



SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW



NHS Fife

Annual report to Fife Health Board and the Auditor General for Scotland

July 2009



NHS Fife

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Executive summary	1
Introduction	3
Financial statements	4
Use of resources	8
Performance	19
Governance	24
Looking forward	29
Action Plan	31

Executive summary

Financial statements

Our audit of the 2008/09 financial statements is complete and our audit opinions are unqualified. NHS Fife achieved all of its financial targets, delivering a saving against the Revenue Resource Limit (RRL) of £2.928m (0.54%).

In line with the national position, the Board has not recognised a provision for the 886 equal pay claims it has received. The detail and progress of these claims is not sufficient to determine the likelihood of failure or success nor estimate what the exposure could be. The Board has therefore concluded that an attempt to estimate any potential liability could be significantly misleading. We have included an emphasis of matter paragraph in our auditors' report to reflect the potentially significant uncertainty arising from these claims.

Use of resources

NHS Fife has received significant increases in resources over the past few years, which is consistent with the position across NHSScotland. The Board's RRL has increased by 27.2% since 2004/05.

The Board achieved all of its financial targets and delivered a saving of £2.9m against the RRL in 2008/09. This saving was achieved despite an underlying recurring deficit of £2.6m (2007/08: £2.5m surplus), showing that the cost of providing core (ie recurring) services exceeded the recurring funding received. The Board is projecting to break even in 2009/10 and deliver a surplus in 2010/11.

The Board has increased its efficiency savings targets by £1.5m next year in order to help manage its financial position. For 2009/10, the cumulative 2% efficiency target is £19.497m of which the Board achieved £9.412m in 2008/09.

Performance

The Board has performed well in 2008/09 to ensure that 40 (66%) of the Board's targets - which include local and HEAT targets - have been, or are on track to be, met. Issues remain with meeting the absence management target and three other HEAT targets relating to complex care for older people, dementia and the healthy weight of children.

The Board continues to be an active member of the South East and Tayside (SEAT) regional planning group. SEAT's remit includes working together to plan, fund and implement services across NHS Board boundaries and to harmonise NHS Board service plans at regional levels.

Governance

We have reviewed the Board's corporate governance arrangements in relation to its systems of internal control and standards of conduct including the prevention and detection of fraud and corruption. Our

review confirms that the Board's governance arrangements remain strong and we did not identify any reportable weaknesses. In addition, NHS Fife has submitted all mandatory National Fraud Initiative 2008/09 datasets and demonstrated a strong commitment to the exercise during the year.

Looking forward

The General Hospitals and Maternity Services (GH&MS) project continues to progress and remains a key strand of NHS Fife's healthcare strategy. The Board reached financial close on the agreement in April 2009. As part of the process, the Board has made a prepayment against the future Annual Service Payment (ASP) to the PFI provider and this was supported by SGHD. The impact of financial close will be reflected in the 2009/10 financial statements and there will also be a significant impact arising from the introduction of International Financial Reporting Standards (IFRS) to the sector.

Equal pay will remain a key issue for the NHS in Scotland and we strongly encourage NHS Fife, working with SGHD and other Boards, to form a view of any potential liability as soon as possible.

The Board is now facing an increasingly challenging financial operating environment, due to both local and national cost and funding pressures. Savings targets have been set for the next 5 years, increasing substantially each year. Detailed plans are being developed to identify opportunities and secure savings. The Board is aiming to break even against its RRL in 2009/10 although this will require the use of the £2.928m surplus carried forward from 2008/09. The Board plans to use the capital funds previously banked with SGHD to support the capital costs in relation to GH&MS.

It has been announced by SGHD that NHS Fife will be one of two health boards to pilot the first direct elections to NHS boards in Scotland. The pilot will commence in 2010 and members of the public will be able to stand and vote in these elections. This pilot will run for at least two years, before an independent evaluation is undertaken to consider how best to take this forward in Fife and at a national level.

Conclusion

This report concludes our audit of NHS Fife for 2008/09. We have performed our audit in accordance with the Code of Audit Practice published by Audit Scotland, International Standards on Auditing (UK and Ireland) and Ethical Standards.

This report has been discussed and agreed with the Chief Executive and Director of Finance. We would like to thank all management and staff for their co-operation and assistance during our audit.

Scott-Moncrieff
July 2009

Introduction

1. This report summarises the findings from our 2008/09 audit of Fife Health Board, commonly known as NHS Fife. The scope of our audit was set out in our External Audit Strategy and Plan, which was presented to the Audit Committee in January 2009.
2. The main elements of our audit work in 2008/09 have been:
 - Audit of the financial statements, including a review of the Statement on Internal Control
 - Review of 31 March 2008 balance sheet restated under International Financial Reporting Standards (IFRS)
 - Review of governance arrangements, internal controls and financial systems
 - Best Value audit of information management
 - Follow-up audit of the Best Value review of financial management
 - Follow up audit on ICT Infrastructure and eFinancials
 - Review of staff governance arrangements
3. In addition to this report, we have issued the following detailed reports during 2008/09:
 - Interim management report
 - IFRS report on our review of the Board's restated balance sheet as at 31 March 2008
 - Report on the audit of the financial statements
 - Follow up report on ICT Infrastructure and eFinancials
 - Best Value follow up on financial management arrangements
 - Letter on the outcome of our staff governance review
 - Best Value audit of information management

The key issues from these outputs are summarised in this annual report.

4. As part of our audit, we have also made use of the work of other inspection bodies including the Board's internal audit service and Audit Scotland's Public Reporting Group.
5. This report will be presented to the Auditor General for Scotland and will be published on Audit Scotland's website, www.audit-scotland.gov.uk

Financial statements

Introduction

6. Financial statements are a key way for NHS Fife to account for its stewardship of the resources made available to it. In this section we set out our audit opinions and summarise the issues arising from our audit work on the financial statements.

Our responsibilities

7. 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
 - whether the information in the operating and financial review is consistent with the financial statements
 - whether expenditure and receipts have been incurred and applied in accordance with guidance from Scottish Ministers (the regularity opinion).
8. 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

9. The Board approved its annual accounts on 30 June 2009. We are pleased to report that our independent auditors' report expressed an unqualified opinion on the financial statements of the Board for the year ended 31 March 2009 and on the regularity of transactions reflected in those financial statements. An "emphasis of matter" paragraph has been added to our auditors' report regarding the uncertainty surrounding the Board's exposure to equal pay claims.
10. The annual accounts were submitted to SGHD and the Auditor General for Scotland prior to the 30 June 2009 deadline.
11. We received initial draft annual accounts and supporting papers on 5 May 2009 and a full completed set, of a good standard, on 8 May 2009. We are pleased to report that the audit process ran smoothly, and our thanks go to the finance team for their assistance with our work.

Issues arising from the audit

12. We are required by auditing standards to report to the Board the main issues arising from our audit of the financial statements. On 26 June 2009, we presented our Report on the Audit of the Financial Statements to the Audit Committee. No high risk weaknesses in the accounting and internal control systems were identified during the audit. The significant issues identified (ie those of grade 3 and above) were as follows:

Provision for clinical/ medical negligence claims

13. NHS Fife has a recurring budget (£0.4m) for the settlement of any legal cases and this has proved to be sufficient to meet the actual liability of any Risk 2 and Risk 3 cases which have been settled within the financial year. However, the Board should adopt the indicative SGHD clinical/medical negligence accounting guidance unless there are specific, demonstrable reasons for not taking this approach. Doing this would have led to an increase in CNORIS provision of £3.25m and the corresponding reimbursement debtor of £2.85m. This would have resulted in a total charge to the operating cost statement of £0.4m in 2008/09.

Disputed balances with NHS Lothian

14. The NHS Annual Accounts Manual required balances between NHS Boards to be agreed by 17 April 2009. NHS Fife was still trying to reach agreement with NHS Lothian as at mid June 2009, with NHS Lothian claiming that an additional £0.2m was owed from NHS Fife as at 31 March 2009 (although NHS Lothian has since agreed to issue a credit note to reduce the disputed amount to £0.1m). In addition, NHS Lothian's calculation of inter-board trading with NHS Fife for the year was initially adrift by £11m, with NHS Lothian claiming the higher amount. This is a recurring problem as NHS Fife did not manage to agree balances with NHS Lothian in 2007/08 or 2006/07.

Operating leases

15. The Board does not operate a central register of operating leases, and compiling a central register of leases will help improve internal monitoring and control and provide a clearer audit trail of leases.

Equal pay

16. 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". The Equal Pay Directive made it clear that all such discrimination should be eliminated from all aspects of remuneration. The National Health Service in Scotland has received a number of claims for backdated pay increases, arising from this requirement. The NHS Central Legal Office (CLO) co-ordinates the NHSScotland approach to this issue.
17. As at 31 March 2009, NHS bodies had received some 12,000 claims and these had been referred for attention to the CLO. It is possible that these claims represent a current liability for NHS

boards generally. There were 886 grievances or employment tribunal claims registered against NHS Fife.

18. The Board has followed the national lead and has not recognised a provision for the claims on the basis that the detail and progress of all outstanding claims is not judged to be sufficiently advanced to determine the likelihood of their failure or success, nor to estimate what their value could be. The Board has concluded that any attempt to estimate any potential liability could be significantly misleading. A contingent liability is being disclosed in the notes to the accounts, with the narrative disclosure consistent with other Boards across Scotland.
19. Our audit report has been modified to include an emphasis of matter regarding the uncertainty surrounding the Board's exposure to equal pay claims. We strongly encourage management, working with SGHD and other NHS Boards, to form a view of the potential liabilities as soon as possible.

Action plan point 1

International Financial Reporting Standards (IFRS)

20. As announced by the Chancellor of the Exchequer in his Budget report on 12 March 2008, government departments and other public sector bodies will report and prepare financial statements under IFRS from 2009/10. The Scottish Government announced on 25 April 2008 that all Scottish government departments, executive agencies, health bodies and non-departmental public bodies will be required to produce shadow IFRS based accounts for financial year 2008/09 (with the exception of bodies reporting under the Charities SORP). This led to the production of a restated balance sheet as at 1 April 2008.
21. We undertook a review of the Board's opening 2008 IFRS balance sheet in February 2009 and reported our findings and recommendations to the Audit Committee in March 2009. Our report set out a series of actions for the Board to consider when completing the full restatement exercise, the most significant of which was that the Board should fully consider IFRS implications on its PFI agreements.

Action plan point 2

22. The 2008/09 accounts must be restated on an IFRS basis by 30 September 2009 and an audit review of these accounts will be completed by 30 November 2009.

Common chart of accounts

23. The Board's finance team continues to monitor any developments to establish a common chart of accounts for NHS Scotland. NHS Fife's finance team has been revising its ledger coding structure in anticipation of further national developments. The Board is now using the revised hierarchy in 2009/10.

Statement on Internal Control

24. As part of our audit we have considered the Board's Statement on Internal Control, included within the annual accounts. We are satisfied that the Statement complies with the Scottish Ministers' guidance and that the contents are not inconsistent with information gathered during the course of our normal audit work.

Regularity

25. 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 issued an unqualified opinion on the regularity of transactions.

26. We have also concluded that the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers, and that information which comprises the Financial Performance and Position section of the Directors' Report included with the Annual Accounts is consistent with the financial statements.

Use of resources

27. This section sets out our main findings from our review of how the Board manages its key resources in terms of:

- Its financial position;
- Management of assets; and
- The use of information and communication technology.

The Board's financial performance in 2008/09

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

Table 1 – Performance against financial targets

Financial Target	Target £000	Actual £000	Underspend £000	Target achieved
Revenue Resource Limit	543,086	540,158	2,928	Yes
Capital Resource Limit	26,669	26,654	15	Yes
Cash Requirement	570,600	570,600	0	Yes

(Source: Fife Health Board Annual Accounts 2008/09)

29. NHS Fife achieved a surplus against its Revenue Resource Limit (RRL) of £2.928m. This surplus represents an underspend of 0.54% and is therefore within the 1% carry forward threshold.

30. The Board had predicted a £2m underspend in its Financial Framework, which was reported to the Board in June 2008. The surplus gradually increased during the year as part of a managed cost control process and in order to maximise carry forward into 2009/10 when the Board will be operating in an increasingly challenging financial environment.

In year variance

31. The £2.928m RRL surplus is largely attributed to an underspend on pay costs (£1m mainly in relation to non-clinical pay) and £1.29m on supplies expenditure.

32. The Board overspent in Pharmacy Services by £1.794m of which £1m is attributed to GP prescribing, £419,000 in General Pharmaceutical Services and £323,000 in contributions to Stoma Services.

Table 2 – Significant variances from budget

Variance from budget	Underspend / (Overspend) £000
Clinical Costs:	
Hospital and Community Healthcare	3,295
Family Health Services: Pharmacy Services	(1,794)
Non-Clinical Costs:	
Pay expenditure	991
Other variances	436
Surplus against RRL	2,928

(Source: March 2009 Monthly Monitoring Return)

Recurring and non-recurring income and expenditure

33. As performance against financial targets can be affected by non-recurring (eg one-off) funding and expenditure, it is helpful to analyse the Board's position into recurring and non-recurring items. As shown in Table 3, the overall underspend of £2.928m was made up of a recurring overspend of £2.619m offset by a non-recurring underspend of £5.547m.

Table 3 – Achievement of 2008/09 surplus

	£000
Recurring income	530,762
Recurring expenditure	(542,793)
Recurring savings	<u>9,412</u>
Underlying recurring deficit	(2,619)
Non-recurring income	43,938
Non-recurring expenditure	(39,180)
Non-recurring savings	<u>789</u>
Non-recurring surplus	5,547
Total RRL surplus	2,928
Underlying recurring deficit as a percentage of recurring income	<u>0.5%</u>

(Source: Director of Finance)

History of recurring balance

34. Whilst an overall surplus was achieved in 2008/09, the underlying recurring deficit of £2.619m indicates difficulties in funding ongoing activities from standard, recurring allocations. Table 4 shows the Board's surplus split between recurring and non-recurring for the last three years.

Table 4 – Recurring and non-recurring surplus and deficit 2006/07 – 2008/09

	2006/07 £000	2007/08 £000	2008/09 £000
Recurring surplus/(deficit)	2,400	2,465	(2,619)
Non-recurring surplus	2,600	3,199	5,547
Total surplus	5,000	5,664	2,928

(Source: Previous annual audit reports)

Capital Resource Limit

35. The Board achieved its Capital Resource Limit (CRL) target, with a £15,000 underspend. Capital expenditure of £26.7m was incurred in 2008/09. The main items of capital expenditure in the year were GH&MS (£6.5m), Dental Works (£4m) and Stratheden Hospital (£3.9m). The GH&MS works related to (non-PFI) enabling works which were carried out in parallel with the PPP building works.

Capital grants

36. During 2008/09 the Board awarded £3.178m in capital grants to other public bodies. These payments are made to external bodies for the purposes of improving or procuring fixed assets from which the Board's residents will directly benefit in terms of achieving Board objectives. The main grants awarded include £1.5m for external roads and infrastructure related to the GH&MS project, £0.5m for dental decontamination and £0.5m for Muiredge Surgery for which the Board received specific Primary Care Modernisation funding from SGHD.

Funding

37. The Board has received its initial Revenue Allocation for 2009/10 of £490.3m, an uplift of 3.4% on 2008/09. Despite a tight spending review settlement for Scotland, health expenditure is to increase by an average of 4.2% per year over the 3 year period 2008/09 to 2010/11. All NHS Boards have received a minimum uplift of 3.15% in 2009/10.
38. NHS Fife is receiving increases above the minimum due to its funding being below the target level identified by the NHSScotland Resource Allocation Committee (NRAC), established in 2005 to review the Arbutnott formula.

39. Although NHS Fife is receiving an additional £1.2m in 2009/10 towards funding parity, the Board believes it is still approximately £9.1m below its full NRAC entitlement. In line with revised SGHD advice, the Board's financial plans have assumed £1.2m additional funding in both 2010/11 and 2011/12 in relation to moving towards NRAC parity. SGHD has advised the Board that, for the current spending review period, this will be the only movement towards parity.

Cost pressures

40. Demographic change, pay and price increases, drug bill cost increases and expenditure in relation to reducing patient waiting times are common pressures which NHS Fife is facing. For example, a 0.5% pay uplift costs the Board £1.4m each year and a 1% increase in the drug bill costs £0.8m. Specific local pressures include GH&MS and the St Andrews Community Hospital, where the Board is looking to balance offering high quality of health services with the costs of delivering these services.

41. In addition, pay modernisation continues to be one of the largest cost pressures faced by the NHS, resulting in substantial additional recurring costs. Agenda for Change and Modernising Medical Careers are considered and monitored by the Board on an ongoing basis.

42. The Chancellor has identified the need for additional efficiency cost reductions of £5 billion across the public sector from April 2010. There has been no further clarification of where these reductions will be made and the impact that this will have on NHS Fife. The Board has acknowledged this risk in its financial risk assessment.

Financial plans

43. The Board has prepared a 5 year financial plan covering the period 2009/10 – 2013/14. The plan identifies the risks which may prevent the Board from achieving its forecasts and, in doing so, aims to give a balanced assessment of the future funding position of the Board. Table 5 below provides a high level summary of the 2009/10 plan.

Table 5 – Forecast financial outturn 2009/10

	£000
Recurring income	572,869
Recurring expenditure	(583,068)
Recurring savings	9,099
Underlying recurring Deficit	<u>-1,100</u>
Non-recurring income	5,065
Non-recurring expenditure	(4,965)
Non-recurring savings	1,000
Non-recurring Surplus	<u>1,100</u>
PROJECTED OUT-TURN (Breakeven)	0

(Source: Director of Finance)

44. The Board estimates that it will breakeven in 2009/10, with a recurring deficit of £1.1m offset by a non-recurring surplus of the same magnitude.

Table 6 – Forecast outturn against RRL 2009-13

	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Forecast outturn against RRL surplus/(deficit)	0	1,858	1,706	0

(Source: Director of Finance)

45. The Board expects to meet its overall RRL target up to and including 2012/13. We have reviewed the Board's plans and forecasts and the assumptions on which they are based appear reasonable. Continuing tight control over expenditure and monitoring of savings plans will be required in order to achieve the forecasts.

Savings plans

46. The Board has forecast that it requires to supplement its Efficiency Savings Programme by £1.5m. The Scottish Government introduced a Cash Efficiency Target for the period 2008/09 to 2010/11. Boards are required to demonstrate that 2% of their allocation year on year has been saved and

invested in services. For 2009/10 the cumulative 2% efficiency target is £19.497m of which the Board achieved £9.412m in 2008/09.

47. Table 7 notes the major efficiency savings achieved by the Board in 2008/09. These savings were identified through a mixture of specific efficiencies highlighted at the start of the financial year and “in-year” programmes identified on an ongoing basis.

Table 7 – Savings achieved in 2008/09

Source of savings	Recurring Savings £000	Non-recurring Savings £000	Total £000
Operational Division	1,339	-	1,339
Service Level Agreement	1,405	-	1,405
Theory of Constraints Programme	3,650	-	3,650
Other Smaller Savings	3,018	789	3,807
Total savings achieved	9,412	789	10,201

(Source: March 2009 Monthly Monitoring Return)

Use of resources in achievement of strategy

48. NHS Fife has previously identified that it will not be able to sustain current levels of service within the existing estate and resources, due to changes in population demographic and care requirements. A major consultation exercise was undertaken between 2000 and 2002 which resulted in a set of strategic strands being developed. Among the service redesign projects approved as a result of this exercise were the GH&MS Project and St Andrews Community Hospital.

General Hospitals and Maternity Services (GH&MS)

49. During 2008/09, the Board has incurred expenditure of £6.5m in relation to (non-PFI) land enabling works at Victoria Hospital.
50. The Board did not reach financial close on the project during 2008/09. An “Advanced Works Agreement” (AWA) was signed in August 2008 by the Board and the PFI provider. This allowed the PFI provider to undertake building works in parallel with the Board’s own enabling works, to reduce the risk of any overrun of the project. Three extensions were signed off during the year to allow this work to continue.

51. Whilst our 2008/09 audit work gave us assurance over the transactions in relation to GH&MS for the financial year, there are complex financial reporting issues that we will consider in detail in 2009/10.
52. Financial close was reached on 30 April 2009. This effectively means that title for all works has been signed over to the PFI provider for the 30 year period. We understand however that it is the Board's intention to continue to hold the enabling works on the balance sheet as fixed assets.
53. Due to late changes in the PFI funding package, the Board has made a prepayment of £34m towards future annual service payments (ASP). This was supported by SGHD. The Board will recognise a prepayment in the 2009/10 accounts and release this over the 30 year period of the PFI contract.
54. In our interim management report, we agreed with the Board that it should consider carrying out a financial health check / due diligence review of the PFI contractor, in light of the current macro-economic environment.

Action plan point 3

St. Andrews Community Hospital

55. The Board expects to take possession of the St. Andrews Community Hospital, also built under PFI, in July 2009. The Board will then incur expenditure (annual service payment) of £2.74m in 2009/10 and £3.24m per annum thereafter.

Good housekeeping reviews

56. For 2008/09, the Board engaged the District Valuer to value Victoria Hospital, Whyteman's Brae Hospital, Linburn Road and Randolph Wemyss Memorial Hospital. The result of this exercise has been an impairment (reduction in value) of £5.6m. SGHD agreed to fund the impairment and so there has been no impact on the Board's RRL position.

Financial management

57. The Board's scheme of delegation outlines duties and responsibilities of executives, non-executives, senior managers and budget holders. The Board establishes five-year financial and capital plans which are submitted to the SGHD annually. The Board continues to monitor performance on a monthly basis through its executive performance reports. These reports ensure that the Board is adequately informed of performance in a timely manner.
58. We have found that the Board's finance staff work closely with services to ensure that robust reporting information and effective financial support is available.

Follow-up Best Value review of financial management

59. In 2007/08 Audit Scotland introduced its approach to the audit of Best Value in the NHS, in the form of 'Use of Resources'. There are seven strands to this approach, and the first area to be

covered in 2007/08 was Financial Management. Our Best Value report on financial management was issued in 2007/08 and followed up in 2008/09. The results of this follow up were presented to the Audit Committee in May 2009. Table 8 summarises these results.

Table 8 - Results of Best Value follow up audit

Priority	At June 2008		At April 2009		
	Number of Recommendations	Not Accepted	Fully Completed/ Implemented	Satisfactory Progress	No Progress/ Not Implemented
1 (high)	-	-	-	-	-
2 (med)	4	1*	-	4	-
3 (low)	2	1	-	1	-

*Action has since been taken forward by the Board.

60. We concluded that the Board has put satisfactory arrangements in place to address the issues raised in our original report.

Best Value review of information management

61. The Best Value review for 2008/09 was on information management. This took the form of a series of best practice questions. The Board carried out a self-assessment which we then validated.
62. Our validation review involved meetings with a cross-section of senior management including the Chief Executive, Director of Finance and Medical Director. We found that the Board is making good progress on improving its information management. We were pleased to note that the Information Services team has been an active participant in projects to improve service delivery within the Board and this should be extended to all service areas. At the time of our review, the Board was in the process of reviewing roles and responsibilities for information management and was seeking to start the process of developing an information strategy.
63. As part of this review, we were required to provide a summary judgement on the capacity of the Board to improve its information management, on a scale of:
- Poor – i.e. weak capacity which is unlikely to deliver necessary performance improvements.
 - Uncertain – i.e. some improvement capacity, but the likelihood that it will deliver improvement is uncertain.
 - Promising – i.e. good improvement capacity, but little track record of delivery.
 - Excellent – i.e. very strong improvement capacity backed up by a track record of delivery.
64. Our summary judgement was that *“the Board's capacity to improve its information management is promising. The development and implementation of an information strategy coupled with the rationalisation of roles and responsibilities for information management will be key factors in this improvement being achieved.”*

65. The output from the exercise was a validated self-assessment questionnaire which has been submitted to Audit Scotland for comparison with other health boards. We will report the results of this comparison exercise to the Board once it has been completed.

Management and use of ICT

66. During the 2008/09 financial year, we performed a follow-up review of the ICT Infrastructure and eFinancials report issued during 2006/07. The original report contained five high priority issues. It was therefore important to determine the progress made by the Board in implementing the recommendations from this report.
67. We are pleased to report that there have been positive steps taken by the Board to address the recommendations identified in our 2006/07 report. All high priority recommendations are either completed or are in the process of being completed. We also recognise that a number of the recommendations are being addressed through a series of actions/projects. However, these actions were not completed in line with expected timescales and, in our opinion, it is important that the Board ensure outstanding actions are completed in line with revised timescales.
68. The two high priority recommendations that remain outstanding relate to IT Disaster Recovery Planning (see Action Plan Point 4) and Business Continuity Planning (see page 28).

Action plan point 4

69. We were pleased to note that IT Services Management have continued the implementation of the COBIT (Control Objectives for Information and related Technology). COBIT is a best practice framework for IT process management. It provides measures, indicators, processes and best practice to maximise the benefits derived from using information technology and developing IT governance and control.
70. We were also pleased to note that IT Services are taking a lead role with the development of a suite of information security policies. The approach being taken is one which should ensure compliance with the policy requirements of the recognised international information security standard, ISO27001.

Asset management

71. In January 2009 Audit Scotland issued a national report on how the NHS is strategically managing its assets to support effective service delivery.
72. National guidance is currently being prepared to ensure that there is consistency across Scotland on any route forward emanating from the report. In response to this, the Board has devised an action plan to address the national report which was presented to the Senior Management Team in June 2009. The Board plans to follow up on the action plan later in the year.
73. There have been no significant disposals of fixed assets during the year.

People management

Agenda for Change

74. NHS Fife has made further progress with the implementation of Agenda for Change during 2008/09, with a £4.9m liability recognised as at 31 March 2009 (2008 - £6.5m, 2007 - £8.4m). However, timescales have slipped compared to the expected position as projected at the start of 2008/09.
75. The Board has paid all arrears to current substantive employees and bank workers. The Board issued letters to all leavers during the year, with a deadline of November 2008 for responses. A 55% response rate was received.
76. As at 31 March 2009, the Board had 2,685 outstanding claims subject to review. Of these 1,606 (60%) related to revisions, many of which are likely to result in no payment being made, and 685 related to outstanding assimilations and arrears for leavers. The Board has a plan in place for the processing of Agenda for Change claims. Further analysis is set out in Table 9.

Table 9 – Agenda for Change progress

	Number of Staff Included in Year End Accrual	Value of Accrual at 31 March 2009 (£000)
Leavers Arrears / Assimilations	685	171
Total Number of Staff for Review	1,606	2,639
On Call	331	1,986
Others	63	167
Total	2,685	4,963

Staff governance

77. In April 2009 we met with the Director of HR to discuss the Board's Staff Governance submission to SGHD. Our work included an examination of the Self Assessment Audit Tool process including review of:
- the Staff Governance Action Plan for 2008-09
 - the Staff Governance Action Plan for 2009-10
 - the findings from the 2008 staff survey
 - the Board's 2008-09 Mandatory Statistics

78. We found that some of the updates provided against the 2008/09 action plan were out of date (although the Area Partnership Forum had agreed that dates could be moved due to the pressure of dealing with Agenda For Change) and that a number of the actions in the 2009/10 action plan had a timeframe of 'ongoing.' We agreed that actions should aim to be more "SMART" through setting a definitive timeframe for achievement.
79. Our review of the mandatory statistics highlighted a rise in both bank costs and temporary contracts. Bank costs had increased owing to the efforts which were being made to reduce agency costs and the increase in temporary contracts was as a result of significant reconfigurations which are underway for GH&MS, mental health, St Andrews Hospital and work at Whyteman's Brae.

Performance

Introduction

80. To ensure effective performance the Board needs both a clear strategy that defines what it aims to achieve and effective mechanisms to monitor delivery and measure its outputs.

Vision and strategic direction

81. NHS Fife previously identified that due to changes in its population demographic, care requirements, workforce and training, and accreditation issues, a comprehensive review of services was needed to ensure that services in Fife could be preserved and enhanced. A consultation exercise was undertaken between 2000 and 2002, which resulted in a set of service redesign strategies being developed. These strategies are for:

- Learning Disabilities
- Acute
- Primary Care
- Mental Health
- Children
- Elderly

82. A number of major projects have arisen from these strategies, including GH&MS, the new St Andrews Hospital and Stratheden Hospital developments.

83. NHS Fife has a shared vision with its community planning partners to have 'A Stronger Future for Fife' by:

- Building a stronger, more flexible and diverse economy
- Creating a well educated and skilled Fife
- Improving health and wellbeing in Fife
- Sustaining and improving Fife's environment
- Making Fife's communities safer

84. A key challenge for NHS Fife is to progress with the implementation of its strategies and partnership working whilst also meeting national targets and assessing the ongoing demands placed on the health service by, for example, patients and politicians, particularly as new treatments emerge.

Performance management

85. It is essential that NHS Fife has adequate performance management information to allow the Board to manage the organisation effectively. New delivery and performance management arrangements for the NHS were introduced in 2006 by SEHD. These are based on Local Delivery Plans (LDP), which are structured around a hierarchy of four Ministerial objectives; HEAT targets covering Health Improvement, Efficiency, Access and Treatment. SGHD published its *Better Health, Better Care Action Plan* in December 2007 which set the 30 key targets for 2008/09.
86. The Board continues to use and develop the Balanced Scorecard to monitor Board-wide performance. The scorecard is a predictive tool and therefore highlights any areas where the Board is unlikely to meet its targets. The scorecard sets out all HEAT targets and the Board's local targets. It is presented to the Board at every second meeting (i.e. three times per year) and is regularly reviewed by the Senior Management Team (SMT). In 2008/09 the scorecard was updated to include "enablers", to identify what needed to be done to reach the target. The scorecard can also be used to drill down to each Community Health Partnership (CHP) and the Operational Division to determine whether they are on track to meet their targets. Governance committees review relevant sections of the scorecard whilst the Remuneration Committee oversees all targets and monitors directors' performance against each one.
87. A more detailed Balanced Scorecard (FifeStat) report is also prepared for use by SMT, individual Directors, their management teams and also the relevant Governance Committees. A clear focus is given to any particular area where the Board is behind trajectory to meet the target. System generated activity data is not however robust enough to provide timely and regular updates. To address this, the Board appointed a Head of Information Services in early 2009 to take lead responsibility for information management. A key part of this role will be the development of information management strategies and linkages between plans – ie LDP, workforce plans and budgets. We recommended in our interim management report that the Board takes steps to ensure that systems are in place to provide Board wide activity data.

Action plan point 5

88. The LDP is clearly structured by the Scottish Government to ensure that the narrative response element of the report looks at how risks will be managed with regard to delivery, finance, workforce and improvement implications. Locally, the initial narrative on risks is written by the Lead Officer for each target and then passed to Finance and HR colleagues to review and to add in any further appropriate text relevant to those aspects.

Performance overview

89. The Board's overall position against its Balanced Scorecard for 2008/09 was reported to the Board at its meeting in April 2009. An overview page shows, at a glance, where the Board sits against each of its targets by use of a traffic lights system where red indicates that the target is unlikely to be met and green indicates that the objective is on track to be met. Two other colour codes are also used, yellow indicating that whilst the indicator is likely to be achieved it will be delayed and

blue indicates that the target is already completed. Further detail within the paper provides commentary on each of the HEAT targets and also the Board's local targets.

90. From the 61 targets reported, progress was reported to be as per Table 10.

Table 10 – Overview of target performance

Traffic Light	Progress definition	Number	%
Blue	Completed	3	5
Green	Objective on track to complete by agreed date / completed and being maintained	37	61
Yellow	Objective still likely to be achieved but likely to be delayed	17	28
Red	Objective will not be met or unlikely to be met	4	6
	Total	61	100

91. The Board has performed well in 2008/09 to ensure that 40 (66%) of the Board's targets have been, or are on track to be, met with a further 30% likely to be met, but to a delayed timescale. The four areas which were reported as being below target in 2008/09 were:

- Absence management
- The level of older people with complex care needs receiving care at home
- Improvements in the early diagnosis and management of patients with a dementia
- Healthy weight of children

92. Absence management continues to be a key focus for NHS Fife. The target of 4% by March 2009 remained challenging with the position at 31 March being 4.56%, a slight increase on the February position of 4.55% but a drop from the January position of 5.74%. The overall Board rate of 4.56% represents a position of 5.02% for the Operational Division, 2.33% for the Corporate Division and 4.28% for CHPs. The focus on attendance is to continue in Fife and training continues on an ongoing basis. A tracking system has also been put in place within HR to monitor the effectiveness of referrals to Occupational Health and to ensure that appropriate support is given to managers.

93. To increase the number of older people with complex care needs receiving care at home the Board is currently working jointly with their local authority social work partner as part of a joint commissioning strategy. Whilst progress is being made, current information suggests that the objective will not be met by the deadline. The target the Board has to reach by March 2010 is 30%. The percentage reported at March 2008, which is the most recently reported figure, was 17.4%. The March 2009 position will not be known until January 2010.

94. The position at 31 March 2009 for patients with a dementia was also unknown at the time of writing this report and will not be known until October 2009. The Board was on course to meet the March 2011 target of 2,908 in March 2007 but reported a fall in performance during 2008. The next trajectory target to be met by March 2010 is 2,778; the last reported figure for March 2008 was 2,150 (Mar 2007 – 2,167).
95. The Board is also required to reach a target of 1,384 interventions with children who have a very high Body Mass Index (i.e. above the 91st percentile) by March 2011. No validated figures have been released yet as this is a new target. The Board has recognised that additional resources are required to deliver interventions and recruitment is currently underway. One dietician is currently delivering the service and the full service is planned to start in August 2009. A steering group is to monitor and evaluate the service provided.

Partnership working

96. Partnership working in the NHS is the term used to define joint working with a number of different parties including local authorities, other NHS Boards, the voluntary sector as well as staff groups. The need to work collaboratively is set out in both the Scottish Executive's *Partnership Agreement* and the Scottish Government's *Partnership for Care* which states that improvements in the health of the people of Scotland cannot be achieved by SGHD or the NHS boards alone. Community Health Partnerships were introduced as the main vehicle for improving services at a local level and CHPs are viewed as the main agent for partnership working with local authorities and the voluntary sector.
97. The Board's key mechanism for taking forward partnership working is through Fife's Community Planning Partnership which includes Fife Council, Fife Constabulary, Fife's voluntary sector and Scottish Enterprise.
98. The introduction of the National Performance Framework in 2008 resulted in a refinement of the HEAT targets and NHS Fife has worked with their community planning partners to agree the local outcomes and related indicators to develop their Single Outcome Agreement (SOA) to support National Outcomes.
99. A Performance Group is in place and it is anticipated that this group will monitor progress with the SOA. To date, however, the exact role and remit of the Group has yet to be formally agreed. The Board also intends to better integrate those SOA targets which are over and above the HEAT targets with the Balanced Scorecard. The data associated with these SOA targets will be incorporated into the Fife Stat report to enable closer internal monitoring of SOA targets which NHS Fife contributes to such as:
- Long term conditions
 - Community care
 - Health improvement / inequalities
 - Mental health and wellbeing

Regional planning

100. The Board continues to be an active member of the South East and Tayside (SEAT) regional planning group. SEAT's remit on behalf of its constituent Boards includes working together to plan, fund and implement services where there is benefit to patients in planning on a regional basis. SEAT has corporate governance arrangements in place and NHS Fife plays its part in promoting this partnership to the benefit of patients.

101. Through its agreed workplan, SEAT has focused on specific areas including Managed Care Networks for Adults with Learning Disabilities, development of a secure regional facility in Fife, the Clinical Network for Eating Disorders and delivering the national plan for children's specialist services.

Governance

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

- Corporate governance
- Risk management
- Internal audit arrangements
- Prevention and detection of fraud and irregularity
- National Fraud Initiative (NFI)
- Patient safety and clinical governance
- Community health partnerships
- Shared support services
- Business continuity planning

Corporate governance

103. Our work on corporate governance focussed on our review of the Board's arrangements to ensure effective systems of internal control, prevention and detection of fraud and irregularity and standards of conduct and prevention and detection of corruption.

104. We are pleased to report that governance arrangements at NHS Fife are generally strong.

Risk management

105. Risk management is important to the establishment and regular review of systems of internal control. Risk management arrangements at NHS Fife are relatively well developed compared to other Boards. Risk management cannot yet be considered to be embedded throughout the organisation but the Board is committed to continuous improvement in this respect and revised its Risk Management Strategy and Policy during 2008/09. The changes made have addressed our prior year recommendations and other revisions have enhanced the communication of the Board's risk identification, measurement and monitoring procedures to provide for a consistent approach across the organisation. The Board also continues to develop its risk management procedures in line with the Scottish Patient Safety Programme.

106. The Board has restructured its risk management groups. The SMT will now discuss risk management as part of its agenda and the Controls Assurance Group (CAG) is being consolidated into this. Representatives from CAG will still be involved in these discussions. The benefits expected from this change include more frequent monitoring of the risk register and a more streamlined approach to identifying and approving control measures. The Board also has departmental risk registers which link to the strategic risk register.

107. We identified scope for improvement in the Board's ability to link wider business planning with the risk management process. This was reported to the Board in our Interim Management report, as previously presented to the Audit Committee.

Internal audit

108. The Board's internal audit service is provided by FTF Audit and Management Services (FTF).

109. In accordance with International Standard on Auditing 610 (ISA 610) – Considering the work of internal audit, *“the external auditor should perform an assessment of the internal audit function when internal auditing is relevant to the external auditor's risk assessment.”* Overall, we concluded that FTF provides a service which complies with the NHS Internal Audit Standards and which we can rely upon. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work where appropriate and we are grateful to the FTF internal audit team for their assistance during the course of our audit work.

Prevention and detection of fraud and irregularity

110. Our audit has been planned to provide a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud and irregularity. As part of our governance work we reviewed the Board's arrangements in place to prevent and detect fraud and irregularity.

111. We did not find any indication of fraud and irregularity and concluded that the Board's internal controls and financial procedures were adequate to prevent and detect material fraud and irregularity.

National Fraud Initiative (NFI)

112. As part of our governance work, we reviewed NHS Fife's participation in the National Fraud Initiative (NFI) 2008/09. NFI is undertaken in Scotland in partnership with the Audit Commission, who have been running the scheme in England since 1996. NFI makes use of computerised techniques to compare and match information about individuals held by various public sector bodies to identify potential fraud, error or anomalies. Since its inception in 1996, NFI has realised total savings of £450m across the UK public sector. Scottish NHS bodies first participated in NFI during 2006/07. Total 2006/07 savings in Scotland amounted to £13m.

113. Under NFI, each NHS Board was requested to upload its payroll data to a secure web-based application where the Audit Commission then matched it against datasets from a wide variety of public sector organisations. In effect, the data of NHS Fife was matched against a national database of housing benefit applicants, local authority employees, pensioners, students, deceased persons and failed asylum seekers. The results were made available in February 2009, through a secure web application to each participating body for further analysis and investigation.

114. The matches shown on the web application are sorted according to the quality of match identified (with the higher quality matches determined by the central NFI team, rather than by local

participant bodies). The suggested audit approach is to review those higher quality matches initially and the requirement for further work to be undertaken should then be assessed depending on the results obtained from this work. This work is currently ongoing within NHS Fife, with no errors being noted to date. The Audit Committee has been notified of initial progress with the NFI exercise and a future report with final outcomes to the Audit Committee is planned for 2009/10.

115. Audit Scotland require us to complete a questionnaire on the commitment and approach taken by NHS Fife to NFI in early 2010 to assist in the preparation of a national report on the 2008/09 NFI exercise. Audit work will be undertaken during our 2009/10 interim audit visits to complete this and results will be fed back to the Board in due course.

Clinical governance

116. Clinical governance refers to the framework through which NHS boards are accountable for continuously improving the quality of their services and safeguarding high standards of care, by creating an environment in which excellence in clinical care will flourish. It is essential that NHS Fife has adequate arrangements in place to ensure the continuous improvement of services in a safe environment.

117. NHS Fife has a Clinical Governance Committee with a set of key objectives aligned to the Clinical Governance Strategy. These objectives each fall within four key themes of patient experience, learning and development, clinical and organisational process and patient safety. The committee met five times during 2008/09.

118. A clinical governance map has been developed which outlines the role of the Clinical Governance Committee in overseeing and coordinating clinical governance activity within the Board. A major review of the Board's Clinical Governance Strategy has been undertaken in the last year and was approved by the Clinical Governance Committee in January 2009. The strategy sets out arrangements to support CHPs, the Operational Division and Corporate Directorates in their clinical governance responsibilities.

119. NHS Quality Improvement Scotland (NHS QIS) published its report on NHS Fife's clinical governance and risk management arrangements in July 2007. NHS QIS rated NHS Fife as 6 out of a possible 12 score. This was consistent with most of the other health boards in Scotland. The Board will again be reviewed by NHS QIS in February 2010, with an expectation that a minimum score of 9 out of 12 will be achieved. Working towards the achievement of this rating has been a key area of focus within the Board in 2008/09.

Partnerships

Community Health Partnerships

120. Community Health Partnerships are responsible for delivering local, community based healthcare. There are three CHPs in Fife:

- Dunfermline & West Fife

- Kirkcaldy & Levenmouth
- Glenrothes & North East Fife

121. The purpose of the CHP committees, as laid down in the scheme of delegation, is to ensure that the Board's strategic and operational objectives in relation to all services by the CHPs are implemented in accordance with Board policies and governance arrangements.

122. Within NHS Fife, budgets are devolved to individual CHPs and the respective General Managers are given devolved powers to spend. These General Managers are accountable to the Chief Executive for the budgets, and each CHP budget is laid down each year in NHS Fife's overarching Financial Framework.

123. Financial performance is monitored at each CHP Committee meeting. The Committees receive financial reports on in year and projected outturn, with narrative analysis to assist monitoring. Overall Board Finance Reports are presented to the Board and Finance & Resources Committee. These reports include a section on each CHP. NHS Fife's CHPs do not have any pooled budgets in place, but are becoming increasingly aligned with Council financial plans.

124. The Performance Management Framework within NHS Fife's CHPs incorporates the objectives of the Local Delivery Plan (LDP) and NHS Fife's Strategic Financial Plan.

Health and Social Care Partnership

125. Fife's Health and Social Care Partnership works jointly between NHS Fife and Fife Council and is responsible for the management and development of health and social care services.

126. The Health & Social Care Partnership currently operates a Partnership Aligned Revenue Budget under the terms of the Community Care and Health (Scotland) Act 2001, and as outlined in the framework agreement approved by Fife Council and NHS Fife. The financial and legal responsibility and accountability for the funds contained within the Joint Aligned Budget remains with Fife Council and NHS Fife.

127. The 2008/09 Partnership Aligned Revenue Budget comprised of £36.609m and £134.124m in relation to NHS Fife and Fife Council respectively

Shared support services

128. The shared support services project, championed by NHS National Services Scotland (NSS), proposes bringing together transaction processing functions with a view to releasing savings for front line services and meeting efficient government objectives.

129. The Board is not a pathfinder on any shared support service projects (ie it is not formally leading on any process review). However, it has been involved in a number of pathfinder projects being led by other boards. The Board is also involved in projects such as migration to a common finance system across the service and Scottish Standard Time System (SSTS). It also leads a project group consisting of NHS Borders and NHS Glasgow with the aim of scoping out user requirements

of the Cedar fixed assets module of the FMS and working with the vendor to develop the system in order to meet those requirements.

Business continuity planning

130. The Civil Contingencies Act 2004 identifies the Board as a “Category 1” responder. This means that the Board, amongst other things, is required to develop and maintain Business Continuity Plans (BCPs). Business Continuity Management (BCM) is also a core component of the NHS QIS Clinical Governance and Risk Management Standards.
131. The Board approved its Business Continuity Strategy in August 2008 and the Chief Executive of the Operational Division has been assigned as the strategic lead for Business Continuity. The Board has also formed the NHS Fife Resilience Forum, which has met twice since August 2008. This Group will have a lead role in co-ordinating Business Continuity Planning.
132. During early 2009, the focus of activity for business continuity planning has been the education of local BCP co-ordinators. The Board saw this as the catalyst for the development of formal BCPs. This training, which comprised an introduction to BCP and the business impact analysis phase of BCP, has now been completed and departments now have to complete business impact assessment templates. The Business Continuity Manager will also be working with departments in developing local business continuity strategies. It is planned to conduct some table-top exercises to confirm that the BCPs will support the response to a disaster. In our interim management report and our Best Value ICT infrastructure follow up review, we recommended that the Board ensures that planned BCP actions are undertaken within the intended timeframe and that formal BCPs are produced in a timely manner thereafter.

Action plan point 6

133. The Board's Pandemic Flu plan has been subject to live testing as part of the influenza A(H1N1) outbreak. This resulted in the various response groups being set up in line with planned actions. It is intended that there will be a formal review of the plans once the World Health Organisation has reduced the alert level below Level 5.

Looking forward

Financial statements

134. The GH&MS project will be a major element of our 2009/10 financial statements audit and we will consider issues such as:

- Financial close was reached on 30 April 2009. This effectively means that title of all works has been signed over to the PFI provider for the 30 year period. The Board's intention is to continue to report the enabling works on the Board's balance sheet as a fixed asset.
- Due to late changes in the PFI funding package, the Board has made a prepayment against annual service payments to the PFI provider. The Board plan to recognise a prepayment in the 2009/10 accounts and write this off over the 30 year period. This transaction therefore will affect the next 30 years of accounting for the PFI agreement, and impacts on various sections of the primary financial statements.

135. GH&MS and the new St. Andrews Community Hospital accounting from 2009/10 will also be significantly affected by the introduction of IFRS, and we will review the position in greater detail in our 2009/10 audit.

136. The Board is aiming to break even against its RRL in 2009/10. This includes the £2.928m surplus carried forward from 2008/09. The Board plans to use the capital funds previously banked with SGHD in 2006/07 to support the capital costs in relation to GH&MS.

Use of resources

137. The Board has identified that large increases in savings are required over the next 5 years. In 2009/10, the agreed new savings are £4.0m, rising by £4.1m in 2010/11 and a further £4.8m in 2011/12. The Board must ensure that these savings are achievable through identified and managed plans. These identified savings will have a significant impact on the Board's financial position going forward.

Performance

138. 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 and as a result a further toolkit will be issued to us in 2009/10 covering another area of the 'Use of Resources.'

Governance

139. Audit Scotland will again require us to complete a NFI questionnaire in early 2010 to assist in the preparation of a national report on the 2008/09 NFI exercise. Work will be undertaken during our 2009/10 audit visits to complete this exercise.

140. NHS Fife is one of two Boards identified to pilot direct elections for Board members. This means that, for the first time, members of the public will be able to stand for and vote in health board elections. Independent elected members, including council representatives, will form the majority membership of the Board. Elections will take place in 2010 and run for at least two years before an independent evaluation. We will monitor developments in this area in 2009/10.

Action Plan

Our annual report action plan details the high risk (grade 4 and above) control weaknesses and opportunities for improvement that we have identified during our 2008/09 audit.

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

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

Grading

To assist the Board in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been graded. The grading structure is summarised as follows:

Grade 5 Very high risk exposure - Major concerns requiring Board attention.

Grade 4 High risk exposure - Material observations requiring management attention.

There are no Grade 5 issues in this report. Grade 3 and below (moderate to low risk issues) have been reported in detailed reports during the year but are not included in this annual report.

High risk issues from 2008/09 audit

No	Title	Issue identified	Risk and recommendation	Management comments
1	Equal Pay (Para 19)	NHS Fife has received 886 claims in respect of equal pay. In line with the national position, the Board is unable to quantify the risk of its liability, if any, as at 31 March 2009.	There is a risk that the Board may be understating its liabilities and we strongly encourage management, working with SGHD and other NHS Boards, to form a view of the potential liabilities as soon as possible. Grade 4	NHS Fife will continue to adopt the agreed position across all Boards in Scotland. Responsible officer: Director of Finance Implementation date: 31 March 2010
2	IFRS – PFI Accounting (Para 21)	It is the Board's view that the PFI assets should be shown on the Board's balance sheet under IFRS. This should take effect once the assets are complete, as the PFI provider bears the construction risk until completion. The Board is currently considering prospective accounting treatments and is liaising with SGHD on this matter.	The Board should ensure that it has taken appropriate professional advice and conducted a formal review of all PFI projects and the subsequent IFRS-compliant disclosure requirements. This should fully consider financial implications both in the current year and future years. Grade 4	Agreed. We will review PFI Projects which are currently in the construction stage using SGHD spreadsheets. Responsible officer: Director of Finance Implementation date: as part of IFRS implementation timetable
3	GH&MS (Para 54)	An assessment of the financial health of the PFI contractor was undertaken at the outset of the project and an update was undertaken in December 2006 as part of the pre-preferred bidder key stage. No assessments have been made in light of current macro-economic conditions.	The Board should carry out a financial health check / due diligence review of the PFI contractor. Grade 4	Agreed. Responsible officer: Director of Finance Implementation date: Immediately

No	Title	Issue identified	Risk and recommendation	Management comments
4	IT Disaster Recovery Planning (Para 68)	<p>Management should ensure that they develop and test detailed IT Services disaster recovery plans.</p> <p>Management should ensure that they conduct a regular process of business impact assessment for IT systems and continue to develop risk management within IT Services, using the EAR system to assist in this process.</p>	<p>Agreed. Detailed recovery plans for all services are to be developed starting with the key systems identified in the DR plan. These plans will include testing and a testing schedule will be developed.</p> <p>Risks will be assessed using EAR and will form the basis for deciding priorities.</p>	<p>As verified by external audit, significant progress has been achieved in this area since the original recommendation was raised. There will now be a phased completion between April 2009 and March 2010.</p> <p>Responsible officer: IT Service Delivery Manager</p> <p>Implementation date: March 2010</p>
5	Performance Management – Activity data (Para 87)	<p>The Board needs to ensure that systems are in place to provide Board wide activity data.</p>	<p>There is a risk that the Board does not have accurate and timely data to monitor performance.</p> <p>We recommend that establishing this system is a priority for the recruited Head of Information Services.</p> <p>Grade 4</p>	<p>Agreed.</p> <p>Responsible officer: Head of Information Services</p> <p>Implementation date: December 2009</p>
6	Capacity to Deliver – Business Continuity Planning (Para 132)	<p>The Board needs to take forward actions to ensure that business continuity plans are developed across the Board.</p>	<p>There is a risk that the Board does not have plans in place to respond to unforeseen events arising.</p> <p>We recommend that the Board ensures that the planned action is undertaken by the intended timeframe and that formal BCPs are produced in a timely manner thereafter.</p> <p>Grade 4</p>	<p>Training of key Managers has been ongoing through 2008/09 and is due to be completed by 31/3/09. This will allow detailed departmental plans to be drawn up.</p> <p>Responsible Officer: Chief Executive – Operational</p> <p>Implementation date: December 2009</p>



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