

NHS Lothian

Report on the 2007/08 Audit



July 2008



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Executive Summary

Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by NHS Lothian. We audited the financial statements and we also reviewed aspects of performance management and governance. This report sets out our key findings.

Financial position

As at 31 March 2008, the Board spent £1,079,696k relative to a Revenue Resource Limit (RRL) of £1,080,060k, generating a surplus of £364k. A surplus of £4.6 million was brought forward from the previous year which means that there was an in-year deficit of £4.3 million. The outturn position against the Revenue Resource Limit (RRL) has been partly achieved through the slippage of developments and recognition of expenditure items as capital grant schemes, as appropriate, thus scoring against the Capital Resource Limit (CRL) and not the RRL. Non-recurring funding was generated from a combination of capital grants, deferred income and non-recurring funding allocations.

NHS Lothian's 2007/08 financial plan included a £27.7 million savings target to achieve financial balance. By the end of 2007/08, savings of some £26.7 million were achieved. However, of the total efficiency savings achieved, some £10.7m are not recurrent savings and will have to be re-provided in the 2008/09 financial plan. We have been advised that these savings have already been achieved through the full year application of projects started mid-way through 2007/08.

The Board's financial statements include significant provisions, particularly in respect of Agenda for Change payments, and do not reflect any potential liability for equal pay claims. Accounting estimates and provisions, by their nature, include a degree of uncertainty and any under-estimate of costs in 2007/08 could have a significant impact in future years.

The 2008/09 financial plan includes a savings target of £20 million, which equates to 2% of the recurring RRL. We have been advised by management that plans have been submitted by budget holders to demonstrate how they will achieve that part of the Local Reinvestment Programme, for which they are responsible. The achievement of recurring savings will again be challenging.

The 2008/09 budget includes a number of financial pressures, in particular, the effect of pay and other inflation, the on-going impact of Agenda for Change, and other general developments. Detailed monitoring of actual expenditure will be necessary to ensure that budget overruns are kept to a minimum.



Financial statements

We have given an unqualified opinion on the financial statements of NHS Lothian for 2007/08.

We have also concluded that, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance issued by Scottish Ministers.

Performance

The Board was successful in achieving a number of very challenging performance targets by the 31 December 2007 deadline: including waiting time targets for inpatients; chest pain and cardiac intervention; and the 4 hours accident and emergency waiting time. There are however, some areas for concern, such as sickness absence (actual 4.99% against the target of 4% by March 2008) and complaints (75% responded to within 20 days compared to a target of 100%). In addition, cancer performance support teams have been working with the Board to improve cancer waiting times and improved performance has been achieved in most of the specialties. However, there is still some way to go in order to achieve the targets for all specialties. We noted that action is being taken to address all of these issues and the Board considers it is well placed to meet the targets in due course.

We also noted the success of, and continued rolling out of, the 'Lean in Lothian' programme which focuses on developing internal skills, capacity and culture to continuously improve the services provided by NHS Lothian. This programme has been assessed as providing significant real impact on efficiency and the patient experience without the need for additional funding.

Delayed discharge rates continue to cause concern. While the year on year comparison indicates an overall improvement in the position (212 to 110 cases), further analysis identifies an initial decrease in cases to 89 rising to a peak of 159 delayed discharges up to September 2007. NHS Lothian should continue to work closely with its partners to ensure delayed discharges are kept to a minimum.

Best Value

As part of our 2007/08 best value audit approach, we piloted a use of resources audit toolkit which focussed on financial management. We also followed up on the 2005/06 best value baseline review. Both of these projects are currently being finalised but preliminary findings indicate that NHS Lothian financial management arrangements are soundly based and progress is continuing to be made against the nine best value principles.



Governance

Corporate Governance is concerned with the structures and processes for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall corporate governance and control arrangements for NHS Lothian operated satisfactorily during the year, as reflected in the Statement on Internal Control. However, the Statement on Internal Control does refer to two instances where unsatisfactory ratings were given by internal audit in relation to capital project management arrangements on two specific developments.

We examined the key financial systems which underpin the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

Clinical governance arrangements continued to develop and become more embedded throughout the year. We did however note that following a visit from NHS Quality Improvement Scotland (QIS), NHS Lothian was given a rating of 5 out of a possible 12 in relation to specified clinical governance and risk management objectives. As a result, a high level action plan was devised with executive directors being named as leads for each sub-section of the report. The 2008/09 Local Delivery Plan aims to achieve a score of 8 by March 2009. There remains a risk that NHS Lothian does not achieve the required level of compliance with QIS standards and that clinical governance arrangements do not develop to their full potential.

Looking forward

The final part of our report notes some key risk areas for NHS Lothian going forward. These are significantly centred around future funding and include the challenges of delivering on waiting time targets, delivering efficiencies and managing a very extensive capital programme. National issues around Equal Pay claims and changes to accounting standards will all provide challenges in future years.

The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

Audit Scotland
July 2008



Introduction

1. This report summarises the findings from our 2007/08 audit of NHS Lothian. The scope of the audit was set out in our Audit Plan which was presented to the Audit Committee on 4 February 2008. The plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued a range of reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and the Board's agreed response. Appendix A of this report sets out the key risks highlighted in this report and the action planned by management to address them.
3. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of NHS Lothian during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, www.audit-scotland.gov.uk.



Financial Position

4. In this section we summarise key outcomes from our audit of NHS Lothian financial statements for 2007/08, and comment on the key financial management and accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

Our responsibilities

5. We audit the financial statements and give an opinion on:
 - whether they give a true and fair view of the financial position of the Board and its expenditure and income for the period in question
 - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
 - the consistency of the information which comprises that part of the operating and financial review which covers principal activities and financial performance included in the financial statements
 - the regularity of the expenditure and receipts.
6. We also review the Statement on 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
 - assessing whether disclosures in the Statement are consistent with our knowledge of the Board.

Overall conclusion

7. We have given an unqualified opinion on the financial statements of NHS Lothian for 2007/08.
8. As agreed, the unaudited accounts were provided to us on 5 May 2008, although they were still being reviewed by management at that time. A full set of accounts were provided for audit on 12 May 2008. We are pleased to record that, following on from our comments made in the 2006/07 final report which referred to the unavailability of working papers, a large proportion of back up papers were available for the start of the audit. The improved standard of the supporting papers and the timely responses from NHS Lothian staff allowed us to conclude our audit and provide our opinion to the Audit Committee on 23 June 2008 as timetabled.



The Board's financial position

Outturn 2007/08

9. NHS Lothian is required to work within the resource limits and cash requirement set by the Scottish Government Health Directorate. NHS Lothian's performance against these targets is shown in Table 1 below.

Table 1
2007/08 Financial Targets Performance £'000

Financial Target	Target	Actual	Variance
Revenue Resource Limit	1,080,060	1,079,696	364
Capital Resource Limit	40,254	39,874	380
Cash Requirement	1,082,108	1,082,102	6

10. NHS Lothian is carrying forward a cumulative surplus of £364,000 at the end of 2007/08 after repaying an additional element of brokerage of £2.0 million to the SGHD (£7 million in total was repaid in 2007/08). A further £6.8 million of brokerage will be repaid over the next two years. The Board carried forward a surplus of £4.634 million from the previous year which means that there was an in-year deficit of £4.270 million. The outturn position against the Revenue Resource Limit (RRL) has been partly achieved through the slippage of developments and recognition of expenditure items as capital grant schemes, as appropriate, thus scoring against the Capital Resource Limit (CRL) and not the RRL. Non-recurring funding was generated from a combination of capital grants, deferred income and non-recurring funding allocations. Where this has been used to support recurring expenditure it will have to be re-provided in future years. Stripping out the application of this non-recurring funding allows us to reflect the underlying recurring funding gap for 2007/08, as illustrated in table 2 below.

Table 2
Funding Position 2007/08

	£ Million	£ Million
Recurring expenditure	1,101	
Recurring income	1,068	
Underlying recurring deficit		(33)
Non-recurring income	25	
Non-recurring expenditure	20	
Balance of non-recurring		5
Difference		(28)
Recurrent corporate savings	28	
Total other income		28
Financial surplus		0



11. NHS Lothian's 2007/08 financial plan included a £27.7 million savings target to achieve financial balance. By the end of 2007/08, savings of some £26.7 million were achieved. However, of the total efficiency savings achieved, some £10.7 million were non-recurrent and are to be re-provided in the 2008/09 financial plan. We have been advised that these savings have already been achieved through the full year application of projects started mid-way through 2007/08.
12. Outturn against the Capital Resource Limit (CRL) has been achieved as a result of banking unspent capital allocation with the SGHD during the year (£23.2 million). In addition, some £10.8 million is available as a carry forward balance from 2006/07. Some £34.0 million capital funding is therefore available to fund future investments and has been built into the 10 year strategic capital plan as a future source of finance.

2008/09 Budget

13. Looking ahead to 2008/09 the Board's financial plan includes a savings target of £20.0 million, which equates to 2% of the total RRL. The achievement of any efficiency savings target is challenging particularly as it has been a continuing feature of NHS Lothian's financial planning process; efficiency savings of some £24m - £25m have been achieved annually in recent years. We have been advised by management that plans have been submitted by budget holders to demonstrate how they will achieve that part of the Local Reinvestment Programme (LRP), previously known as Cash Releasing Efficiency Savings, for which they are responsible.
14. Pay modernisation in the health service has been driven at a UK level. NHS Lothian is active in monitoring the cost and benefits realised from pay modernisation. At the end of the last financial year, NHS Lothian estimated that it has spent £70.0 million on pay modernisation, which had realised benefits in the order of £12.5 million. Work is currently ongoing to assess the position to date. Other areas of financial pressure in 2008/09 include: the on-going impact of Agenda for Change together with the annual pay uplift (£13.8 million), other inflationary uplifts (£15.0 million), pay modernisation (£3.3 million), achievement of the deferred income target of £6 million and £11.5 million on general developments, including GMS population growth and uplift on contractual obligations (£1.9 million) and £1.0 million on long term conditions. Over and above these pressures, additional funding has been secured of £17.4 million to assist with the achievement of the tighter waiting times target. Discussions are continuing as to how to apply the funding in order to achieve the revised targets.
15. As already mentioned, financial balance has been achieved in part this year by managing the position through the use of capital grants and slippage on projects. The Board is, therefore, using non-recurring income to help meet recurring and non-recurring expenditure. While we recognise that at times this is necessary, the Board should aim to be in recurring balance, and use non-recurring income only for one-off items of expenditure. We are aware that the Board intends to move towards reducing its reliance on non-recurrent support to approximately 0.5%.



Issues arising from the audit

16. As required by auditing standards we reported to the Audit Committee in June 2008 the main issues arising from our audit of the financial statements. The key issues reported were:
17. **Agenda for Change (AfC).** The cost figure included within NHS Lothian's financial statements (£26.9 million) has been arrived at through the use of a detailed financial model. We received formal assurances from the Board, in the letter of representation, that the accrual, in their judgement, represents a prudent estimate of anticipated costs.
18. **Contingent liabilities: equal pay.** NHS Trusts in England have settled equal pay claims for employees in traditionally female roles and similar claims have now been received by Boards in Scotland. As at 31 March 2008, NHS bodies had received some 12,000 claims and these had been referred for the attention of the Central Legal Office. It is possible that these claims represent a current liability for NHS Boards generally. An unquantified contingent liability was included in the notes to NHS Lothian's financial statements. This is discussed further at paragraphs 24 - 29 below.

Risk area 1

19. **Revaluation reserve.** The revaluation reserve records a balance of some £148.8 million. This reserve can be allocated against individual assets and represents the element of revaluation attributed to an individual asset. The breakdown of this reserve indicates that two assets are carrying a negative balance (£434k), both of which were reported last year. Negative balances should only be carried forward when there is no permanent diminution in the value of asset. Management provided us with assurance that the negative balances in respect of these two properties, Chalmers Hospital and Springwell House, are temporary in nature.

Risk area 2

20. **Capital grants.** Boards have powers to make capital grants to other bodies who should create or develop assets for their own use for the benefit of the Board's residents. The use of capital grants has been discussed with management on a regular basis. The figure (£13.0 million) is not charged against operating costs but is charged against the Capital Resource Outturn. We raised a number of matters with management, including: the need to ensure the availability of the appropriate supporting documentation; ensuring that a clear audit trail is maintained; that agreement has been reached with the third party regarding the use of the capital grant; and that expenditure should meet the definition of capital expenditure as used by the Board. Management have provided assurances that the disclosure and accounting of capital grants to other bodies are in accordance with the Capital Accounting Manual (CAM).

Risk area 3



21. **Impairments.** The financial statements record some £4.3 million of impairment as a charge in the annual accounts. The impairment charge reflects the difference between the cost of two capital projects (£16.0 million) and their valuation on becoming operational (£11.7 million). The two capital projects are the Prosthetics, Bio-engineering, Wheelchair and Associated Services Building and a new part to the Western General Hospital for housing linear accelerators. This represents a difference of 27% between cost and valuation from the initial costs. A number of factors give rise to impairment adjustments, for example certain initial fees may be written off in subsequent valuations. Nevertheless, we are aware that procedures have been introduced to ensure that capital projects remain under closer scrutiny to ensure minimisation of subsequent impairments.
22. **Waste electronic and electrical equipment.** Boards may have an obligation resulting from the Waste Electronic and Electrical Equipment Regulations 2006 which came into force on 1 July 2007. In accordance with the regulations, where waste arises from assets obtained prior to 13 August 2005, Boards will be responsible for the costs of collection, treatment, recovery and environmentally sound disposal of waste equipment disposed of after 1 July 2007, unless they are purchasing a direct replacement. Within note 21 of the financial statements (contingent liabilities), NHS Lothian have disclosed that it is not possible to quantify the potential costs arising from the future disposal of this equipment.
23. **Provisions for pensions and injury benefits.** The Board uses information provided by the Scottish Public Pensions Authority (SPPA) in order to calculate the year end provision for specific pensions costs borne by the Board (and not the Scheme) within the accounts. No information has been provided by the SPPA in relation to 2007/08 payments. The Finance Department has recently concluded its review of the provision for pension liabilities and estimates that a further £180k ought to be provided. In light of the estimated nature of the provision, and the net impact of unadjusted differences, it was agreed that this further provision would not be posted to the financial statements but would remain unadjusted. We are aware that pensions information for 2007/08 has recently been received from the SPPA.

Risk area 4

Equal Pay Claims

24. 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. 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 NHSScotland and co-ordinates the legal response of NHSScotland to this issue.

25. 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 we agreed to the inclusion of a contingent liability within the NHS Lothian's financial statements. We strongly encouraged NHS Lothian management, working with the Scottish Government Health Directorate and other NHS Boards, to resolve this matter in advance of compilation of the 2007/08 financial statements.
26. As noted above, at 31 March 2008, NHS bodies had received some 12,000 claims and these had been passed to the CLO. It is possible that these claims represent a current liability for NHS boards generally. By the end of May 2008 there were 5,950 grievances and 1,907 employment tribunals registered against NHS Lothian.
27. 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.
28. 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 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.
29. We note the CLO's current view of the stage the cases have reached but strongly encourage NHS Lothian management, working with the SGHD 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.

Risk area 1

PFI/PPP schemes

30. NHS Lothian has a number of PFI commitments which are disclosed in Note 25 in the accounts. Five contracts are off balance sheet while the sixth, and largest, the Royal Infirmary of Edinburgh, is on-



balance sheet. Four of the five off-balance sheet projects are 30/60 bedded units for frail elderly and dementia patients while the fifth is a primary care centre which accommodates 3 GP practices and Community Health Partnership community activities. The capital values of the off-balance sheets schemes range from £2.1 million to £3 million and the associated annual revenue cost is £3.7 million. The Royal Infirmary of Edinburgh (RIE), as stated above, is an on-balance sheet PFI and has a capital value of £185.8 million and associated revenue costs of some £38.9 million.

31. There are a number of capital projects at an early stage of development where no decision has been reached as to their method of funding.
32. The Midlothian Community Hospital outline business case (estimated capital value of £17.6 million) has been approved by the Scottish Government as a PPP project. In April 2008 we provided a comment on the project's value for money. We concluded that based on the report of NHS Lothian's technical adviser and the opinion of the project manager, the project demonstrated comparative quantitative value for money against the selected benchmark projects. We did, however, advise that before proceeding, Lothian NHS Board should satisfy itself that the project represents quantified value for money compared to a public sector comparator. We are aware that the preferred bidder was approved in April 2008 and work is expected to conclude in March 2010. We shall continue to review progress on this scheme.

Regularity

33. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.



Performance Management

34. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.
35. Accountable officers also have a duty to ensure the resources of their organisation are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure 'best value' in the use of resources.
36. This section covers our assessment of the way in which NHS Lothian secures value for money in the use of its resources. This year we focused primarily on examining the arrangements for Best Value through a follow up to the base line study and reviewing the arrangements for Best Value Use of Resources, focusing on financial management.

Performance Management

37. The Local Delivery Plan (LDP) is a strategic document for NHS Lothian as it sets out the agreement reached with the Scottish Government on delivering the HEAT (Health improvement, Efficiency, Access and Treatment) targets. During 2007/08 monthly monitoring of progress against targets has been undertaken by the Finance & Performance Review Committee (FPRC). Performance is reviewed at a board and a divisional level. In addition to the nationally agreed targets, a number of local performance measures have been agreed which are subject to the same level of scrutiny.
38. The Cabinet Secretary for Health and Wellbeing, as part of the 2006/07 Annual Review of NHS Lothian, highlighted areas where specific action would be required to ensure that certain performance targets are achieved. These included waiting times for certain cancers, outpatient waiting times and a reduction in Availability Status Codes (ASC) by 31 December 2007. Cancer performance support teams have been working with the Board to improve cancer waiting times and improved performance has been achieved in most of the specialties. However, there is still some way to go in order to achieve the targets for all specialties. ASCs were reduced in accordance with the target and the achievement of the 18 weeks outpatient attention was achieved by December 2007.
39. Delayed discharge rates continue to cause concern for the Board. We note that while the year on year comparison indicates an overall improvement in the position (212 to 110 cases), further analysis identifies an initial decrease to 89, rising to a peak of 159 delayed discharges up to September 2007. NHS Lothian should continue to work closely with its partners to ensure delayed discharges are kept to a minimum throughout the year.

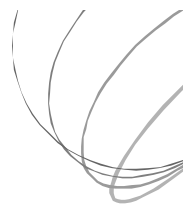


Risk Area 5

40. We are pleased to record that the Board was successful in achieving a number of very challenging targets by the 31 December 2007 deadline. These included: waiting time targets for inpatients; chest pain and cardiac intervention; and the 4 hours accident and emergency waiting time. A number of previously achieved targets from the LDP have also continued to be maintained and we are pleased to note that there have generally been improvements against most of the targets. There are however, some areas for concern, such as sickness absence (actual 4.99% against the target of 4% by March 2008) and complaints (75% responded to within 20 days compared to a target of 100%). Action is being taken to address all of these issues and the Board considers it is well placed to meet the targets in due course.
41. For 2008/09, the targets have been revised to ensure that they align with both 'Better Health Better Care' and the spending review. Some HEAT waiting times targets will become more demanding from 2009 with the introduction of the 18 weeks referral to treatment standard. Although the standard only applies from 2011, interim performance milestones have been set to assist boards in achieving the target.
42. NHS Lothian has continued to use Citistat throughout 2007/08 on a range of topics including Cash Releasing Efficiency Savings (CRES), the General Medical Services (GMS) contract and Agenda for Change (AfC). We are aware that concern was raised over the role and remit of the Citistat process and the potential for duplication with the FPR committee. It was however agreed that the Citistat process would continue to be supported and that its focus would be ring fenced topics.
43. Performance management information in NHS Lothian is drawn from a number of different sources and systems. The information collected from these various systems is then reported through the MIDAS reporting tool (management information dissemination and action system) which continues to be developed. This tool enhances access to existing key measures for managers and clinicians thus informing decision making and enables the tracking of service delivery and achievement of targets.

Efficiency

44. The Lean in Lothian programme was established in 2006 with the appointment of General Electric Healthcare to support NHS Lothian to develop its capacity and capability to take forward the service redesign needed to deliver top quality health services. The programme is focused on developing internal skills capacity and culture to continuously improve the services provided by NHS Lothian.
45. The pilot phase (Year 1) was evaluated by NHS Lothian in April 2007 as highly successful and the Board fully supported continuation of the programme. Phase 2 (Year 2) has continued to focus both on the delivery of specific projects which aim to improve services for patients and on the development



of skills and capacity to utilise the tools and techniques within the Lean in Lothian toolkit. Fourteen projects were reviewed during the year including work in areas such as acute clinical service departments and mental health.

46. The 2007/08 outcome report, presented to the Board in May 2008, stated that significant real and potential impacts on resource utilisation through improved efficiency and throughput had reduced the need for additional funding to address service pressures. The Phase 2 programme was delivered within existing resources and it is intended to continue this into year 3. Year 3 of the programme is expected to deliver similar results over a wide range of areas within NHS Lothian. We are pleased to note the development of Lean in Lothian and will be interested to see the outcomes from the work to be undertaken in 2008/09.

Best Value developments

47. The positive impact of the best value concept in local government led Scottish Ministers to introduce a non-statutory best value duty on all public sector accountable officers (i.e. across health and central government) in 2002. This was reinforced by refreshed Ministerial guidance in 2006, highlighting the importance that the Scottish Government places on best value as a means of supporting public service reform.
48. That position was re-iterated in the Scottish Government's recent response to the Crerar scrutiny review which credited the best value regime as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the best value audit regime across the whole public sector and significant development work has taken place over the last year.
49. The framework for our proposed best value audit approach was agreed by Audit Scotland's Corporate Management Team in September 2007. It is based on the key principles of: flexibility and proportionality; alignment and integration with our existing activities; being delivered within our existing resources; and with evolutionary implementation.
50. Using the Scottish Government's nine best value principles as the basis for our audit activity, we have identified five priority development areas (Use of Resources, Governance and Risk Management, Accountability, Review and Option Appraisal, and Joint Working) for our initial development work.
51. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency, and Information Management. These toolkits are being piloted in a sample of NHS and central government clients during 2007/08 and 2008/09. Developed toolkits will also be made available to public bodies to consider for self assessment.
52. The first of these toolkits, which cover Financial Management was piloted in NHS Lothian during 2007/08. The review sought to establish the Board's position in relation to



- Financial governance and leadership
 - Financial and service planning
 - Finance for decision-making
 - Financial monitoring and control
 - Financial reporting.
53. Our work in this area is ongoing, although we have established that the Board's arrangements in this area appear to be soundly based. We plan to submit our detailed report in August, drawing upon examples of good practice across the NHS in Scotland.
54. In 2005/06 a baseline review of best value arrangements across the health service including NHS Lothian was undertaken. The baseline review was built around the then Scottish Executive's nine best value principles – commitment and leadership, accountability, responsiveness and consultation, joint working, sound governance, sound management of resources, use of review and option appraisal, sustainable development and equal opportunities arrangements.
55. In 2007/08, we reviewed the baseline information to ascertain what arrangements NHS Lothian have put in place to take forward the best value agenda and demonstrate continuous improvement. We are presently collating information for this update and will report our findings shortly. Preliminary work indicates that NHS Lothian is continuing to make progress against best value principles.

National Studies

56. Audit Scotland published 4 national study reports relevant to NHS Lothian and the key findings from these are summarised in the paragraphs which follow.

A Review of Free Personal and Nursing Care (FPNC)

57. This report evaluated the robustness of financial planning, monitoring and reporting arrangements for free personal and nursing care, examined the current costs and funding allocations for free personal and nursing care for councils and identified the financial impact on older people, the Scottish Government and councils.
58. The report recommended that the Scottish Government and councils should continue to work together as a matter of urgency to clarify current ambiguities with the policy and should agree a national eligibility framework which defines risks and priority levels to ensure transparency in access to care for older people.



59. The report also recommended that councils should work with local health partners to evaluate the longer-term consequences of reducing domestic home care services, such as cleaning, shopping and laundry services.

Managing Long Term Conditions

60. The study examined services for adults with long term conditions generally, focussing on two conditions in particular i.e. chronic obstructive pulmonary disease and epilepsy.
61. Some of the key recommendations were:
- that the SGHD, NHS boards and local authorities should collect better information on activity, costs and quality of services for long term conditions to support the development of community services
 - the SGHD, NHS boards and local authorities should evaluate different ways of providing services to ensure cost effectiveness and share good practice
 - NHS boards should take a more strategic role to ensure better working between CHPs and the acute sector to support the development and resourcing of community services
 - The SGHD and NHS boards should agree targets to support the development of community-based services
 - NHS boards and local authorities, through CHPs, should ensure comprehensive information is given to patients about their condition, and the health and social care services available, at the time of diagnosis.

Primary care out-of-hours services

62. This study reviewed changes to the delivery of primary care out-of-hours services. We looked at national and local planning for out of-hours care; how much it costs the NHS; and how the current delivery of out-of-hours services affects patients and GPs.
63. The key messages are:
- over 95% of GP practices have chosen to opt out of providing 24-hour care to their patients, with responsibility passing to NHS boards. This has been a major challenge for NHS boards but they have managed to sustain services for patients. The opt-out offers an opportunity for NHS boards to change the way services are delivered and to improve patient care, although this will take time to be used to its full potential
 - most of the funding for new out-of-hours services comes from NHS boards' budgets. This has added to cost pressures for NHS boards, particularly in rural areas where they have had to

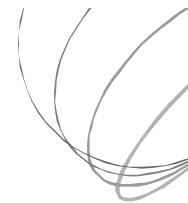


meet a greater percentage of the costs. The cost to NHS boards in 2006/07 was approximately £67.9 million

- the overall impact on patient care of GPs opting out of out-of-hours services is not clear as it has been introduced alongside other changes. Due to the lack of national data available it is difficult to assess whether patients are benefiting. However over 80% of patients are satisfied with the service they received, GPs are positive about being able to opt out, and 88% of GPs are relieved to no longer have 24-hour responsibility for patients.

Overseas staff in the NHS: pre-employment checks

64. This study was undertaken as a consequence of the security incidents in London and Glasgow in June 2007 which allegedly involved staff working in the NHS. Following these incidents the Cabinet Secretary for Health and Wellbeing asked the Auditor General to carry out an examination of pre-employment screening of overseas staff working in the NHS in Scotland to ensure it was in line with relevant guidelines.
65. The Auditor General published his report in late November 2007 and the key messages were:
 - the NHS in Scotland does not have an accurate picture of the number of overseas staff employed
 - boards reported 1,161 overseas staff in NHS employment across Scotland at September 2007. However this is likely to be an underestimate as boards had difficulty identifying staff here on indefinite leave to remain. Of the overseas staff identified, boards estimated that 89 per cent of these were doctors or nurses
 - in the five sample boards (including NHS Lothian) where more detailed work on compliance with pre-employment checks for overseas staff was carried out, boards had similar procedures and there was evidence of high compliance with procedures in the sample of personnel records reviewed.
66. In December 2007 the Scottish Government produced guidance on the recruitment of staff, including additional procedures that must be followed when recruiting overseas staff. This guidance sets out the minimum requirements for NHS employers and implementation of the guidance is a requirement of the Staff Governance standard.



Governance

Overview of arrangements

67. This section sets out our main findings arising from our review of NHS Lothian's governance arrangements. This year we reviewed:

- key systems of internal control
- internal audit
- aspects of information and communications technology (ICT).

68. We also discharged our responsibilities as they relate to prevention and detection of fraud and irregularity; standards of conduct; and the organisation's financial position (see paragraphs 4-33). Our overall conclusion is that arrangements within NHS Lothian are generally sound and have operated throughout 2007/08.

Service development

69. As noted previously, NHS Lothian continues to deliver against operational targets, continues the restructuring of the board into a single operational system and at the same time is addressing the challenges of shifting towards preventative medicine and moving towards continuous care in the community. These are ongoing processes and will continue to be addressed in the coming financial year.

70. The *Improving Care: Investing in Change (ICIC)* project agreed with the Scottish Executive Health Department (SEHD) in 2005 is ongoing, with the Board agreeing new projects throughout the year and others reaching completion. However there has been slippage against a number of project timescales, for various reasons, which will lead to increased pressure on resources in the coming years. In particular, a number of the large capital development projects have been subject to significant delay. For example, the Royal Edinburgh Hospital Reprovision had an original completion date of October 2010 but is now estimated at 2013, and the Musselburgh Services Reprovision is now estimated to be delivered by late 2011, over two years after the target date. The challenge to NHS Lothian will be to ensure completion of these major projects within the revised timescales and to ensure appropriate services are provided to its residents.

Risk Area 6



71. A new 10 year capital investment programme was produced during the year, covering in excess of £1bn worth of expenditure. Funding currently identified for this expenditure totals £700m, leaving a balance of £300m still to be found. NHS Lothian are currently considering various forms of funding to address this gap. There is a risk that the slippage in delivering ICIC capital programmes will impact upon this investment plan, which could in turn have a knock on effect on the provision of service delivery and the achievement of financial and operational targets.

Risk Area 6

Systems of internal control

72. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In his annual report for 2007/08 the Chief Internal Auditor provided his opinion that, based on the internal audit work undertaken during the year, there was reasonable assurance on the adequacy and effectiveness on the systems of internal control. However, two reports relating to capital project management arrangements on two specific developments were given an unsatisfactory rating by internal audit. Follow up actions aimed at ensuring findings are being addressed have been put in place and are to be reported to the August meeting of the Audit Committee.
73. As part of our audit we reviewed the high level controls in a number of NHS Lothian's systems that impact on the financial statements. We submitted two management reports in June 2008 which incorporated agreed actions and associated timescales. The issues arising included:
- instances of excessive overtime, which may be in contravention of the EU Working Time Directive
 - overpayment of salaries caused by the late notification to Payroll of terminations/staff leavers
 - invoices being paid without being matched to orders
 - obsolete stock not written off regularly
 - the Ascribe pharmacy stock control system does not reconcile to the financial ledger.
74. We were, however, able to conclude that there were no material weakness in the accounting and internal control systems and that the key controls were operating effectively.



Statement on internal control

75. The Statement on Internal Control provided by NHS Lothian's Accountable Officer provides a summary of the framework of governance committees and processes which are in place to ensure effective systems of internal control and reflects the main findings from both external and internal audit work.
76. The Statement refers to the two unsatisfactory audit opinions given by Internal Audit as noted above in paragraph 72 and action being taken to address the issues raised. In addition, there were a number of reports which concluded that improvements were required.

Internal Audit

77. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2007/08 audit we assessed whether we could place reliance on NHS Lothian's internal audit function. We concluded that the internal audit service operates in accordance with the NHS Internal Audit Standards and therefore placed reliance on their work in number of areas during 2007/08, as anticipated in our annual audit plan.

Audit Committee

78. A revised structure was introduced during 2007/08: two Audit Committees replaced the previous three with one concentrating on matters of a more strategic nature while the other deals with all operational issues. The structure and operation of these committees has shown itself to be an effective way of demonstrating continuous improvement through the participation of operational managers.

Clinical governance

79. Clinical Governance has continued to develop throughout the year. Healthcare Governance and Risk Management (HGRM) Committee meetings are held every second month with information meetings held every other month. Minutes of the formal meetings are reviewed by the Board. In addition, Healthcare Governance and Risk Management Reports are submitted to the Board highlighting current issues in clinical governance.
80. The HGRM Committee is supported by the University Hospitals Division Clinical Governance and Risk Management Committee and the newly formed Primary and Community Services Healthcare Governance and Risk Management Operational Group.



81. We are pleased to record that NHS Lothian have continued to build upon previous progress towards single system working with such initiatives as:

- the Quality Improvement Strategy which combines previous Clinical Governance and Risk Management strategies into one overarching strategy that aims for continuous quality improvement across the organisation
- the development of the TRAK system, designed to improve the management and communication of patient records and discharge information. This system has been implemented across all acute hospital sites.

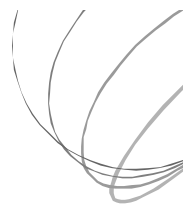
82. NHS Quality Improvement Scotland (QIS) issued a local report in July 2007, entitled 'Clinical Governance and Risk Management: Achieving safe, effective, patient-focused care and services' following a peer review in October 2006. The report gave NHS Lothian a score of five (with the lowest possible score being three) out of twelve in relation to specified clinical governance objectives. Areas for improvement were identified and a high level action plan was devised with executive directors being named as leads for each sub-section of the report. A further detailed operational action plan was developed and progress against this is to be reviewed on a six monthly basis by the Executive Management Team (EMT). The 2008/09 Local Delivery Plan (LDP) states that NHS Lothian are to increase their score to eight by March 2009 and nine by March 2010, formalising the improvement process. We shall consider progress made in relation to the target but there remains a risk that NHS Lothian fail to meet the improvement objectives.

Risk Area 7

People management

83. We highlighted three main challenges for NHS Lothian on people management as part of our planning process. These areas were Agenda for Change, equal pay (which is discussed at paragraphs 24-29) and sickness absence.

84. The movement of staff onto the Agenda for Change (AfC) pay scales continues to pose a challenge to NHS Lothian and at the year end there were still 1,200 staff awaiting assimilation and a significant number of appeals were waiting to be heard. Arrears had been paid on an ongoing basis and all staff who had been assimilated had received back pay. Staff leavers, where matched job outcomes were available, were being contacted in order to finalise the appropriate payments. We note that significant progress has been made during the year. A two stage review process has been introduced with all post-holders who have requested an appeal being subject to an informal review, with a subsequent formal review being carried out only if required. The 2007/08 accounts record an AfC accrual of £26.9million.



85. HDL (2005) 51 set a national target of a maximum of 4% sickness absence by March 2009. NHS Lothian have been working towards achieving this target. As at April 2008, sickness absence time lost compared to time available was reported to be 4.99%. Further measures will require to be undertaken by the Board in order to achieve the 4% target whilst keeping in view the possible employee relations implications that may subsequently arise.

Risk Area 8

Partnership Working

86. Partnership working in the NHS covers a number of areas, including partnerships with staff groups, local authorities, the voluntary sector, private healthcare providers and regional planning with other NHS boards.
87. The Board has undertaken significant work in partnership with local authorities in establishing Community Health Partnerships (CHPs) and a Community Health & Care Partnership (CHCP) to provide care and public health services in a local setting to meet the needs of the local population.
88. During the year 2007/08, the separate management teams of East Lothian and Midlothian CHPs were merged to strengthen overall management efficiency. It should be noted, however, that the two CHPs remain distinct entities and there are no further plans to merge.
89. In 2006/07 we carried out a review of partnership working specifically in relation to the two Edinburgh CHPs, ie North and South. Our report was submitted in November 2007. The two CHPs have subsequently merged to form one Edinburgh CHP. We note that the CHPs were in the early stages of development and were pleased to note Edinburgh CHP's commitment towards improving community services, for example, the proposed development of a Healthy Living Centre which would provide the opportunity for NHS staff to be co-located and work alongside other key service providers. We will continue to monitor progress made by the CHPs and the CHCP in delivering community based health services in 2008/09.

Prevention and detection of fraud and irregularities

90. NHS Lothian has in place a number of measures to prevent and detect fraud, including Standing Financial Instructions, Standing Orders and supporting policies and procedures. The Board has a formal programme of internal audit work, which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud. The Board has also agreed a formal protocol covering a programme of Payment Verification checks with the Practitioner Services Division of National Services Scotland.



NFI in Scotland

91. During 2007/08, we continued to monitor the health board's participation in the 2006/07 National Fraud Initiative (NFI). This exercise is undertaken as part of the audit of the participating bodies. NFI brings together data from health bodies, councils, police, fire and rescue boards and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud.
92. The NFI has generated significant savings for Scottish public bodies (£9.7 million from the 2006/07 exercise and £37.0 million including previous exercises). While health bodies did not identify a significant part of these savings, as they are principally responsible for payroll matches, the inclusion of health bodies was worthwhile. Health employees were linked with several payroll irregularities, including a significant payroll fraud involving an NHS employee working while on sick leave from another body. Health employees were also linked with more than 90 cases of Housing Benefit fraud or overpayment. Where fraud or overpayments are not identified in a body, assurances can usually be taken about internal arrangements for preventing and detecting fraud.
93. In May 2008 Audit Scotland released its report *National Fraud Initiative in Scotland 2006/07*. A full copy of the report is available on Audit Scotland's website www.audit-scotland.gov.uk. The report highlighted a range of areas where prevention and detection of fraud had been enhanced.
94. The report also noted that while the majority of participating bodies performed their role satisfactorily, reported performance was not as good in the following areas:
 - about a quarter of participants could have planned better for NFI, demonstrated more commitment to the exercise, or started work on their matches more promptly
 - bodies should review their approach to selecting matches for investigation. Better use could have been made of the web based application. This particular issue was discussed with NHS Lothian where initially all matches were considered.
95. We reported, in 2006/07, that NHS Lothian established key contacts and nominated other contacts in Personnel and Payroll at an early stage and that following receipt of the data matches, an action plan was created for each type of match i.e. payroll to payroll within and between bodies, payroll to payroll pensions, etc.
96. Looking forward, Audit Scotland is working to widen the scope of the NFI in line with the rest of the UK. Public bodies will provide information again in October this year as part of their 2008/09 audits with the output expected in early 2009. Discussions are currently ongoing with staff as to whether to extend the Board's involvement next year to include trade creditors.



97. The 2008/09 NFI exercise will again form part of the external audit of NHS Boards and special Health Boards and we shall monitor NHS Lothian's progress in this area.

Other developments

98. We note that NHS Lothian's fraud arrangements have been further strengthened by:

- the appointment of a Counter Fraud Champion (the Director of Finance) who will play an active part in raising the profile of counter fraud initiatives
- the establishment of a formal plan of Counter Fraud Service (CFS) proactive work
- a number of learning/awareness initiatives to be carried out jointly between CFS and NHS Lothian.

Information and Communication Technology

eHealth Programme Management Office review

99. We noted in our audit plan that the Board recognised that investment in eHealth systems is necessary to deliver local healthcare services. The eHealth strategy approved in 2007 is supported by a financial plan that identifies £10 million of investment over the next three years. It is important to have systems in place to ensure that all the anticipated benefits are derived from this investment in a timely manner. During the course of 2007/08 we reviewed the techniques used by the eHealth programme office. The key findings reported to management included:

- each month, the programme office prepares a consolidated high-level summary of all eHealth project activity that highlights progress and key project risks to management
- a comprehensive range of programme and project management templates have been developed, but the consistent use of these materials could be improved
- there is scope to improve consolidated reporting of resources and risks to produce overarching risk and resource plans which cover all eHealth programme and project activities
- there may be scope to further align some individual projects into defined and recognised programmes of work, facilitating a better understanding of common risks and benefits.

Computer Services Review

100. We also reviewed progress against the risk areas highlighted in our 2006/07 computer services review. Our draft report currently with management noted that good progress had been achieved during the course of 2007/08. Planned activity is underway to reduce all highlighted risks, with more than 50% now complete.



101. The area where the greatest challenge remains is the resilience and continuity of eHealth systems.

Formal testing and review of eHealth business continuity (BC) and disaster recovery (DR) plans is not routinely performed. Until this review and testing is undertaken routinely, NHS Lothian may not be able to respond to critical incidents in a structured manner. We did however acknowledge that eHealth management are currently developing a testing strategy for BC and DR plans, and anticipate that a schedule of testing will be agreed during 2008. We will monitor future developments in this area.

102. Against the background of an increasing number of public sector information security breaches being reported, formal adoption of the eHealth Security Policy was an important achievement. Ensuring that all staff understand and adhere to this Policy will be an ongoing task. As part of our 2008/09 audit work, we will monitor the effectiveness of measures introduced to increase staff awareness about information security and ensure compliance with this Policy.



Looking Forward

103. NHS Lothian faces a number of challenges in 2008/09, which include:

- **Equal pay** – The Equal Pay Directive has made it clear that pay discrimination should be eliminated from all aspects of remuneration. NHS Lothian management, working with the Scottish Government Health Directorates and other NHS Boards, will require to form a view of the potential liabilities as soon as practicable, taking into account the progress of cases in Scotland and in England.
- **Efficiency and future funding** – Budgets for 2008/09 and the immediate future will need to be managed within a tighter funding regime. This includes significantly less scope for the application of end of year flexibility for the Government with HM Treasury until the next Spending Review and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on PFI, leases and infrastructure accounting. The challenge for NHS Lothian will be to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives. This will be the case even though NHS Lothian will gain by some £54 million which will be phased in over the coming years from the new NRAC funding model, compared to the existing methodology.
- **18 Week Referral to Treatment Target** – The Scottish Government have agreed that from December 2011 a patient's maximum waiting time from referral by a GP to treatment will be no longer than 18 weeks. NHS Boards will require significant developments within the four strategic elements (Service Transformation and Redesign, Planning, Information and Performance Management) to achieve this standard. There is a significant risk that management capacity and expertise may be insufficient to deal with both the strategic elements required to deliver the 18 week standard and delivery of services currently required by patients.
- **International Financial Reporting Standards (IFRS)** – As part of the UK Budget 2007 the Chancellor announced that the timetable for IFRS implementation was to be extended by a year with NHS and central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. The Scottish Government have notified the appropriate bodies that they will be required to produce shadow IFRS based accounts for the financial year in 2008/09, including a restated balance sheet as at 1 April 2008. This process may require significant resource to complete and it will be important that the restatement is tackled early in 2008/09, with a plan in place to manage the transition.



- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based 'Virginia-style' model of performance measurement and reporting. In support of this the Scottish Government has developed a new electronic tool and website to communicate to the public on Scotland's progress. This will include progress on overall delivery of the administration's purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. We will consider how NHS Lothian is addressing this developing area as part of the 2008/09 audit.
- **NHSScotland Shared Support Service Programme** – In July 2008 the Executive Management Team (EMT) agreed that NHS Lothian would upgrade their eFinancials system to the NHSScotland standard version (3.4) in September 2008, at which time they will join the shared services consortium led by NHS National Services Scotland (NSS). The eFinancials upgrade will introduce new functionality that may require additional staff training. Joining the NSS consortium will mean that NHS Lothian's ledger data is migrated from its current location to the server that supports the other six consortium members, during the course of the 2008/09 financial year. As part of our 2008/09 audit we will review NHS Lothian's plans for ledger system upgrade and migration.
- **Data handling** – The Scottish Government carried out a review of data handling arrangements in Scotland in response to failures in UK government bodies' procedures and practices during 2007. The review considered current policies and procedures on data protection, consistency with government standards and local arrangements for implementation of procedures. Following the publication of an interim report in April 2008, the Scottish Government published their final report and recommendations in June 2008. We will monitor NHS Lothian's response to the review and action taken as part of our 2008/09 audit.
- **Best Value** - The concept of best value is seen as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the best value audit regime across the whole public sector and significant development work has taken place over the last year. NHS Lothian will wish to respond to this important initiative as it develops
- **Edinburgh BioQuarter Sciences Park** – NHS Lothian have entered into partnership with Scottish Enterprise, the University of Edinburgh and Alexandria Real Estate (a US-based development company) to create a new BioQuarter Sciences Park for the commercialisation of research on a site adjacent to the Royal Infirmary of Edinburgh. This will present a number of challenges for NHS Lothian in relation to partnership working, project timescales and budgeting.



- **National developments** – With the election of a new Scottish Government in 2007, there are a range of national developments coming into operation or being piloted, including the use of independent scrutiny arrangements for major planned service changes and the introduction of elected members on NHS Boards. NHS Lothian will be required to respond to this developing agenda.

104. The Board recognises these challenges and is taking steps through its planning processes to address them. We will continue to monitor the progress that NHS Lothian is making on these key issues.



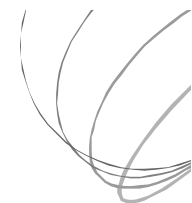
Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
1	<p>NHS Lothian should work with the SGHD to clarify issues and potential costs relating to equal pay claims in the NHS in Scotland.</p> <p>There is a risk that the potential liability is not disclosed appropriately in the financial statements.</p>	<p>NHS Lothian plans to continue to work with Central Legal Office and SGHD to clarify the potential financial exposure arising from Equal Pay claims during 2008/09.</p> <p>Developments in the legal position which provide a pathway to estimating the financial effect within provisions will be shared across the service and applied consistently.</p>	A. Boyter (Director of HR)	31 March 2009
2	<p>Negative balances are being carried in the revaluation reserve. There is a risk that there is a permanent diminution in the value of the associated assets.</p>	<p>NHS Lothian reviews the results of its annual property valuation, capital plans and estates strategy to inform its accounting for unrealised valuation gains/losses.</p> <p>This will be continued for 2008/09.</p>	M. Pringle (Head of Financial Planning)	31 March 2009
3	<p>There is a risk that capital grants do not comply with the relevant guidance. Management should ensure that appropriate documentary evidence for capital grants is maintained and all appropriate agreements are reached with third parties.</p>	<p>NHS Lothian has continuously improved the process for assessing the impact of capital grants since the revised accounting rules for recording against CRL were introduced.</p> <p>In addition, documentary controls and progressing agreements with counter parties have been similarly progressed and further improvements are envisaged in 2008/09.</p>	M. Pringle (Head of Financial Planning)	31 March 2009



Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
4	<p>There is a risk that pensions information disclosed within the accounts is incorrect. NHS Lothian should review the pensions data recently received to ensure that the full financial impact is calculated and applied accordingly.</p>	<p>NHS Lothian treats the requirements for complete data in arriving at the quantum of pension provisions very seriously, and has actively engaged with partners during 2007/08 and beyond in attempting to resolve the position with delayed SPPA payments.</p> <p>NHS Lothian will continue to press for an accelerated programme of pension payment chargebacks to keep recurring payment information as up to date as possible for calculating the full effect of actuarial changes on provision requirements.</p>	<p>R. Martin (Head of Corporate Reporting & Corporate Governance)</p>	<p>To review mid year, 30 Sept 2008</p>
5	<p>The number of delayed discharges fluctuates during the year.</p> <p>There is a risk that patient care is affected and that care is not provided in the most appropriate location.</p>	<p>NHS Lothian has embedded joint working and partnership accountability arrangements with its Local Authority partners to help manage this risk effectively throughout 2008/09 and beyond.</p> <p>Management of CHPs has been reviewed and restructured during 2007/08 to further enhance delivery of key targets and effective joint working and performance monitoring.</p>	<p>CHP/CHCP general managers</p>	<p>Subject to quarterly review throughout 2008/09</p>
6	<p>There is a risk that the capital investment planned and the related health services are delayed resulting in a reduced service to its residents.</p> <p>In addition, the achievement of financial and operational targets may be adversely affected by any slippage.</p>	<p>The EMT and FP&R sub-committee of the Board regularly reviews progress with major capital projects and the capital programme overall.</p> <p>Members of the EMT</p>	<p>J K Sansbury (Director of Healthcare Planning)</p>	<p>To review mid year, 30 Sept 2008</p>



Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
		<p>have been identified with accountability for progress on key capital investments and planning initiatives (including ICIC) so that the NHS Board's medium term financial plans are realised.</p>		
7	<p>NHS Lothian fail to achieve improvements in the QIS clinical governance and risk management assessment which may result in patient care being compromised.</p>	<p>The Healthcare Governance and Risk Management sub-committee of the Board regularly assess performance on clinical governance issues and will be monitoring the Board's progress in improving its compliance scoring towards target throughout 2008/09.</p>	<p>Dr. C. P. Swainson/ Prof. H. T-Moore (Medical Director/Director of Nursing)</p>	<p>31 March 2009</p>
8	<p>There is a risk that sickness absence is not contained leading to a reduction in the level of service delivery, additional costs and staff morale issues.</p>	<p>NHS Lothian is one of the best performing boards at present in reported sickness absence levels and is fully committed to meeting the 4% absence target by March 2009.</p> <p>This will be achieved through a variety of measures including performance management and strengthened implementation of workforce policies already in place that promote attendance and allow staff to work as flexibly as possible without compromise to operational capability and efficiency.</p>	<p>A. Boyter (Director of HR)</p>	<p>31 March 2009</p>