

June 2008

Annual Report to Members NHS Lanarkshire



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1. Introduction

To the Members of the Board and the Auditor General for Scotland

- 1.01 We have completed our audit of NHS Lanarkshire for the year ended 31 March 2008.
- 1.02 The Annual Report which follows is primarily designed to direct your attention to matters of significance that have arisen out of the 2007/08 audit process and to confirm what action is planned by management to address the more significant matters identified for improvement.
- 1.03 Our overall responsibility as external auditor of NHS Lanarkshire is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in March 2007.
- 1.04 In this regard, the Code sets out the need for public sector audits to be planned and undertaken from a wider perspective than in the private sector involving not only assurance on the financial statements but also consideration of areas such as regularity, propriety, performance and the use of resources.
- 1.05 It also sets out the need to recognise that the overall audit process is a co-ordinated approach involving not only the “appointed auditor”, but also the Auditor General for Scotland and other auditors such as Audit Scotland’s Health Performance and Public Reporting Group.
- 1.06 Our audit has been planned and conducted to take account of these wider perspectives.
- 1.07 Under the requirements of International Standard on Auditing (UK and Ireland) (‘ISA’) 260: *“Communication of audit matters to those charged with governance”*, we are required to communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of an entity.
- 1.08 This Annual Report to Members, together with previous reports to the Audit Committee throughout the year, discharges the requirements of ISA 260.
- 1.09 We would like to thank all NHS Lanarkshire managers and staff for their assistance throughout the audit process

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27th June 2008

2. Executive Commentary

The Audit Process and Accounting Issues

- 2.01 The financial statements and supporting schedules were presented to us for audit within the agreed timetable. The quality of working papers provided and internal review process undertaken by management were of a good standard.
- 2.02 We are required to report any unadjusted errors to those charged with governance. A number of adjustments were processed by management and are reflected in the final set of Annual Accounts. However, a number of significant adjustments were not processed and have therefore been included in the Schedule of Unadjusted Differences outlined at paragraph 3.25 below.

Our Audit Opinion

- 2.03 Our audit opinion concerns both the true and fair statement of NHS Lanarkshire's ("the Board's") financial results for the year ended 31 March 2008 (2007/08) and the regularity of its income and expenditure in the year.
- 2.04 We are pleased to report that our opinion on the true and fair view on the financial statements is unqualified.
- 2.05 Our regularity opinion on income and expenditure is also unqualified.
- 2.06 We also provide a view as to whether those parts of the Remuneration Report subject to audit have been properly prepared. Our opinion on the Remuneration Report is unqualified. Our audit opinion does not extend to any other part of the Directors' Report.

Governance Arrangements

- 2.07 A summary of the work we have performed in the year in relation to the Board's Governance Arrangements was set out in our 2007/08 Interim Management Letter. The Board has in place sound arrangements developed over a number of years.

Business Risk Areas

- 2.08 The Board faces a number of particular business challenges over the next few years particular relating to service sustainability and financial management.
- 2.09 Many of these challenges come from the decision by the Cabinet Secretary for Health and Wellbeing that Emergency Services must continue to be provided on 3 sites, altering the approved and costed "*Picture of Health*" Strategy and creating funding and workforce challenges.
- 2.10 This programme will also include substantial investment in the infrastructure of Monklands Hospital, and the operational complexity and risk of upgrading a hospital without adversely affecting the patient experience is significant.
- 2.11 In addition, a traditionally low baseline of medical staff, recruitment issues and consultant vacancies will render the staffing and operation of 3 Emergency Services particularly difficult.
- 2.12 The Board will be required to provide this level of service against a backdrop of reducing future allocations, continued pay pressures and the continued requirement to invest in Primary Care, Mental Health and Learning Disabilities Services as identified within *A Picture of Health*.

Financial Performance and Forecast

- 2.13 The Board should be commended for achieving an £11.785 million surplus for the year, compared to the initial predicted surplus of £11.932 million reported in the financial plan at the beginning of the year. This includes £7.961 million of brought forward surplus, resulting in an in-year financial surplus of £3.824 million.
- 2.14 The Board is projecting recurring balance in 2008/09, with a predicted surplus for the financial year of £3.1 million. This is dependent on sound management of recurring and non-recurring income and expenditure and the achievement of a corporate savings programme of £3.1 million as part of an overall efficient government savings target of £15 million.
- 2.15 Continued financial pressures around pay initiatives, prescribing, and an extensive development programme, coupled with projected reduced central allocations and uncertainties over NRAC funding, continue to present a challenging financial environment.

Systems of Internal Control

- 2.16 The Code of Audit Practice requires us to review and report on the Board's Statement on Internal Control. Based on our normal audit procedures, we do not disagree with the disclosures contained within the Statement on Internal Control.
- 2.17 A number of control matters requiring corrective action have been reported previously to Board's Audit Committee. None of these have been classed as high risk.

3. The Audit Process, our Audit Opinion and Accounting Issues

Audit Process

3.01 The financial statements and supporting schedules were presented to us for audit within the agreed timetable. The quality of working papers provided and internal review process undertaken by management were of a good standard and represented an improvement on the previous year. Overall, we believe an efficient audit process was achieved and an effective working relationship exists with your staff.

Preparation and Approval of Financial Statements

3.02 The Financial Statements were prepared in accordance with the accounting requirements contained in the NHS Accounts Manual for the Annual Report and Accounts of Unified NHS Boards, and supplementary guidance, as issued by the Scottish Government Health Department (SGHD) and approved by the Scottish Ministers.

3.03 The Financial Statements were submitted to the Board’s Audit Committee on the 25th June 2008 and approved and adopted at the Board meeting on 25th June 2008.

Our Audit Opinion

3.04 Our audit opinion concerns both the true and fair statement of the Board’s financial results for the year ended 31 March 2008 (2007/08) and the regularity of its income and expenditure in the year.

3.05 We are pleased to report that our opinion is unqualified.

3.06 We also provide a view as to whether those parts of the Remuneration Report subject to audit have been prepared properly. Our opinion on the Remuneration Report is unqualified. Our audit opinion does not extend to any other part of the Directors’ Report.

Key Financial Targets

3.07 The Board achieved its key financial targets for the year, as follows:

Financial Targets	Achievement
Revenue Resource Limit (“RRL”)	The Board spent £810.143 million against its RRL of £821.928 million, resulting in a surplus of £11.785 million.
Capital Resource Limit (“CRL”)	Total capital spend was £17.475 million against a CRL of £17.494 million.
Cash Requirement Target	The Board spend during 2007/08 was £832.913 million equating to the cash requirement target of £832.913 million.

Accounting Issues

3.08 A number of accounting issues were identified during the course of the audit of the financial statements as follows:

New Financial Ledger – Management Information

3.09 Part of the required audit work necessary to enable external auditors to form an opinion on the Annual Accounts involves cut-off testing of income and expenditure at the end of March/beginning of April to ensure it has been accounted for in the correct financial period.

3.10 As outlined below at paragraph 4.12 the Board migrated to the new financial ledger (Cedar version 3A) as part of the Shared Services project on the 16th April 2008. Whilst the changeover was considered a success, management has been unable to utilise the reporting tool Business Objects to produce relevant financial reports for period 1 2008/09.

3.11 Whilst this hindered our cut-off testing, we were able to interrogate the financial ledger by alternative means to form a view on the accounting of year-end income and expenditure.

It is recommended that management continues to work with the IT provider to resolve the issues with Business Objects in order to ensure financial management information can be produced in an appropriate and timely manner.

Recommendation 1

Provisions - Picture Archiving System

3.12 The Board implemented the Picture Archiving System (“PACS”) in 2001. This was delivered via :

- Capital investment at both Hairmyres and Monklands followed by an annual licence payment; and
- Embedding it into the main PFI contract with Siemens at Wishaw General Hospital, through Summit Healthcare.

3.13 NHS Scotland has subsequently signed a national contract to adopt the “National PACS” by late 2008, to be provided by Carestream (formerly Kodak). This contract is projected to result in savings for the Board in comparison to current base costs.

3.14 As previously reported to the Board, the Hairmyres and Monklands contracts can be cancelled with 12 months notice with no financial penalty. However, the position at Wishaw General Hospital is less straightforward, with no direct “exit” clause within the Summit Contract. This is due to the terms being embedded in the Equipment Provision Schedule of the PFI contract.

3.15 Negotiations are currently on-going with a view to minimising the potential compensation payment and a corresponding provision has been included in the 2007/08 Annual Accounts. Management is aware of its obligation to report the position to the Central Legal Office and the Scottish Government Health Directorate.

3.16 This issue has been reported to the Audit Committee and the Board and management considers it the best way forward. However, it is recommended that management is minded to the increasing role of National Procurement, and ensures that future local contracts entered into contain appropriate break-out clauses to minimise financial exposure in the event of changing circumstances.

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Recommendation 2

Sale of Surplus Land – Stonehouse Hospital Site

- 3.17 The Board sold a part of the Stonehouse Hospital site in 2006/07, with sale proceeds of £7.5 million. A non-refundable deposit of £0.85 million was received, to be followed by two equal instalments of £3.25 million.
- 3.18 However, it would appear that despite the signing of missives, management has made a decision to withdraw from the sale due to the protracted and complex nature of the contractor negotiations.
- 3.19 It is our view that an adjustment should have been made in the 2007/08 accounts to reverse the previous accounting treatment of a completed sale. This involves the transfer of the £6.65 million debtor balance back into fixed assets, and reversal of the £250,000 previously agreed gain on sale from the Operating Cost Statement. An adjustment has been included within our Schedule of Unadjusted Differences at paragraph 3.25.

Creditors and Accruals - POP Auto Accrual

- 3.20 The POP auto accrual at 31 March 2008 totalled £15.79 million compared to £8.56 million at the same date in 2006/07. The main reason for the increase is attributable to the large number of capital purchase orders received at the year end (refer to paragraph 5.10).
- 3.21 However, it should also be highlighted that the POP auto accrual balance contains a significant number of received orders that still require an invoice to be matched to them, many for minor amounts and which relate to prior years.

Whilst appreciating the significant staff resource required for this task, it is recommended aged and minor POP accruals be identified and removed from the system to ensure an accurate representation of the organisation's liabilities. This exercise is likely to have the effect of releasing a credit balance to the OCS.

Recommendation 3

Misstatements and Significant Audit Adjustments

- 3.22 Misstatements represent audit findings for which we do not agree with the amount, classification, presentation or disclosure of items in the financial statements.
- 3.23 In conducting our audit procedures, we may identify misstatements that require adjustments to the recorded amounts. These audit adjustments are discussed with management who, in consultation with us, determine if an adjustment should be processed. Our expectation is that all non trivial misstatements are adjusted.
- 3.24 As a result of our work, we proposed a number of audit adjustments and the large majority of these have been processed by management in the finalised version of the 2007/08 financial statements.
- 3.25 However, a number of other misstatements remain unadjusted. These have been outlined in detail in **Appendix 3** and summarised in the table below :

Description	Proposed Adjustment (£'m)
Provision relating to contract with private provider for orthopaedic procedures	2.000
Provision relating to HPV Vaccine programme (18-25 age group)	0.781
Reversal of gain on sale for Stonehouse Hospital	0.250
Injury benefit provision	(0.528)
Pensions provision	(2.015)
Fixed asset depreciation	0.200
Bad debt provision	(0.175)
FHS notional rates charge	0
Unadjusted amount	0.513

3.26 We would normally expect management to process adjustments of this nature. However, in this instance, management has decided not to do so. Processing the adjustments would have had the effect of increasing the annual surplus. We do not believe that the failure to process these adjustments materially impacts upon the true and fair view of the financial statements.

3.27 Management has provided explanations in the Letter of Representation as to the reasons why these adjustments were not processed.

4. Governance and Business Risk Areas

Introduction

4.01 We comment on the following areas throughout this section of the report:

- Overall governance
- Financial management
- Service development and sustainability
- People management
- Performance management
- Risk management
- Clinical governance
- Partnership working
- Information management

4.02 We have reported in greater detail on a number of these areas in our Interim Management Letter for 2007/08 submitted to the March 2008 Audit Committee.

Overall Governance Arrangements

4.03 The Board has established its Board and Committee structures over a number of years. The overall oversight function is delivered through the following Committees:

- Health & Clinical Governance
- Audit
- Staff Governance
- Remuneration Sub
- Ethics
- Equality, Diversity and Spirituality
- Endowments

4.04 The Board is also supported by the Corporate Management Team, consisting of all Executive Directors, which meets every Monday informally and every second Thursday formally.

- 4.05 Whilst constantly under review, the current structure sets the correct tone at the top of the organisation, capturing and reporting key activities and progress to Executives and non-Executives alike.
- 4.06 The key areas of this governance framework, and a summary of developments in the year under review, have been outlined in the paragraphs below.

Financial Management

Budget Setting and Monitoring

- 4.07 Each year the budget setting process is preceded by the development of the Local Delivery Plan (the LDP). The LDP process considers proposed services and developments for the forthcoming year together with the associated cost. From this, budgets are established through an iterative process driven by the resource constraints. Several rounds of discussions involving Directors and Heads of Department precede the Director of Finance drafting the financial plan for the organisation as a whole.
- 4.08 The financial position is monitored by the Board throughout the year, with a detailed financial report presented at each monthly Board meeting. This report incorporates information on performance against budget, potential savings plans and areas of perceived financial risk. There is additional financial scrutiny at divisional level through the Operating Management Committees established for the Acute Division and the two Community Health Partnerships.
- 4.09 The Capital Investment Group, which meets monthly and is chaired by the Director of Finance, is charged with developing and managing relevant business cases for capital investment.
- 4.10 The achievement of a second in-year financial surplus and an approved five-year financial plan indicates a sound process of financial management. However, challenges remain around the funding of investments within the current envelope and the identification and achievement of recurring savings targets. These challenges are discussed further in **Sections 5 and 6** of this report.

Shared Services

- 4.11 As part of the establishment of a shared support service (financial services and payroll) for NHS Scotland, The Board chose to be part of the Consortium pathfinder project led by NHS Ayrshire and Arran. This involved the upgrade of The Board's financial systems to Cedar version 3A.
- 4.12 Migration took place on 16th April 2008 and involved a large commitment of staff resource. Some initial problems were encountered with data transfer resulting in delays in payments and printing cheques, but these issues have now been resolved. However issues remain in that the Business Objects financial reporting tool still cannot be properly utilised for the production of management information (refer to paragraph 3.10).
- 4.13 Management considers the Consortium to have been a success, with good working relationships and valued contributions from all participating Boards. The Consortium continues to meet and the performance of the new system remains closely monitored with a planned post implementation review in the pipeline.

Service Development and Sustainability

- 4.14 During 2007/08, the Cabinet Secretary for Health and Wellbeing ("the Cabinet Secretary") overturned The Board's decision to close Accident and Emergency (A&E) services at Monklands General Hospital.
- 4.15 As a result, the Board was invited to review the provision of A&E services and submit a range of alternative scenarios to an Independent Scrutiny Panel. Following the completion of this review, a decision was made by the Board on 30 January 2008 to retain A&E services at Monklands Hospital. This was subsequently accepted and agreed by the Cabinet Secretary in February 2008.

4.16 However, the Board has identified key challenges in maintaining Emergency Services on 3 sites as follows :

- Additional costs, particularly in terms of the substantial investment required in the infrastructure of Monklands Hospital, and the need to balance this investment with the Board's strategy to invest in a significant approved programme of capital investment in Primary Care and Mental Health.
- The operational complexity and risk of upgrading a hospital without adversely affecting the patient experience.
- Recruiting and retaining an appropriate medical workforce, particularly against a traditional low baseline in numbers of medical staff, the introduction of Modernising Medical Careers and high consultant vacancies (refer to paragraph 4.26 regarding vacancies).

4.17 In order to manage certain of these challenges the Board has appointed technical advisors and an Investment Plan is under development for Monklands Hospital identifying year on year investment, structured to ensure that the building not only remains safe and functional, but the investment is aligned to the clinical requirements of the site and is affordable.

4.18 In terms of the original Picture of Health investment priorities, the Capital Plan 2008/09 to 2012/13 outlined the continued commitment to invest in Primary Care, with specific developments, such as Airdrie Resource Centre and Coatbridge Dental and Integrated Resource Centre.

4.19 In terms of the issues regarding workforce requirements, a plan in relation to the retention of 3 Emergency Care sites in Lanarkshire is under development and will form part of the further iteration of the Workforce Plan to be considered by the NHS Board in late Summer 2008.

People Management

Governance Structure

4.20 The Staff Governance Committee established by the Board reports quarterly and has an important role in ensuring consistency of policy and equality of treatment of staff across the Board.

4.21 The remit of the Committee includes the requirement to advise the Board on its responsibility, accountability and performance against the NHS Scotland Staff Governance Standard, addressing the issues of policy, targets and organisational effectiveness. Key projects being driven by the Committee include monitoring progress on Agenda for Change, KSF implementation and managing sickness absence.

Agenda for Change and the Knowledge and Skills Framework

4.22 With regards to Agenda for Change, the Board has now assimilated almost all staff. However, the payroll department continues to work on the level of back pay entitlement, with an accrual of approximately £15 million remaining in the 2007/08 Annual Accounts.

4.23 In addition, there are currently approximately 700 grouped reviews pending covering 2,600 employees, a process expected for completion by March 2009. To reflect the expected outcome of these appeals, an additional £4 million has been accrued within the 2007/08 Annual Accounts.

4.24 The Board has agreed appraisal and performance standards for the Knowledge and Skills Framework. E-KSF training has commenced using internal resources to ensure that 348 managers will be trained in the use of the e-KSF.

4.25 The Board is confident it will meet the deadline of 100% of staff having Personal Development Plans by the deadline of March 2009.

Staff Vacancies

- 4.26 Recruitment of medical staff remains an issue for the Board. It already has a low baseline in its number of medical staff, which includes the highest vacancy rate for Senior Medical Staff in Scotland at 14% compared to 7% for Scotland.
- 4.27 Despite extensive recruitment campaigns, NHS Lanarkshire had 43 consultant vacancies at March 2008 which it has been unable to fill on a substantive basis for a number of years. In addition, the Board also has a growing risk in relation to retirements, with nearly 10% of the consultant workforce, as of November 2007, aged 60 or over, and 33% in the 50 – 59 age group.
- 4.28 Given this issue, and the need to staff 3 A&E sites, workforce planning remains a significant risk for the Board.

Modernising Medical Careers

- 4.29 Following the closure of Round 1 Scottish Recruitment for MMC, 1,128 junior medical posts were successfully recruited within Scotland. However, a total of 196 vacancies remain. Within NHS Lanarkshire, the final vacancy numbers and specialties affected have yet to be established, but management is aware of local vacancies within A&E, General Medicine (including CMT), General Surgery, Urology, Ophthalmology and Orthopaedics.
- 4.30 Management acknowledges the need to establish exactly where vacancies exist within NHS Lanarkshire. A steering group meeting was held in late May 2008 at which a contingency plan was established for those specialties which are experiencing recruitment difficulties or which have skill mix issues.
- 4.31 In addition, management is continuing to work with the West of Scotland Regional Workforce Group to ensure a consistent approach to recruitment and to the development of sustainable workforce solutions.

Given the challenges of staffing Emergency Services on 3 sites, together with the uncertainty of the impact of MMC, the Board should finalise a costed Workforce Plan, with clear implementation actions, responsible officers and timelines.

Recommendation 4

Equal Pay

- 4.32 Article 141 of the Treaty of Rome requires member states to ensure and maintain “the application of the principle that men and women should receive equal pay for equal work”. This was taken forward by the Equal Pay Directive which made it clear that all such discrimination should be eliminated from all aspects of remuneration. In the UK the Equal Pay Act 1970 is seen as fulfilling Britain’s obligations in relation to equal pay.
- 4.33 The National Health Service in Scotland has received a number of claims for equal pay in which additional back pay is sought, arising from the requirement for equal pay. The NHS Central Legal Office (CLO) is instructed by the Management Steering Group of the NHSScotland and co-ordinates the legal response of NHSScotland to this issue.
- 4.34 For 2006/07, we accepted that no estimate of the potential liability for these claims could be identified because of the stage of development and as a result of the inclusion of a contingent liability within the Board’s financial statements. Within our 2006/07 Annual Report to Members we strongly encouraged the Board management, working with the Scottish Government Health Directorates and other NHS Boards, to resolve this matter in advance of compilation of the 2007/08 financial statements.

- 4.35 As at 31 March 2008, NHS bodies had received over 12,000 claims and these had been passed to the Central Legal Office. It is possible that these claims represent a current liability for NHS boards generally. By the end of May 2008 there were approximately 1,000 grievances but no employment tribunal claims registered against the Board.
- 4.36 The CLO has co-ordinated the legal response to all claims and has attended Tribunal Hearings at which discussion about procedural matters has taken place. The CLO affirms that the cases in Scotland are at too early a stage to allow any assessment of financial risk to be included in the financial statements.
- 4.37 A number of issues contribute to this uncertainty, including:
- Certain recent applications incorporate a challenge 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.
- 4.38 Claimants also seek to identify whether or not the Scottish Government or Health Boards is/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. We note the CLO's current view of the stage the cases have reached but strongly encourage 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.

Management, working with the Scottish Government Health Directorates and other NHS Boards, should form a view of the potential liabilities regarding equal pay claims as soon as practicable taking into account the progress of cases in Scotland and in England.

Recommendation 5

Performance Management

Governance Structure

- 4.39 The Board's Local Delivery Plan 2008/09 to 2010/11, agreed by the Board and submitted to the SGHD, sets out levels of performance expected against each of the recognised NHS Scotland HEAT targets. Progress against these targets is reported as a standing agenda item at each Board meeting.

Waiting Times

- 4.40 In line with other Boards, the Board has an obligation to meet current Ministerial waiting times targets and performance against these targets is regularly reported to the Board. In terms of achievement for 2007/08, the majority of targets were being delivered with a marked improvement in cancer waiting times (95% compliance against the 62 day referral to treatment). However, there were exceptions in the four hour wait at Accident and Emergency (one per cent below the national target level), the hip fracture target (two patients not being treated within the guarantee period) and delayed discharges.
- 4.41 In addition, in common with all other Scottish NHS Boards, the difficulties in collating and presenting accurate data under New Ways continues to impact on the reporting of in-patients, day cases and outpatients. The Board reported that four patients exceeded the 18 week maximum wait for outpatients at 31 March 2008.

- 4.42 Whilst the monitoring and reporting of waiting times information is sufficiently robust, management faces particular challenges achieving the 2008/09 targets. Discussions are on-going with the SGHD to secure additional funding and management continues to develop programmes and initiatives towards achievement such as signing a contract with a private healthcare provider for additional orthopaedic episodes.

Management should continue discussions with the SGHD to secure additional funding and continue to develop programmes and initiatives towards the achievement of waiting time targets.

Recommendation 6

Sickness Absence

- 4.43 Another key performance target is the NHS wide sickness absence target of 4% by 31 March 2009.
- 4.44 Despite running a programme to control sickness absence for a number of years, the challenge to reach a sickness absence figure of 4% by April 2009 continues to test the Board's management and staff. Sickness rates have not reduced at the rate anticipated previously, and the impact of increased sick pay under Agenda for Change continues.
- 4.45 The Board has established a Sickness Absence Project Group which is overseeing the sickness absence management project, the key themes of which focus on the employee counselling service and the Healthy Working Lives Initiative.

The Sickness Absence Project Group should consult further with the SGHD to gauge best practice from across the Public Sector, with a view to developing an action plan assess the reduction of sickness levels.

Recommendation 7

Risk Management

- 4.46 The Board manages strategic risk on a consolidated basis across the organisation through the work of the Corporate Risk Manager and the Risk Management Steering Group. The Steering Group has compiled a high level corporate risk register which has been monitored and reviewed throughout the year and overseen by the Risk Management Steering Group.
- 4.47 The register identifies high level risks for the Board including sustaining the workforce, recruitment and the sustainability of clinical services. This enables the Board to focus on key prioritised risks and corresponding controls and to identify subsequent actions where required. A separate risk register also exists in relation to the Picture of Health Project.
- 4.48 In the current financial year, the Strategic Risk Register was transferred from paper format to the electronic DATIX system and is currently managed by the Risk Manager on behalf of the lead Executive Directors.
- 4.49 Three separate operational risk registers have also been developed for the Acute Division and the two CHPs. Each of the three divisions is responsible for managing its risk register at a local level. However, the progress made by each division in developing and maintaining these registers is variable, although introducing consistency to the process is part of the 2008/09 risk management workplan for continuous development of the use of electronic systems.

Clinical Governance

- 4.50 The Health and Clinical Governance Committee oversees strategy and delivery and meets at least four times each year. The Health and Clinical Governance Steering Group manages the day to day aspects of clinical governance.
- 4.51 The NHS QIS Peer Review report of January 2007 returned a score of 6, whilst trajectory scoring for 2007/08 was set at 7. The Board has recently created a new post – the Head of Clinical Governance and Risk – with responsibility for ensuring that appropriate clinical governance support is provided towards achievement of this target.
- 4.52 The Board planned to use the outcome of the Peer Review to inform an action plan to be implemented by the Health and Clinical Governance Steering Group. At the time of this report, the action plan was still under development.
- 4.53 The Board was also recently subject to an HMiE Inspection of Child Protection Services. A verbal report was due to be delivered to the multiagency North and South Lanarkshire Chief Officer's Group in June 2008, with a full written report to follow in September 2008.

An action plan addressing the issue raised by the NHSQIS Review should be developed and implemented as a matter of priority.

Recommendation 8

Partnership Working

- 4.54 The Board established two Community Health Partnerships (CHPs) which mirror the boundaries of both North and South Lanarkshire Councils but include elements of NHS Glasgow and Clyde's boundary. To ensure links with NHS Greater Glasgow and Clyde a Non-Executive Director from NHS Greater Glasgow and Clyde sits on the CHP Operating Management Committees for both North and South CHPs.
- 4.55 With regard to budgeting, the Directors of each CHP have full devolved responsibility over their budgets and are both full Members of the NHS Board.
- 4.56 Recent developments include an Integrated Substance Misuse service with South Lanarkshire Council leading to the development of an integrated budget for this service.
- 4.57 Cost Pressures identified for 2008/09 include the additional costs (above allocated funding) for administering the national HPV Vaccine programme and the introduction and promotion of health MOTs in the community resulting in an increasing number of people visiting a GP and corresponding prescription charges.

Information Management

- 4.58 A new information management governance structure has been developed in 2007/08 with an e-health Executive Board, supported by an e-health clinical delivery group, reporting regularly to the Health and Clinical Governance Committee. An Information Governance Committee (IGC) was also established during 2007/08.
- 4.59 The IGC has considered Data Protection and is currently reviewing data security policies and procedures. Efforts have been made to raise awareness of information security throughout the Board and address weaknesses, with projects such as the encryption of laptops, the removal of information from desktops and the use of weekly bulletins to communicate information security best practice.
- 4.60 IM&T management acknowledges that they are in the early stages of Disaster Recovery planning and work remains to address potential weaknesses in this regard.

4.61 The Board has prepared an overall Business Continuity Plan which outlines the high level steps and processes to be implemented during an incident. However, detailed departmental plans also need to be developed to ensure that continuity of key business processes is maintained during an incident or disaster.

A detailed action plan to address all areas of Disaster Recovery Planning should be drafted, approved and implemented with clear lines of responsibility and timescales.

Recommendation 9

5. Financial Targets and Performance 2007/08

Revenue Out-turn

- 5.01 The actual out-turn for the year was a surplus of £11.785 million. This includes a carried forward surplus of £7.961 million, meaning expenditure incurred during the year was £3.824 below the in year allocation.
- 5.02 It is emphasised that we do not express a specific audit opinion on the figures on the following pages – these have been extracted in agreement with management from various reports, supporting papers and detailed discussions with management.

The Board's Reported Financial Out-turn for 2007/08.

	£'m	£'m
	Actual	Actual
Recurring income	778.9	
Recurring expenditure (before savings)	(776.9)	
Recurring savings	<u>3.3</u>	
Underlying recurring surplus		5.3
Non-recurring income	152.4	
Non-recurring expenditure (before savings)	(155.5)	
Non-recurring savings	<u>1.6</u>	
Non-recurring deficit		<u>(1.5)</u>
Financial surplus for the year		<u>3.8</u>
Figures confirmed by Susan Goldsmith NHS Board Director of Finance		

- 5.03 The following table shows the significant movements between the Board's original budget and the actual in-year surplus.

Actual Out-turn versus Original Plan

	£m	£m
Projected Surplus (1 April 2007)		4.0
Costs (over) /under budget:		
Financial Plan Underspends (refer to paragraph 5.04)	4.1	
Divisional Performance (including prescribing) (refer to paragraph 5.05)	9.2	
Resource Transfer (refer to paragraph 5.06)	2.1	
SLAs / Independent Sector (refer to paragraph 5.07)	(1.5)	
Non Recurring Items beyond Financial Plan (refer to paragraph 5.08)	(8.0)	
CMT Approved Schemes (refer to paragraph 5.09)	(5.0)	
Estates Issues Acute, North & South CHPs (refer to paragraph 5.10)	(5.3)	
		(4.4)
Savings over / (under) budget:		
Recurring Savings Target (refer to paragraph 5.11)	0.3	
Non - Recurring Savings Target (refer to paragraph 5.11)	(2.0)	
		(1.7)
Technical Accounting over / (under) budget		
Release of Budget Reserves (refer to paragraph 5.12)	3.9	
Accruals and Provisions (refer to paragraph 5.13)	5.1	
Acute CCNs write back	(1.0)	
Miscellaneous	(2.1)	
		5.9
Actual surplus reported (31 March 2008)		<u>3.8</u>

Costs over budget of £4.7 million

Financial Plan Slippage - underspend of £4.1 million

- 5.04 The initial financial plan contained amounts for initiatives and approved investments where costs have been lower than anticipated or there have been delays in completion. Key areas include lower than expected demand for high cost / low volume drugs and treatments, delays in regional developments such as the medium secure unit at Rowanbank, Glasgow and a range of local initiatives.

Divisional Performance – underspend of £9.2 million

- 5.05 This underspend is attributable to vacancy management across Mental Health and Primary Care, equating to £5.5 million. In addition, national savings in drug prices, principally from Category M drugs, have resulted in an approximate underspend for NHS Lanarkshire of £4 million.

Resource Transfer – underspend of £2.1 million

- 5.06 Underspends have arisen primarily due to the delay in closing Kirklands Hospital and the subsequent delay in budgeted resource transfer payments.

SLAs / Independent Sector - overspend of £1.5 million

- 5.07 Additional expenditure has been incurred with NHS Lothian during the year in relation to changes in activity levels and the use of national tariffs. In addition, the requirement to use the independent sector for forensic medicine services for a small number of patients has created an unforeseen cost pressure of £0.40 million.

Non Recurring Items beyond Financial Plan – overspend of £8.0 million

- 5.08 This overspend category includes unforeseen items omitted from the initial financial plan, the majority of which appear as provisions in the Annual Accounts. Key areas are the obligation to provide the national HPV Vaccine programme, compensation for the exit of the PACS contract at Wishaw General Hospital and planned improvements to car-parking at Wishaw General Hospital.

CMT Approved Schemes – overspend of £5.0 million

- 5.09 A number of priority proposals were approved in the mid year review, including early retirements and waiting times initiatives.

Estates Issues Acute, North & South CHPs – overspend of £5.3 million

- 5.10 A major programme of general refurbishment and maintenance has been prioritised across Primary Care premises, Monklands and the retained estate at Hairmyres. It includes investment in the patient environment and Health and Safety. A programme totalling £9.0 million was approved and in total, £5.0million of investment has been achievable in 2007/08 with the balance to be delivered early in 2008/09.

Savings below budget by £1.7 million

- 5.11 The 2007/08 financial plan included a CRES target of £3.0 million recurring and £2.0 million non-recurring. Whilst a total of £3.3 million was achieved recurrently, management made the decision that the projected surplus position rendered this non-recurring savings target unnecessary.

Technical Accounting over budget by £5.9 million

Release of Budget Reserves – release of £3.9 million

- 5.12 As part of the 2007/08 Budget Planning Process, £3.9 million was top-sliced from budgets and held in reserve to cover potential pressures mainly from Chemotherapy and Cancer Drugs and Children's Services. A decision was taken following the mid-year review exercise (October 2007) that these amounts were not all required and were therefore released to the overall surplus.

Accruals and Provisions – release of £5.1 million

- 5.13 A review was conducted of brought forward accruals and provisions, resulting in the write off of amounts unlikely to materialise, predominantly FHS prescribing (£2.9 million), Sexual Health and Family Planning (£0.8 million) and the Dental Action Plan (£0.4 million).

5.14 The following table outlines the capital spend in 2007/08.

Capital Expenditure Out-turn

Capital Expenditure 2007/08	£'m
Capital expenditure in year	15.79
Capital Grants given	<u>2.4</u>
	18.2
Capital Receipts	(0.7)
Capital Grants received	<u>0</u>
Capital Resource Limit out-turn	<u>17.48</u>
Capital Resource Limit	<u>17.49</u>

Capital Expenditure

5.15 Capital expenditure of £17.48 million has been incurred against the net capital allocation of £17.49 million, with £19.516 million having been 'banked' with SGHD for reinstatement in future years. Management does not expect the level of capital underspend of recent years to continue, with work on a number of major projects due to commence.

5.16 Details of the areas of actual expenditure are set out in the table below –

Description	2007/08 Spend £m
Primary Care – Bellshill Resource Centre	1.5
– Coatbridge Dental Resource Centre	0.5
Medical equipment / diagnostic and cancer waiting times	7.1
IM&T	3.9
Capital Grants (refer to paragraph 5.17 below)	2.4

5.17 The following table outlines capital grants provided by NHS Lanarkshire in 2007/08.

Capital Grants Given

Description	2007/08 Spend £m
Learning Disability Housing	1.2
Decontamination – Dental and Ophthalmic Practices	0.7
Maggie's Centre	0.5
Total	2.4

5.18 The Capital Grants made in the year can be summarised as follows :

- Learning Disability Housing - a grant to South Lanarkshire Council to cover the remaining Learning Disabilities patients remaining in Kirklands Hospital. This grant will cover the non recurring start up costs for the continuation of care beds.
- Decontamination – this was ring-fenced monies to enable independent contractors to install local decontamination units within surgeries. The funding is for the purchase of relevant equipment.
- Maggie's Centre – this money represents NHS Lanarkshire's contribution to the new cancer centre based at Monklands Hospital.

Summary of Financial Performance

5.19 The Board should be commended for achieving an in-year surplus of £3.824 million for the year to 31 March 2008, particularly considering the main financial challenges of uncertainty and rising costs of the Picture of Health programme and pay costs.

5.20 However, a number of non-recurring sources have contributed to this surplus position, particularly prescribing savings and the underspends / slippage in certain projects and initiatives. This, together with underachievement of savings targets, uncertainty over NRAC, and reduced central allocation going forward, continue to present a challenging financial environment which will require the same level of robust management, monitoring and action as 2007/08.

Management should continue to review, monitor, report and action financial sustainability throughout the coming year to ensure the strategic objectives of the organisation remain achievable.

Recommendation 10

6. Financial Forecast 2008/09

Forecast for 2008/09

6.01 The table below identifies that after savings the Board plans to return a surplus of £3.1 million.

	£'m Forecast	£'m Forecast
Recurring income	803.1	
Recurring expenditure (before savings)	(802.4)	
Recurring savings	<u>3.0</u>	
Underlying recurring surplus		3.7
Non-recurring income	137.2	
Non-recurring expenditure (before savings)	(137.8)	
Non-recurring savings	<u>0</u>	
Non-recurring deficit		<u>(0.6)</u>
Financial surplus forecast for the year		<u>3.1</u>
Figures confirmed by Susan Goldsmith NHS Board Director of Finance		

6.02 A number of factors have been incorporated into these figures as follows.

Income – SGHD Uplift

6.03 All mainland NHS Boards across Scotland have received a standard uplift of 3.15% for 2008/09. As the Board is currently below the Arbutnott and NRAC targets, a further 0.37% has been allocated in recognition of the move toward parity and the appropriate target share of the NHS Scotland budget. This equates to £25.8 million additional resources in 2008/09.

Cost Pressures and Risks

6.04 The Board has identified a number of financial risks and investment areas, which have been reflected into the forecast financial position.

Pay issues - Additional £14 million in 2008/09

6.05 A net pay increase of 3% has been assumed to cover both pay awards and the ongoing impact of Agenda for Change. The impact of incremental drift and the unsocial hours agreement will require to be managed within these resources.

Drugs - Additional £8.0 million in 2008/09

- 6.06 Based on current spending trends and the anticipated costs of new drugs across both primary and secondary care, a total of £8.4 million has been set aside for further investment in hospital and GP prescribing. These figures represent 3.3% uplift on GP prescribing and an 18.16% uplift on hospital drugs (including primary care hospital expenditure).

National / Regional Priorities - Additional £7.5 million in 2008/09

- 6.07 A number of areas have been identified as requiring additional funding, in line with national priorities and achievement of targets in the LDP, such as Cancer Services (£1.4 million), the HPV Vaccine Programme (£1.9 million) and waiting times initiatives (£3 million).

CRES

- 6.08 Delivery of a CRES target across the organisation is a key component in achieving the projected surplus and delivering planned investments. A recurring target of £3.0 million has been established for 2008/09 representing 0.75% of total budgets.

Efficient Government

- 6.09 In addition to the need to make recurring savings to support the overall affordability of the financial plan, the SGHD has set a national efficiency target of 2%. For the Board, this equates to £15 million for 2008/09.
- 6.10 Initial work to identify savings which meet the Scottish Government's criteria for efficiency has been undertaken and a number of areas have already been identified such as savings through prescribing (£5.0 million), capital receipts (£2.0 million) and resource transfer delays (£2.2million).

Management should ensure that recurring savings targets are identified and met for 2008/09 and beyond to ensure the current financial improvement continues.

Recommendation 11

Projected Capital Expenditure

- 6.11 The Board has been allocated baseline capital funding of £29.495 million for 2008/09, with a further £3.034 million ring fenced for Medical Equipment. The under spend in 2007/08 (refer to paragraph 5.15) will not be utilised in 2008/09, but carried forward to 2009/10 to meet the investment planned for that period.
- 6.12 During 2008/09, investment is planned on a number of specific developments such as Airdrie Resource Centre and Coatbridge Dental and Integrated Resource Centre, as well as the anticipated completion of the Bellshill Resource Centre. In addition, the plan sets out more general investment in Medical Equipment, IM&T and car parking at Law House.

6.13 Key areas planned capital expenditure have been summarised in the table below:-

Description	2008/09 Projected Spend £m
Primary Care – Airdrie Resource Centre – Coatbridge Dental Resource Centre – Carluke Resource Centre – Bellshill Resource Centre – Beckford Lodge Relocation	5.0 5.5 2.5 3.3 5.0
Mental Health – Adults Complex Needs Wards – Coathill - Adults Complex Needs – Caird House	1.0 1.3
Medical equipment	3.0
IM&T	1.5

7. Systems of Internal Control

Statement on Internal Control

- 7.01 The Code of Audit Practice requires us to review and report on the Board’s Statement on Internal Control.
- 7.02 The Board has used the correct format for its Statement and has outlined the processes it has employed to identify and evaluate risks. In addition, key elements of the Board’s control framework have been highlighted.
- 7.03 Based on our normal audit procedures, we do not disagree with the disclosures contained in the Statement.

Follow Up Report on control matters raised for action in previous years

- 7.04 We followed up the Board’s progress in implementing previous external audit recommendations. Our Follow Up Report was discussed at the March 2008 Audit Committee meeting.
- 7.05 Of the 73 agreed recommendations made in the reports issued in 2006/07 progress is as follows:

Status	Total
Action implemented	30
Action in progress	23
Little action to date	12
Not yet due for implementation	5
No longer applicable	3
Total Recommendations	73

- 7.06 Overall, the Board has fully implemented 30 recommendations from the reports issued in 2006/07 and taken some action on 23 recommendations made. This represents a commitment to improving the standards of internal control within the Board.
- 7.07 However, it should be highlighted that 12 of the recommendations are classed as “Little action to date”. Whilst none of these actions have been classed as “high risk”, however, many relate to key systems of internal control and management should consider the action plan within this report to decide a method of implementation for each of these issues.

Interim Management Letter 2007/08

- 7.08 Our Interim Management Letter was presented to the March 2008 Audit Committee. The report contained a number of recommendations to improve controls, none of which were graded as higher risk.
- 7.09 The Board has completed an action plan detailing those individuals responsible for implementing our recommendations and the timetable for completion. We will follow up this action plan during our 2008/09 audit.

Control Weaknesses identified

- 7.10 A number of other control weaknesses were identified during the course of the final audit. These were minor in nature and will be reported in a Final Management Letter submitted to the Director of Finance. An action plan has been agreed and progress will be monitored as part of the 2008/09 audit process.

National Fraud Initiative (NFI)

- 7.11 We submitted a return to Audit Scotland in February 2008, providing information on the Board arrangements for the management of its 2006/07 NFI project. We concluded that the Board appeared to have established satisfactory systems to fulfil the requirements of the 2006/07 NFI exercise.
- 7.12 As outlined in CEL 18 (2007) the Scottish Government Health Directorate supports Audit Scotland's proposal that NHS bodies should continue to participate in NFI.
- 7.13 The 2008/09 exercise will commence on 6 October 2008 with payroll being the only mandatory dataset for submission by health bodies; however health bodies may also take the opportunity to submit trade creditors' payment history information for comparison.

Fraud Strategy and Submission

- 7.14 CEL 3(2008) informed Boards of the need for an updated strategy to combat NHS fraud and set out specific action in relation to the strategy.
- 7.15 NHS Lanarkshire has a Policy and Strategy for dealing with Fraud, which was implemented through Partnership arrangements (Area Partnership Forum, Counter Fraud Services etc) and specific reviews by Internal Audit.
- 7.16 Following a presentation in March 2008 to the Audit Committee by Counter Fraud Services covering CEL 3 (2008), the Director of Finance has undertaken the responsibility to assess initiatives and progress with the Strategy.
- 7.17 This was reported to the June 2008 Audit Committee, together with a wider consideration of the Fraud and Whistleblowing Strategies.
- 7.18 A return has been made to Audit Scotland of the reported frauds that have occurred within the Board during the year. The return was a "nil return".

Performance Management – Use of Resources

- 7.19 Audit Scotland is piloting a *Financial management - use of resources* toolkit in all NHS clients in 2007/08. The toolkit covers five key themes of high quality effective financial management: financial governance and leadership, financial & service planning, financial monitoring and control, financial reporting and finance for decision making.
- 7.20 We are currently gathering evidence to form a view on the various elements of financial management and will report our findings in a separate report at the end of July 2008 following Audit Scotland's moderation process.
- 7.21 However, our preliminary findings indicate that finances are tightly controlled, robust budgetary control procedures are in place and budget holders are held to account for services delivered within allocated resources.

8. Other Matters

A&E Services Review – Project Assurance

- 8.01 As outlined above at paragraph 4.14, the Cabinet Secretary overturned NHS Lanarkshire's decision to close A&E services at Monklands General Hospital. As a result, the Board was invited to review the provision of A&E services and submit a range of alternative scenarios to an Independent Scrutiny Panel.
- 8.02 PricewaterhouseCoopers was engaged by the Board to provide independent project assurance commentary in relation to the Board's project management arrangements concerning this A&E Review.
- 8.03 Our assurance commentary related to the processes and approaches adopted by the Board, as opposed to the outputs produced and submitted. Our principal role was to provide commentary in terms of:
- The establishment and operation of project management arrangements;
 - The application of Green Book principles to the option appraisal process; and
 - The reporting and decision-making process.
- 8.04 Throughout the project we provided feedback and commentary (both written and verbal) to management in respect of the processes and procedures being applied and issues arising. We issued a final report to the Board, representing the final output of our work, in January 2008.
- 8.05 Our conclusions in each of these areas can be summarised as follows:-
- *Project management arrangements* - our initial review of the project management arrangements identified only minor areas for improvement, all of which were taken on board and appropriate changes made. Our overall conclusion was that the project management arrangements implemented were good given the time constraints relating to the project.
 - *Option appraisal process* – the Board largely followed the key principles of the Green Book in undertaking its option appraisal process.
 - *Reporting and decision-making* – the Board and other the Board officers were kept advised of developments through a number of meetings, seminars and workshops. In particular, informal seminars were a useful way in which feedback was received on the submissions to the ISP and as a means for open and constructive debate.
- 8.06 We also highlighted in our report that the process involved input from a significant number of people from throughout the Board and a significant volume of information and documents were produced. We commended staff for the effort and commitment in pulling together these documents, within such tight timescales, especially as the original, very tight timetable, was achieved.
- 8.07 Our final report was considered by the Board as part of its decision of the 30 January 2008 to retain A&E services at Monklands.

Car Park Tariffs

- 8.08 An independent review group concluded that parking at NHSScotland hospitals is a service for patients and should be free of charge. However, the group noted that there are some sites where parking charges may be unavoidable and, in these circumstances, Boards should follow the guidance contained in CEL 1 (2008).
- 8.09 The group recommended that a maximum charge should be set following a review of existing car parking schemes. In the interim, Boards should implement a maximum daily charge of £3.00. Where current charges are under £3.00, they should remain unchanged. Boards may wish to introduce a time limit of around four hours to prevent congestion.
- 8.10 Management does not have any plans to implement car-parking charges, although the position is under constant review.

Waste Management

- 8.11 NHS Boards have an obligation to implement Health Facilities Scotland's Waste Management Action Plan 2007. The Board has taken action to address the key themes of the plan, introducing a Recycling Initiative in September 2007.

Management of Controlled Drugs

- 8.12 The Board has appointed the Chief Pharmacist as the accountable officer for the management of controlled drugs following the release of CEL 2007 21 and CEL 2008 8.
- 8.13 This has included additional resources to appoint a controlled drugs governance team, (for which the recruitment process is currently under way), the creation of new Standard Operating Procedures covering the whole controlled drugs process and the development of a database which records controlled drugs incidents.

Appendix 1: Action Plan

Ref	Recommendation	Risk Category	Management Response and Action	Responsible Officer	Date of Implementation
1	<p>The Board migrated to the new financial ledger (Cedar version 3A) as part of the Shared Services project on the 16th April 2008. Whilst the changeover was considered a success, management has been unable to utilise the reporting tool Business Objects to produce relevant financial reports for period 1 2008/09.</p> <p>It is recommended that management continues to work with the IT provider to resolve the issues with Business Objects in order to produce necessary financial management information in an appropriate and timely manner.</p>	Low	Action is underway via the Consortium to resolve the issues with the Business Objects reporting tool. In the meantime, robust financial information continues to be available through the core system.	Financial Controller	Immediate
2	This issue of exiting and compensation from the PACS system at Wishaw General has been reported to the Audit Committee and the Board and management consider it the best way forward. However, it is recommended that management is minded to the increasing role of National Procurement, and ensures that future local contracts entered into contain appropriate break-out clauses to minimise financial exposure in the event of changing circumstances.	Low	Agreed, this will be considered for new local contracts where appropriate and feasible.	Director of Finance	Immediate
3	Whilst appreciating the significant staff resource required for this task, it is recommended aged and minor POP accruals be identified and removed from the system to ensure an accurate representation of the organisation's liabilities. This exercise is likely to have the effect of releasing a credit balance to the OCS.	Low	Agreed, work will commence in July 2008.	Financial Controller	31 December 2008

Ref	Recommendation	Risk Category	Management Response and Action	Responsible Officer	Date of Implementation
4	Given the challenges of staffing Emergency Services on 3 sites, together with the uncertainty of the impact of MMC, the Board should finalise a costed Workforce Plan, with clear implementation actions, responsible officers and timelines.	High	Significant work is underway across all clinical specialites to review and redesign the existing clinical service models. Particular focus is being placed on emergency care and A&E. Integrated workforce planning workshops are underway that will result in fully costed workforce plans emerging in due course. These will set out clear plans, responsible officer and timelines. With specific regard to the immediate issues associated with MMC, outline contingencies are in place, pending the outcome of interviews taking place during June 2008.	Medical Director	Ongoing
5	NHS Lanarkshire management, working with the Scottish Government Health Directorates and other NHS Boards, should form a view of the potential liabilities regarding equal pay claims as soon as practicable taking into account the progress of cases in Scotland and in England.	Medium	The results of the test case are awaited. Following this, an action plan will be taken forward, in light of the direction from the national group for NHS Scotland.	Director of Human Resources	Ongoing

Ref	Recommendation (report paragraph)	Risk Category	Management Response and Action	Responsible Officer	Date of Implementation
6	Management should continue discussions with the SGHD to secure additional funding and continue to develop programmes and initiatives towards the achievement of waiting time targets.	Medium	NHS Lanarkshire continues to meet with SGHD officials regarding funding levels relating to the achievement of waiting times targets. NHS Lanarkshire has now established an Emergency Access Programme Board and an 18 Week Referral to Treatment Programme Board. These have pan Lanarkshire membership and are responsible for the achievement of all relevant waiting times targets for NHSL. Both Boards meet on a monthly basis.	Director of Acute Services	Ongoing
7	The SGHD Sickness Absence target represents a major challenge to NHSL, and current initiatives do not appear to be reducing the target. The Sickness Absence Project Group should consult further with the SGHD to gauge best practice from across the Public Sector, with a view to developing an action plan assess the reduction of sickness levels.	Medium	The Sickness Absence Group is now established within NHS Lanarkshire, with a project plan in place, reflecting best practice. The group includes representation from across the organisation. An early intervention service is being established through the occupational health service.	Director of Human Resources	Ongoing
8	An action plan addressing the issue raised by the NHSQIS Review should be developed and implemented as a matter of priority.	Medium	An action plan will be developed as recommended. This will be done in conjunction with the Head of Clinical Governance and Risk.	Medical Director	Immediate - pending appointment of Head of Clinical Governance and Risk

Ref	Recommendation (report paragraph)	Risk Category	Management Response and Action	Responsible Officer	Date of Implementation
9	<p>IM&T Management acknowledge that they are in the early stages of Disaster Recovery planning and work remains to address potential weaknesses in this regard.</p> <p>A detailed action plan to address all areas of Disaster Recovery Planning should be drafted, approved and implemented with clear lines of responsibility and timescales.</p>	Medium	Disaster Recovery planning is being taken forward in the wider context of Business Continuity Planning. Future investment in Disaster Recovery will be subject to risk assessment in that context.	Director of CHP (South)	Ongoing
10	Management should continue to review, monitor, report and action financial sustainability throughout the coming year to ensure the strategic objectives of the organisation remain achievable.	High	Agreed. Ongoing regular monitoring and review of the non recurring position, in particular, will be maintained. This will be reported through the Acute DMT, CHP Management Teams, Corporate Management Team, and the NHS Board on a regular basis. A formal mid year review will also be undertaken.	Director of Finance	Ongoing
11	Management should ensure that recurring savings targets are identified and met for 2008/09 and beyond to ensure the current financial improvement continues.	Medium	Agreed. The financial plan for the forthcoming five years is dependent on the achievement of significant recurring savings. In addition, we have a challenging efficient government target set in place by SGHD. Ongoing work will continue to ensure robust savings programmes are put in place and are monitoring through the Corporate Management Team and NHS Board, as well as at an operational level across the organisation.	Director of Finance	Ongoing

Appendix 2: Other Reports Submitted During the 2007/08 Audit

Reports submitted by PricewaterhouseCoopers LLP during the 2007/08 audit process

Planning visits

1. Annual Service Plan

Interim Visits

2. Follow up of 2006/07 Audit Recommendations
3. Interim Management Letter 2007/08

Final Accounts Visit

4. Final Management Letter
5. Audit Opinion
6. Annual Report to Board Members

Health Reports finalised by Audit Scotland during 2007/08

1. Managing long-term conditions (16 August 2007)
2. Primary care out-of-hours services (30 August 2007)
3. Health and community care bulletin (11 October 2007)
4. Priorities and Risks Framework: A national planning tool for 2007/08 NHSScotland audits (16 November 2007)
5. Overseas staff in the NHS – pre-employment checks (29 November 2007)
6. Overview of Scotland's health and NHS performance 2006/07 (14 December 2007)
7. A review of free personal and nursing care (1 February 2008)

Appendix 3: Summary of Unadjusted Differences

Ref	Description	Income and Expenditure		Balance Sheet	
		DR	CR	DR	CR
1	<p><u>Injury Benefits Provision</u></p> <p>The Injury Benefits Provision required to be estimated as no information on actual claims, payments etc was provided by NSS to any Health Boards in Scotland.</p> <p>NHSL's methodology resulted in a decrease to the overall provision, which reverses the trend over a number of years.</p> <p>PwC calculated the figure on a more realistic basis using the prior year figures in the financial statements uplifted for inflation.</p>	<p>Injury Benefit Provision Expense</p> <p>£528,500</p>			<p>Injury Benefit Provision</p> <p>£528,500</p>
2	<p><u>Pensions Provision</u></p> <p>As with the Injury Benefits Provision, the pensions provision was also calculated using the same methodology.</p>	<p>Pensions Provision Expense</p> <p>£2,015,886</p>			<p>Pensions Provision</p> <p>£2,015,886</p>
3.	<p><u>HPV Vaccination</u></p> <p>In line with CEL 17 (2007), NHSL has confirmed a programme in 2008/09 to issue the HPV Vaccine to all girls aged between 12 and 18, and has provided against this obligation in the 2007/08 accounts.</p> <p>Whilst the programme, and hence the provision, also includes the 18-25 year age group, there is no such obligation within the guidance to issue the vaccine to this group. This element of the provision should be reversed.</p>		<p>Expenditure</p> <p>£781,000</p>	<p>HPV Provision</p> <p>£781,000</p>	

Ref	Description	Income and Expenditure		Balance Sheet	
		DR	CR	DR	CR
4	<p><u>Waiting Times</u></p> <p>An SLA was signed for the private provision of orthopaedic joint procedures. This agreement is designed to ensure achievement of the 2008/09 waiting times.</p> <p>It is our view that this agreement covers standard 2008/09 service provision and should not be charged in the 2007/08 Annual Accounts.</p>		<p>Expenditure</p> <p>£2,000,000</p>	<p>Provisions</p> <p>£2,000,000</p>	
5	<p><u>Stonehouse Debtor</u></p> <p>The sale of the Stonehouse Hospital site was booked into the 2006/07 accounts reflecting the £850,000 non-refundable deposit and the remaining proceeds of £6,650,000, split between short term debtors (£3,325,000) and long term debtors (£3,325,000) in accordance with the terms of the sale. This gives a total sales price of £7,500,000.</p> <p>It now appears that the sale has fallen through.</p> <p>As such a debtor no longer exists, the land should again be shown as an NHSL asset at its previous value of £7,500,000.</p>	<p>Expenditure</p> <p>£250,000</p> <p>(to reverse gain on sale)</p>		<p>Fixed Assets (Land and buildings)</p> <p>£7,250,000</p>	<p>Short term debtors</p> <p>£3,325,000</p> <p>Long term debtors</p> <p>£3,325,000</p> <p>General fund</p> <p>£850,000</p> <p>(initial payment from buyer)</p>
6	<p><u>Fixed Asset – Depreciation</u></p> <p>Fixed asset additions are added to the fixed asset register as part of the year end process. This means that depreciation is not calculated during the year for these additions.</p> <p>An adjustment is therefore required to amend the annual depreciation charge.</p>	<p>Depreciation Expense - <i>Equipment</i></p> <p>£192,244</p> <p>Depreciation Expense - <i>Buildings</i></p> <p>£8,728</p>			<p>Accumulated Depreciation - <i>Equipment</i></p> <p>£192,244</p> <p>Accumulated Depreciation – <i>Buildings</i></p> <p>£8,728</p>
7	<p><u>Bad Debt Provision</u></p> <p>An adjustment is required to reduce the bad debt provision order to comply with the policy.</p> <p>The policy states that all debtors over 90 days old, and specific debtors where recovery is known to be unlikely, should be provided.</p>		<p>Bad debt expense account</p> <p>£175,075</p>	<p>Bad Debt Provision</p> <p>£175,075</p>	

Ref	Description	Income and Expenditure		Balance Sheet	
		DR	CR	DR	CR
8	<p><u>FHS Notional Rates Charges</u></p> <p>Rates on GPs premises are paid and charged through HCH expenditure.</p> <p>However, a notional charge is also made in the accounts (through Practioner Medical Services) with a corresponding notional income receipt.</p> <p>This means that income and expenditure are equally overstated and an adjustment is required to correct this.</p>	<p>Income</p> <p>£181,000</p>	<p>Expenditure</p> <p>£181,000</p>		

Freedom of Information (Scotland) Act 2002

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