care out-of-hours services

- 97 Audit Scotland published a national report on primary care out-of-hours services in August 2007. The report looked at the changes to the delivery of primary care out-of-hours services following the new General Medical Services contract for GPs and the implications this has for the sustainability of services and the impact on patients. The report proposed that NHS boards should continue to develop the integration of primary care out-of-hours services, effectively monitor contracts with other service providers to ensure value for money and share data with other boards across Scotland.
- 98 In response to this report NHS Fife has allocated lead responsibility for the implications of this report to one of the CHP General Managers and an action plan to address the issues raised in the report has been prepared.

Managing long-term conditions

- 99 This Audit Scotland national report, published in August 2007, sought to examine the delivery of services for adults with long-term conditions, with a particular focus on chronic obstructive pulmonary disease and epilepsy.
- 100 The report found that there was limited information on cost or activity of service provision at both the national and local level which was also hampering the ability of boards to plan effectively. The report also highlighted practical barriers to the development of community services, such as the lack of joined up health and social care provision and real incentives for change. The report recommends that health boards should obtain better information on service provision, set clear and measurable targets and also review current methods of service delivery. The report calls on boards to take a more strategic role in service delivery and redesign services to move resources from acute to local community services.

101 NHS Fife has allocated lead responsibility for action on this report to a CHP General Manager. Local action is being facilitated under the auspices of the Long Term Conditions Collaborative. Recommendations are being followed up through working groups, specific projects, learning pathways, clinical pathways and service planning, with key elements to be reflected in the Balanced Scorecard.

Free personal and nursing care

102 Audit Scotland published its review of free personal and nursing care in January 2008. The report sought to evaluate the current costs of funding free personal and nursing care, the robustness of the arrangements to support this policy and the financial impact that the programme of care has had on the Scottish public sector.

103 The report found that ambiguities in legislation and guidance resulted in differing levels of service provision across Scotland. It was therefore considered to be difficult to estimate the impact of the policy in isolation. The report estimated that the cost of the policy for the first four years was £1.8 billion. The key recommendations of the report require local authorities to improve data and information regarding free personal and nursing care. Authorities were also encouraged to work with health partners to evaluate the longer term consequences of the policy.

104 Through the Health and Social Care Partnership, NHS Fife will work with Fife Council on the implications of the report.

Review of the new General Medical Services contract

105 Audit Scotland published a review of the new General Medical Services (nGMS) contract in July 2008. The key messages from the nGMS report are highlighted below and the Board should ensure that it is taking steps to take these forward.

106 The report highlights that the new General Medical Services contract (nGMS) cost more than expected. In the first three years of the contract general medical services cost £160.4 million more than the (then) Scottish Executive allocated to NHS boards for these services. The majority of the additional costs are due to the costs of implementing an incentive payment system for quality (the Quality and Outcomes Framework - QOF) and ensuring that no GP practice was financially disadvantaged by the new contract (the correction factor).

107 The report also highlights that the nGMS contract has the potential to develop general medical services for patients by introducing payments for improved or targeted services (known as enhanced services). NHS boards are spending more than the minimum required on these services but shortfalls in funding could limit NHS boards' ability to develop further general medical services to meet the needs of their local population.

108 There is a lack of basic management data on general practice, which makes it more difficult for the NHS to plan effectively including workforce planning. However there is some evidence that the roles of practice staff are changing and that GPs are more satisfied with their income and working hours. Securing patient benefits from the nGMS contract will take time, but better

monitoring, particularly of access to primary care, is required. However, there is evidence of some improvement, for example the QOF is helping to provide consistency of care through better monitoring of patients with certain long-term conditions.

Information management

109 We performed a detailed review of NHS Fife's ICT infrastructure and eFinancials in 2006/07. Our review identified a number of issues and our report included 38 recommendations, including five priority one recommendations. We performed a follow-up review in May 2008 and are pleased to report that progress has been made in virtually all areas. Three of the priority one recommendations have been implemented in full but further work is required on the IT Disaster Recovery Plan and the Business Continuity Plan.

Follow-up action plan – 1 to 5

- 110 The Board's eHealth strategy was approved by NHS Fife in early 2008. This details the current status of eHealth within the Board, the governance structure to support its delivery and the Board's vision for eHealth for the period 2008-10.
- 111 As regards resources, the Board has designated officers who have responsibility for the delivery of the eHealth strategy. There is also a five year capital plan which details all areas of eHealth related funding requirements, although this is complicated by the ongoing review of the arrangements for national funding of eHealth initiatives.
- 112 Performance management and benefits realisation monitoring are emerging within the Board. There have been some recent examples of reviews being performed to determine the benefits gained from implementation of new technologies e.g. PACS.
- 113 An information governance strategy was approved in late 2007 and this will be subject to monitoring by the Information Governance Group. There are nominated leads, all of whom are senior members of Board staff, for data protection, Caldicott and Freedom of Information. Staff are provided with training on IT and information security at induction and as part of statutory training. Whilst noting that there are IT security policies there is no information security policy currently in place.

Business continuity planning

114 The Civil Contingencies Act 2004 identifies the Board as a Category 1 responder. This means that the Board, amongst other things, is required to develop and maintain business continuity plans. A business continuity strategy was approved by management in April 2008 by the SMT. At present, there are no business continuity plans in place within the Board other than that which exists for Pandemic Flu and the IT disaster recovery plan which is in draft form. It is recognised that plans are being developed for business continuity planning across the Board to ensure compliance with the Civil Contingencies Act 2004. Given the nature of this task and scale and complexity of the Board, it is expected that it will be late in the 2008/09 financial year before detailed plans will be in place throughout the Board. There will need to be a clear commitment

from management throughout the Board to ensure that business continuity planning is addressed and continues to be a high priority. There has been evidence of this to date through the approval of the strategy by the SMT and the requirement for Executive level sign off at each key stage in the business continuity planning cycle.

Governance

Introduction

115 This section sets out the main findings from our review of NHS Fife's governance arrangements as they relate to:

- Corporate governance
- Clinical governance
- Staff governance
- Partnership working
- Shared Support Services

Corporate governance

116 Our work on corporate governance focused on our review of the Board's arrangements as they relate to the Board's review of its systems of internal control, prevention and detection of fraud and irregularity and standards of conduct and prevention and detection of corruption. We are pleased to report that, in our view, governance processes at NHS Fife are strong.

117 From 1 April 2004, the SEHD introduced the concept of single system working and abolished NHS Trusts. From that time, the Trust's assets, liabilities and operations were transferred to the newly formed NHS Boards. NHS Fife has fully implemented single-system working and all operations of the Board are delivered in this manner.

Board membership

118 Changes to the Board's membership during 2007/08 included the appointment of a new Director of Public Health in April 2007. This post had been vacant since September 2006 and an acting arrangement was in place during that time. In addition, the Local Government elections in May 2007 resulted in a change in the representative from Fife Council on NHS Fife's Board.

Systems of internal control

119 The framework of internal controls operating at NHS Fife is reported within the Statement on Internal Control (SIC) included with the Annual Accounts. No issues requiring disclosure have been identified and reported within NHS Fife's 2007/08 SIC.

120 We review the Statement of Internal Control by:

- considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control; and
- assessing whether disclosures in the statement are consistent with our knowledge of the Board.

- 121 We are satisfied that the statement is not inconsistent with Scottish Ministers' guidance and that the contents are not inconsistent with information gathered during the course of our normal audit work.

Risk management

- 122 Risk Management is important to the establishment and regular review of systems of internal control. Considering NHS Quality Improvement Scotland's (NHS QIS) work on clinical risk management, we reviewed the Board's overall risk management arrangements during the year and concluded that the arrangements are strong and the Board is demonstrating continuous improvement in this area. Policies, procedures and structures are in place that will help to ensure that risk management is effectively implemented across NHS Fife.

Internal Audit

- 123 Internal audit is a key component of the Board's corporate governance arrangements. The Board's internal audit service is provided by FTF Audit and Management Services (FTF), a consortium service hosted by NHS Fife.
- 124 As part of our governance work we carried out a review of the internal audit service and we concluded that FTF provides an effective internal audit service that complies with the NHS Internal Audit Standards and demonstrates examples of best practice. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work where appropriate.
- 125 The FTF's Fife team has completed most of its 2007/08 programme and we have placed reliance on this work. A number of other reports remain to be fully signed off but we have placed reliance on draft reports where appropriate.
- 126 We are grateful to the FTF Fife team for their assistance during the course of our audit work.

National Fraud Initiative (NFI)

- 127 We reviewed NHS Fife's participation in the 2006/07 National Fraud Initiative (NFI). NFI makes use of computerised techniques to compare and match information about individuals held by various public sector bodies to identify potential fraud, error or anomalies. Under NFI payroll data is downloaded and matched against other datasets such as housing benefit applicants, local authority employees, pensioners, students, deceased persons, and failed asylum seekers. The results are passed to key contacts within each participating public body for further analysis and investigation.
- 128 As reported in Audit Scotland's NFI report for 2006/07, issued in May 2008, fraud and error of at least £9.7 million has been identified from the exercise, 94 housing benefit overpayment cases were found involving NHS employees and 17 employees dismissed or resigned as a result of NFI enquiries. Cumulative savings from NFI in Scotland are now around £37 million.

- 129 We found that NHS Fife had an appropriate and structured approach to its investigations. However the Board did not submit details of the staff bank accounts as required for the exercise. The Board had agreed this approach in partnership with Staff Side. Our overall findings on NFI 2006/07 have been summarised in the form of a questionnaire which has been agreed with management and submitted to Audit Scotland.
- 130 Audit Scotland is performing another NFI exercise in 2008/09. NHS Fife should ensure that it has adequate resources to deal with the new exercise.

Action plan – 4

Clinical governance

- 131 Clinical governance is a framework through which NHS boards are accountable for continuously improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish. It is essential that NHS Fife has adequate arrangements in place to ensure the continuous improvement of services in a safe environment.
- 132 NHS Fife has a Clinical Governance Committee and this meets at least six times a year. The committee receives reports on and considers all aspects of the Board's clinical governance arrangements.
- 133 NHS QIS has developed clinical governance risk management standards and reviewed each health board in Scotland against these standards between May 2006 and May 2007. The standards cover the following areas:
- Risk management
 - Emergency & continuity planning
 - Clinical effectiveness and quality improvements
 - Access, referral, treatment and discharge
 - Corporate governance
 - Equity and diversity
 - Communication
 - Clinical governance and quality assurance
 - Fitness to practice
 - External communication
 - Performance management
 - Information governance
- 134 NHS QIS published its report on NHS Fife's clinical governance and risk management arrangements in July 2007 and its national overview report in October 2007. Overall NHS QIS assessed NHS Fife as 6 out of a possible 12. This score is consistent with most of the other health boards in Scotland; 7 was the highest score of any territorial board. . However this does show that NHS Fife has some way to go to be fully compliant with the standards, accepting however that NHS QIS continues to set its "bar" significantly higher each time it assesses performance.

- 135 Achievement of NHS QIS clinical governance and risk management standards is included as a target within the LDP.

Staff governance

- 136 The Board submitted its Action Plan for Staff Governance to the SGHD on 1 May 2008, the deadline for submission being 30 April. The action plan was developed and agreed by the Area and Local Partnership Forums along with the Employee and HR Directors. The 2008/09 Action Plan does not have defined completion dates for a number of the identified actions. A number of the areas are being kept under half-yearly review. Definite completion dates should be stated to ensure that actions are taken timeously and not just rolled forward.

Action plan – 5

- 137 Attendance management continues to be an issue for the Board. Reported figures at April 2008 indicated that the Board had an absence rate of 5.37%. The rate reported nationally at that time was 5.15%. The national target to be achieved by March 2009 is 4%. The Board continues to keep attendance management under review as a high priority. Significant training has been undertaken on attendance management involving HR staff, staff representatives and occupational health and service managers to ensure that they are effectively managing the position with staff and that a consistent approach is being taken. A focus has also been placed on service areas where absence levels have been particularly high. The Director of HR and Nurse Director as Attendance Management Champions continue to liaise with the Operational Division and CHPs in respect of their performance against the national target. A focus has also been placed on areas where there have been recurring issues. The Board will have to ensure that attention remains on this area to ensure that the national target is met.
- 138 NHS Fife recognises the need to be able to clearly identify the benefits arising from recent pay modernisation in the NHS including the consultants' contract, GP Contract and Agenda for Change.
- 139 In the past, separate benefits realisation action plans were completed for submission to SGHD. NHS Fife is now striving to ensure integration between its Balanced Scorecard, Local Delivery Plan and its Workforce Modernisation and Development Action Plan. These documents all form part of the performance framework for the Board and the benefits realisation is being built into the Workforce Modernisation & Development aspect of this for 2008/09.

Partnership working

- 140 NHS Fife and Fife Council have formed the Fife Health and Social Care Partnership. The main aim of this Partnership is to promote a Fife wide health and social services delivery.
- 141 The focus is on delivery of the services as evidenced in the Fife Health and Social Care Partnership Delivery Plan 2008-11. This document outlines how the Partnership will deliver services over the next 3 years and sets out the common Fife-wide priorities for the care groups,

giving guidance for the staff who manage and deliver these services on how services will develop within the joint resource allocation, ensuring best value from the combined resources.

- 142 The plan is the overarching plan for health and social care services provided in the community. It is supported by more detailed, annual action plans for each care group.
- 143 The plan follows on from the previous Joint Community Care Plan and Health and Social Care Partnership's Extended Local Partnership Agreement.
- 144 The Partnership has an aligned budget and management model which is supported by an agreed set of Joint Governance Arrangements. This means that NHS Fife keeps its own management and accountability structure, and the Partnership has a joint reporting structure for the joint services.
- 145 The Partnership has Joint Financial Regulations in place which the partner organisations are required to follow and this compliance is monitored and enforced by the Health and Social Care Partnership Group. These joint regulations provide delegated authority for expenditure.

Shared Support Services

- 146 The Shared Support Services Programme, under the auspices of NHS National Services Scotland (NSS), proposes improving transaction processing functions with a view to releasing savings for front line services and meeting Efficient Government objectives.
- 147 NSS has performed "State of Readiness Assessments" of each health board in Scotland, with each board expected to meet a common baseline in terms of operations and performance. Each board was given a report of the assessment which highlighted any areas where they needed to improve.
- 148 In addition, NSS is facilitating a number of "Pathfinder Projects" to pilot new and more efficient working systems, for roll out across the service.
- 149 NHS Fife along with its partners across Fife has strengthened joint working across community planning by:
- establishing an employee bank for catering and cleaning employees, to be accessed by both NHS Fife and Fife Council;
 - collaborative working with the Scottish Ambulance Service's Kirkcaldy workshop for fleet management and maintenance services. Fife Council is currently taking this opportunity forward;
 - establishing a Fife-wide procurement framework for the hire of taxis;
 - establishing a driver training and assessment service; and
 - scoping and evaluating the benefits that could accrue from conducting a review of courier services (focusing on vehicle utilisation) across the community planning partners.

Appendix 1 – Action Plan

Our annual report action plan details the control weaknesses and opportunities for improvement that we have identified during our final audit visits as well as the key recommendations raised in our other reports during the year. The action plan also includes a follow-up of recommendations raised in our 2007/08 Interim Report and the priority one recommendations from our 2006/07 ICT Infrastructure and eFinancials report. Our 2007/08 Report on the Audit of the Financial Statements and our 2007/08 Best Value Audit of Financial Management Arrangements report were issued in June and July 2008 and will be followed-up in 2008/09.

The action plan details the officers responsible for implementing the recommendations and implementation dates. The Board should assess these recommendations for their wider implications before approving the action plan.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist.

Priority rating

The priority rating is intended to assist the Board in assessing the significance of the issues raised and in prioritising the action required to address them. The rating structure is summarised as follows:

- Priority 1 High risk, material observations requiring immediate action;
- Priority 2 Medium risk, significant observations requiring reasonably urgent action;
- Priority 3 Low risk, minor observations which require to be brought to the attention of management.

Action plan: issues arising from our 2007/08 final audit

No	Title	Issue identified	Risk and recommendation	Management comments
1	Equal pay Para 56	NHS Fife has received grievances or employment tribunal claims in respect of equal pay. The Board was unable to quantify the risk of its liability, if any, as at 31 March 2008.	<p>There is a risk that the Board is understating its liabilities and we encourage NHS Fife's management, working with the Scottish Government Health Directorate and other NHS Boards, to form a view of the potential liabilities as soon as practicable taking into account the progress of cases in Scotland and in England.</p> <p>Priority 1</p>	<p>The position will be kept under continuous review in liaison with all relevant parties.</p> <p>Responsible officer: Chief Executive, Director of Human Resources, and Director of Finance</p> <p>Implementation date: Ongoing.</p>
2	SPPA Pensions Information Para 61	SPPA has not provided the necessary information to support their recharge of pension payments of the Board during 2007/08.	<p>Through no fault of the Board, there is a risk that this liability is misstated due to the level of increases in pension charges or former employees no longer receiving pensions.</p> <p>We recommend that the Board continues to pursue SPPA for the required information to ensure that the Board is not exposed to the risk of significant hidden liability.</p> <p>Priority 2</p>	<p>Agreed</p> <p>Responsible officer: Director of Finance</p> <p>Implementation date: Ongoing</p>

No	Title	Issue identified	Risk and recommendation	Management comments
3	Activity & Finance reports Para 87	Activity and Finance Reports to the Board on national targets do not clearly state the level to be achieved or past performance for all targets.	Board members may not fully aware of the position. We recommend that the Activity and Finance Reports to the Board are updated to include target levels and past performance for all national targets. Priority 2	The report is kept under continuous review and these comments will be taken into consideration as part of that process. Responsible officer: Chief Executive, Operational Division Implementation date: 31 October 2008
4	National Fraud Initiative 2008/09 Para 130	Audit Scotland is performing a NFI exercise in 2008/09.	The Board should ensure that it has adequate resources to deal with the new exercise. Priority 2	Local arrangements to support the exercise have already been made. Recommendation already implemented
5	Staff governance Para 136	The 2008/09 Staff Governance Action Plan does not include defined dates for each of its action points.	There is a risk that these actions will be rolled forward and not dealt with timeously. We recommend that defined dates are attached to each action point. Priority 2	Defined dates will be entered as appropriate. However, where it is necessary to identify that actions will roll forward this will be identified following a review of all action points. Responsible officer: Director of Human Resources Implementation date: 30 September 2008

Follow-up action plan: priority 1 issues from our 2006/07 Review of ICT Infrastructure and eFinancials

No	Title	Original recommendations	Original management response	Update at July 2008
1	<p>IT Disaster Recovery Planning</p> <p>Para 109</p>	<p>There is a risk that, in the absence of detailed plans, IT Services will not be able to react positively in the event of a disaster and be able to restore services to meet the requirements of users.</p> <p>Management should ensure that they develop detailed IT Services disaster recovery plans. A test should be conducted to confirm that the plans are sufficiently robust to support the restoration of services in the event of a disaster. Where the test identifies any weaknesses in the plans, they should be updated.</p> <p>Management should ensure that they conduct a regular process of business impact assessment for systems in order that IT Services are made aware of the priorities for restoration of systems and services. This process should be led by the user departments and fed back to IT Services.</p> <p>Management should ensure that they continue to develop their approach to risk management within IT Services and use the EAR system to assist in this process.</p> <p>Priority 1</p>	<p>Detailed recovery plans for all services are to be developed starting with the key systems identified in the DR plan. These plans will include testing and a testing schedule will be developed.</p> <p>Agreed.</p> <p>Risks will be assessed using EAR and will form the basis for deciding priorities.</p> <p>To be actioned by:</p> <p>Assess key systems – IT Service Delivery Manager (Dec 2007)</p> <p>Develop key systems recovery plans – IT Service Delivery Manager (Mar 2008)</p> <p>Testing schedule - IT Service Delivery Manager (Dec 2007)</p> <p>Testing – IT Service Delivery Manager (Mar 2008)</p>	<p>The IT DRP is currently in draft. It is being developed by the IT Security Manager in conjunction with Sapphire Technologies. As technology changes, so do the requirements of the plan and systems are being made more resilient.</p> <p>Laboratory system and PACS are fully replicated on two sites; data and processing. In the event of a failure on one site the other will take over.</p> <p>Patient administration and radiology systems (Oasis and CRIS) are due to be upgraded in a similar way. These systems are all UNIX based.</p> <p>The current SAN implementation will provide the same resilience for the data within all Windows-based systems. This will ensure that all data for these systems will be fully replicated on two sites. Once the SAN migration is complete the next stage will involve rolling out VMWare, which will provide resilience in the processing as well as data. Procedures are being developed for the SAN that will replace existing individual procedures.</p> <p>EAR was not used for risk analysis as it was found to be too cumbersome but Sapphire Technologies was engaged to do this.</p> <p>Action ongoing.</p>

No	Title	Original recommendations	Original management response	Update at July 2008
2	<p>Business Continuity Planning</p> <p>(ICT Infrastructure)</p> <p>Para 109</p>	<p>There is a risk that, in the absence of formal business continuity plans, the Board will be unable to provide services at all or in key areas of care provision should a disaster occur.</p> <p>Management should ensure that they develop a formal project plan for the development of business continuity plans for the Board. This should cover all areas of the Board's services. It is essential that the project is fully supported by senior management in order to support the culture change associated with business continuity planning.</p> <p>Management should also ensure that they appoint a business continuity officer who will take the lead for development of business continuity planning for the Board.</p> <p>Priority 1</p>	<p>The post of Business Continuity Manager is being advertised towards the end of June 2007. The post sits within the Risk Management structure.</p> <p>The postholder will develop:</p> <p>(a) a process for systematic development of business continuity within NHS Fife; and</p> <p>(b) co-ordinate the production of the BC Plan.</p> <p>This is a permanent post, as the process is not considered to be a "project" with an end point, but a culture change.</p> <p>The development of the NHS Fife Business Continuity Plan will be overseen by the Executive Lead for Business Continuity (who is a member of the Strategic Management Team for NHS Fife) and regular reports to Executive Directors will be made.</p> <p>To be actioned by: Cathy Adamson (Executive Lead)</p> <p>No later than:</p> <p>(a) Post filled end July 2007.</p> <p>(b) Business Continuity Plan to be produced by mid 2008.</p>	<p>A Business Continuity Manager has been appointed.</p> <p>A business continuity framework/strategy has been developed and was approved in April '08 by the SMT.</p> <p>Business Impact Analysis (BIA) templates are currently being completed. Training was provided on how to complete these and they will be signed off at Executive level before plans can be written.</p> <p>The NHS Fife Resilience Forum has been formed and their role and remit has been agreed. This group will govern the project.</p> <p>Action ongoing.</p>

No	Title	Original recommendations	Original management response	Update at July 2008
3	<p>Storage and retention of back-ups</p> <p>Para 109</p>	<p>There is a risk that, in the event of a disaster affecting any of the sites which render hospital buildings inaccessible, this would mean that the back-up tapes could not be obtained. Consequently, IT Services would not be able to restore the network and systems.</p> <p>Management should consider the risks associated with maintaining back-up tapes in the same location. Consideration should be given to storing each day's back-up tapes at different hospitals e.g. Victoria tapes at Queen Margaret, Queen Margaret tapes at Cameron, Cameron at Victoria. This should mean that in the event of a disaster affecting one site the back-up tapes could be readily obtained from another location within 30 minutes.</p> <p>Priority 1</p>	<p>Agreed.</p> <p>To be actioned by:</p> <p>IT Service Support Manager</p> <p>No later than: Mar 2008</p>	<p>With the SAN, there is replication of data from one site to another (VHK and QM). Snapshots are taken and snapshot backups of all data exist in two locations.</p> <p>Tapes are created on one site. This is currently done using the same method as stated previously. As part of the SAN project, there will be a re-design of backups to tape.</p> <p>Data is backed up on different sites on different media. Tapes mitigate risk of destruction of online data and the cross-site replication mitigates the risk of destruction of a whole site and the data stored there.</p> <p>An additional back-up tape drive has been purchased. This is currently at VHK but is being moved to QM in case of emergency.</p> <p>Action taken as agreed.</p>

No	Title	Original recommendations	Original management response	Update at July 2008
4	<p>Powerful User Accounts</p> <p>Para 109</p>	<p>There is a risk that staff have access on a day-to-day basis which allows them to perform tasks that are not within their normal role and without the need to seek approval from any other user. As such, there is a risk of fraudulent activity and/or loss of data integrity.</p> <p>Management should consider disabling the three administrator equivalent accounts as a default and only enable them on occasions when they are required.</p> <p>Management should ensure that they conduct formal and regular reviews of all accounts with administrator privileges to confirm that they have been used for legitimate purposes.</p> <p>Priority 1</p>	<p>Cover is provided by two full time staff giving flexibility and resilience.</p> <p>There are three staff at present, as one has reduced her hours and a replacement is being trained.</p> <p>System Administrator will check the audit log of super users' actions on a weekly basis.</p> <p>To be actioned by: eFinancials System Administrator</p> <p>No later than: Immediate</p>	<p>There are now an additional six staff providing cover in this area. However, they don't have Superuser access all of the time, but are given it as and when required.</p> <p>Superuser activity logs are checked regularly and this task appears in the System Administrator's calendar to be carried out at 9am every Monday.</p> <p>However, the addition of these six other individuals has raised a problem with regard to the System Administrator's ability to carry out a review of tasks carried out under the Superuser role.</p> <p>Previously, the three members of staff with Superuser access had this under a separate ID to their standard one; i.e. each had two IDs (and this is still the case). Therefore, when reviewing the activities that had been carried out under Superuser access, a search could be carried out on the relevant Superuser IDs and a list of relevant Superuser activities would be returned.</p> <p>(continued over)</p>

No	Title	Original recommendations	Original management response	Update at July 2008
	<p>Powerful User Accounts Contd</p>			<p>However, the additional six staff each only has one ID with the necessary permissions relevant to their day to day role. If required, their permissions are increased under this ID to enable them to carry out Superuser tasks.</p> <p>As a result, now when carrying out a review of such tasks based on a search of IDs, a much greater number of tasks are returned. This is because all activities carried out by the additional six staff members are included; not just the tasks carried out when their permissions have been increased to permit them to carry out Superuser duties.</p> <p>In order to resolve this, role based searching (or another means) needs to be included within the application.</p> <p><i>Action taken as agreed.</i></p>

No	Title	Original recommendations	Original management response	Update at July 2008
5	<p>Business Continuity Planning (eFinancials)</p> <p>Para 109</p>	<p>In the absence of detailed business continuity plans and the system not being accessible, there is a risk that the Board would not be able to pay suppliers and process financial transactions.</p> <p>Management should ensure that they develop detailed business continuity plans in the event that the Board lose access to the eFinancials system for a prolonged period to minimise the impact of loss of the system.</p> <p>Priority 1</p>	<p>Arrangements are set out in the Directorate Business continuity plan with emergency arrangements for payments and payroll.</p> <p>NHS Tayside have their own disaster recovery plan which is subject to regular audits.</p> <p>The Directorate Contingency Plan is reviewed regularly and updated as required by the Assistant Directory of Finance. This will also ensure engagement with the Board-wide business continuity planning activity.</p> <p>To be actioned by: Assistant Director of Finance</p> <p>No later than: Ongoing</p>	<p>The Directorate contingency plan was last reviewed by the Directorate Management Team (DMT) in January 2008. It formed part of the minutes of the meeting (item 14).</p> <p>Action taken as agreed.</p>

Follow-up action plan: 2007/08 Interim Management Report

No	Title	Original recommendations	Original management response	Update at July 2008
6	Risk Categorisation	<p>The 'risk types' to be used for identification and tracking are clearly set out in the risk register. However, these are not set out in the Risk Management Strategy.</p> <p>We recommended that all 'risk types' are clearly defined and communicated in the Risk Management Strategy.</p> <p>Priority 3</p>	<p>While the Strategy is not due for review until March 2009, we do intend to undertake another interim review in the near future. We will take cognizance of the points raised and define and communicate risk categories within the strategy and associated policies.</p> <p>Responsible officer: Risk Manager</p> <p>Implementation date: By September 2008</p>	<p>Team discussion is ongoing and the recommendation will be implemented as part of the process of reviewing the Risk Management Strategy at a meeting on 2 October 2008. 'Risk type' detail has also been included in the reviewed risk assessment and risk register policies.</p> <p>Action ongoing</p>
7	Fixed Assets	<p>The Board's VAT advisors, VAT Liaison, identified a number of 2006/07 capital invoices where VAT has not been reclaimed. This error was not material to the 2006/07 financial statements. Adjustments have been processed through the 2007/08 ledger to correct the errors.</p> <p>We recommend that staff are made aware of the correct coding procedures for VAT on capital items.</p> <p>Priority 2</p>	<p>Agreed.</p> <p>Responsible officer: Assistant Director of Finance (Capital and Planning)</p> <p>Implementation date: 31 March 2008</p>	<p>All appropriate staff have been advised that once a project has been tendered and accepted that they contact VAT Liaison directly for VAT review as soon as possible. All contact details have been sent to the appropriate managers.</p> <p>Action taken as agreed</p>

No	Title	Original recommendations	Original management response	Update at July 2008
8	Treasury	<p>Reconciliations are carried out each month between the balance per the bank and the balance per the cashbook. However, there is not always evidence of a monthly check between the cashbook and ledger balance. We recommended that the monthly check should be evidenced on the reconciliation sheet.</p> <p>Priority 3</p>	<p>Agreed.</p> <p>Responsible officer: Assistant Director of Finance (Financial Services)</p> <p>Implementation date: Immediate</p>	<p>The monthly checks are now being evidenced as being reviewed.</p> <p>Action taken as agreed</p>
9	BAC payment prints	<p>The BACS payments system prints show a default date of October 2005.</p> <p>We recommended that the system should be amended to show the correct payment date on the system prints.</p> <p>Priority 3</p>	<p>Agreed.</p> <p>Responsible officer: Assistant Director of Finance (Financial Services)</p> <p>Implementation date: 31 May 2008</p>	<p>Work continues with NHS Tayside and Cedar to address this issue.</p> <p>Action ongoing</p>
10	Creditor payments	<p>NHS Fife now scans its invoices once paid. Invoices are scanned to a CD by a private company then recycled. Checks on the completeness of the CD are carried out, but the CD is not stored on an IT server for security or ease of use.</p> <p>We recommended that the data from the master CD should be saved on the IT server and backed up as with other financial data.</p> <p>Priority 2</p>	<p>Agreed.</p> <p>Responsible officer: Assistant Director of Finance (Financial Services)</p> <p>Implementation date: 31 May 2008</p>	<p>As there is only limited space available on the server the backup copy of the CD is held offsite in the IT safe.</p> <p>Recommendation addressed</p>

No	Title	Original recommendations	Original management response	Update at July 2008
11	Staff governance	<p>The Board should complete the implementation of the NHS Fife Health at Work minimum data set and finalise the NHS Fife Stress Management Policy.</p> <p>Priority 2</p>	<p>These recommendations are included as actions to be addressed as part of the Board's staff governance 2007/08 action plan.</p> <p>Responsible officer: Director of Human Resources</p> <p>Date: NHS Fife Health at Work minimum data set – September 2007; NHS Fife Stress Management Policy – March 2008</p> <p>Update at March 2008</p> <p>Due to the competing priorities in the Staff Governance Action Plan, the Stress Management has been carried over into the Action Plan for 2008/09 as approved by the APF.</p> <p>The minimum data set is now complete.</p> <p>Action ongoing</p>	<p>Work has commenced in discussions with Fife Council with a proposal for joint working to take this forward due for completion in August.</p> <p>Action ongoing</p>

No	Title	Original recommendations	Original management response	Update at July 2008
12	LDP – sickness absence	<p>The Board needs to take action to ensure that it will meet the maximum absence rate of 4% for all staff by March 2008.</p> <p>Priority 2</p>	<p>Plans are in place to support achievement of the 4% by March 2008 target set by SGHD. These include the provision of comprehensive Attendance Management training for 550+ managers and distribution to all staff of a booklet dealing with sickness absence in order to raise awareness of sickness absence issues with staff. Monitoring of absence figures provided from SWISS continues.</p> <p>Responsible officer: Director of Human Resources Date: 31 March 2008</p> <p>Update at March 2008:</p> <p>It has regularly been reported as part of the Balanced Scorecard that the 4% target for March 2008 would not be met. The national HEAT target is now 4% for end March 2009 and the trajectories for achieving this have been submitted as part of the LDP for 2008/09.</p> <p>Significant action has been taken over 2007/08 and the figure for December 2007 of 5.36% is below the NHS Scotland average for the first time.</p> <p>Action ongoing</p>	<p>While significant work continues to reduce the sickness absence figure, the NHS Fife total figure has not gone below 5.3% since December 2007. Specific pilots are being undertaken in Mental Health, Dunfermline and West Fife CHP, and Estates & Facilities.</p> <p>Joint work is being explored with Abertay University and Fife Council. The rolling out of SSTS is still ongoing to provide detailed robust information.</p> <p>Action ongoing</p>

No	Title	Original recommendations	Original management response	Update at July 2008
13	<p>Financial underspend</p> <p>Para 74</p>	<p>We recommended that a robust review of the budget setting and monitoring system is carried out to ensure that maximum and timeous benefit is derived from funding.</p> <p>Priority 1</p>	<p>Agreed.</p> <p>Responsible officer: Director of Finance</p> <p>Date: 31 August 07</p> <p>Updated at March 2008:</p> <p>The Financial Framework and budget-setting process for 2007/08 took cognisance of the timing of allocations received and the pattern of slippage experienced. Monitoring of the financial position through the year identified the ability to release funds on a non-recurring basis. When specific allocations are received, especially late in the year, there is careful consideration of whether they can be spent for the intended purpose. If not, invariably they are carried forward.</p> <p>NHS Fife is again forecasting a significant surplus for 2007/08. We reiterate our recommendation that a robust review of the Board's budget setting and monitoring is performed</p>	<p>Management update:</p> <p>The Financial Framework, and consequent budget setting, for 2008/09 and beyond has been the subject of extensive discussion at Challenge Group and Finance & Resources Committee before being approved by the Board in June 2008.</p> <p>Auditor response:</p> <p>NHS Fife has underspend its budget by approximately £5 million in 2007/08 and 2006/07. We recommend that a review is performed to identify the reasons for the underspend and whether any improvements in the budget management process can be identified. The result of the review should be reported to the Board's Finance & Resources Committee.</p> <p>Recommendation reiterated</p>

No	Title	Original recommendations	Original management response	Update at July 2008
14	Service Level Agreements	<p>We recommended that the Board ensure that inter-Board income and expenditure is agreed timeously.</p> <p>Priority 2</p>	<p>Agreed. The timing of National Tariff announcements will, however, have a bearing.</p> <p>Responsible officer: Director of Finance</p> <p>Date: 30 November 07</p> <p>Update at March 2008:</p> <p>Of the main inter-Board agreements, both in and out, only NHS Lothian remains to be concluded. There is not yet consistency in the value they seek for the SLA, but we (and other Boards) are working closely with them to finalise matters.</p> <p>Action ongoing</p>	<p>Opening values for 2008/09 have been agreed, including for NHS Lothian.</p> <p>The Cabinet Secretary's decision, and hence definitive guidance, on the future of National Tariffs is still awaited. It is possible that their use for SLAs may be suspended for a limited period to allow the completion of work to improve data quality.</p> <p>Action ongoing</p>
15	Capitalisation of Victoria Hospital expenditure	<p>We recommended that the Board commissions regular valuations of Victoria Hospital once the reconfiguration works begin.</p> <p>Priority 2</p>	<p>Agreed.</p> <p>Responsible officer: Director of Finance</p> <p>Date: 30 December 2007</p> <p>Update at March 2008:</p> <p>Reconfiguration works are not yet under way.</p> <p>We will continue to monitor the capital spend against this project.</p>	<p>The intention is to commission a valuation of the work done to date on completion of the GMP 1, expected to be during July 2008.</p> <p>Action ongoing</p>



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