

NHS Western Isles

Report on the 2008/09 Audit

July 2009



 AUDIT SCOTLAND



NHS Western Isles

Report on the 2008/09 Audit

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Key Messages

Introduction

In 2008/09 we looked at the key strategic and financial risks being faced by NHS Western Isles. We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

Financial statements

We have given an unqualified opinion on the financial statements of NHS Western Isles for 2008/09. 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.

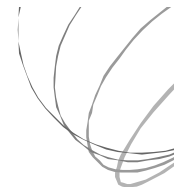
Financial position and use of resources

The Board brought forward a £3.097 million cumulative deficit from 2007/08. In May 2009, the Scottish Government Health Directorates (SGHD) provided a brokerage arrangement to fund this amount. Under the terms of the brokerage agreement, the Board will repay this funding over the six financial years commencing 2012/13. During 2008/09 the Board achieved an in year surplus of £9k.

The Board has identified that it needs to continue to address its underlying recurring funding gap, and it is likely that this can only be accomplished on successful implementation of its integrated clinical strategy, and delivery of the savings set out in the Board's financial recovery plan 2008/09 – 2010/11. The funding gap identified by the Board for 2009/10 is £2.909m, with £2.019m of that relating to recurring activities. Within the Local Delivery Plan for 2009/10, savings have been identified to cover the total funding gap, with £1.346m of these being recurring savings, so that the underlying recurring deficit is forecast to be £0.673m. Non recurring savings have also been identified, which bring the forecast position to an overall break even. The underlying recurring deficit is therefore predicted to be improved from the 2008/09 recurring deficit of almost £1.5m. Management are continuing to identify further savings wherever possible, and are closely monitoring progress towards savings targets.

Governance and accountability

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. During the year the organisation experienced a number of changes at both senior management and non-executive level, which had an impact on the effectiveness of its governance arrangements, and on the consistency of operation of its systems of internal control. A number of clear improvements have been made in this area, however, overall, the corporate governance and internal control arrangements for NHS Western Isles have not operated satisfactorily throughout 2008/09. This has been reflected in the reports of the Board's internal auditors and in its own Statement on Internal Control.



Performance

The detailed work of developing a clinical strategy for health services in the Western Isles was begun late in 2007/08 and has continued during 2008/09. A draft strategy document is now scheduled for approval by the Board in August, followed by an options scoring event in October and public consultation commencing in December. Slippage in the development of the clinical strategy could significantly affect the Board's progress in all areas. Furthermore, the draft strategy may be subject to independent scrutiny, if instructed by the Cabinet Secretary for Health and Wellbeing.

The Board is developing an action plan for the implementation of its performance management framework and to ensure that information is available across the organisation on a consistent basis.

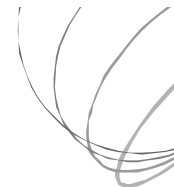
The Board was successful in achieving a number of very challenging targets by 31 March 2009. These included waiting time targets for inpatients, outpatients and diagnostic tests, and uptake levels for primary immunisation and cervical screening. It was noted that some targets, including cancer waiting times, were only partially achieved. Some HEAT waiting times targets will become more demanding from 2009 with the introduction of the 18 week target for the period between referral and treatment.

Looking forward

The final part of our report notes some key risk areas for NHS Western Isles going forward. There are significant challenges around future funding and delivering on HEAT targets, delivering efficiencies and implementing an integrated clinical strategy. National issues including 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 2009



Introduction

1. This report summarises the findings from our 2008/09 audit of NHS Western Isles. The scope of the audit was set out in our Audit Plan presented to the Risk Monitoring and Audit Committee on 22 January 2009. This 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. Best value duties apply across the public sector and, in the health service, best value is a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and throughout this report we comment on aspects of NHS Western Isles' arrangements.

Exhibit 1: Framework for a best value audit of a public body





4. Our comments are made on the basis of information made available in the course of the annual audit. We do not make an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time.
5. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. We mention the key findings from all relevant reports, and the implications for NHS Western Isles, throughout this report. Full copies of the study reports can be obtained from Audit Scotland's website, www.audit-scotland.gov.uk.
6. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of NHS Western Isles during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website.



Financial Statements

7. In this section we summarise key outcomes from our audit of NHS Western Isles' financial statements for 2008/09 and the 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

8. 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 the management commentary with the financial statements
 - the regularity of the expenditure and receipts.
9. 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

10. We have given an unqualified opinion on the financial statements of NHS Western Isles for 2008/09.
11. As agreed, the unaudited accounts were provided to us on 5 May 2009 supported by a satisfactory working papers package. The good standard of supporting papers, and the helpful responses from NHS Western Isles staff, allowed us to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 24 June 2009 as outlined in our Annual Audit Plan.

Issues arising from the audit

12. As required by auditing standards we reported to the audit committee on 24 June 2009 the main issues arising from our audit of the financial statements. The key issues reported were as follows:



13. **Equal Pay Claims** – NHS Trusts in England have settled pay claims for female employees and similar claims have been received by boards in Scotland. As at 31 March 2009, NHS bodies had received some 13,000 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 the Board's accounts for equal pay, and reference has been made by the Board in the letter of representation.
14. **Agenda for Change** – As at 31 March 2009, £91k was accrued in respect of Agenda for Change payments. This figure includes estimations based on NHS Western Isles' assumptions, and comprises amounts expected to be paid to a small group of staff who are either still to be assimilated, or have requested a review, and to a small group of former employees. The Board provided formal assurances, in a letter of representation, that the accrual, in their judgement, represents a prudent estimate of anticipated costs.
15. **Capital Grants** – There has been ongoing correspondence between the Board and Audit Scotland since October 2008 in relation to the treatment of the Board's contribution to Connected Communities in 2008/09 as a capital grant. The issue is in relation to the nature of the Board's contribution to the programme. However the contract documentation does not make clear what the Board receives as consideration for the payment. Following lengthy discussions, Audit Scotland accepted the treatment of the contribution to Connected Communities as a capital grant with a stipulation being made that, due to the lack of specific explanatory supporting documentation, the Board should made specific reference to the treatment of the funding to Connected Communities in the letter of representation for the 2008/09 financial statements. The Board has provided the relevant assurances.
16. **Stock Reconciliation** – In previous years we have reported on discrepancies between stock values recorded in the general ledger for accounts purposes, and the values maintained within automated stock systems, in particular in relation to pharmacy stocks recorded in the Ascribe stock system. In the 2008/09 accounts, the cumulative differences to date have been corrected by adjustment of the general ledger to agree with the automated systems. The amount adjusted was just under £134k, to bring the accounting records into line with the stock records. We were satisfied with the reliability of the stock system, and so were in agreement with this adjustment being made. Management have now undertaken to carry out monthly reconciliations between ledger and stock systems to ensure any differences are detected and corrected timeously. The Board has provided formal assurances, in a letter of representation, that the valuation of Board stock assets is not significantly misstated.
17. **Pension provision (1)** – The Board is disclosing provisions of £290k at 31 March 2009, in relation to early retirements and injury benefit. The balance has been reduced by payments made to date by the Scottish Public Pensions Agency (SPPA) on the Board's behalf, and has now been adjusted to reflect actuarial tables, and the recommended discount rate adjustment. These adjustments had not been reflected for a number of years, which resulted in a significant uplift having to be reflected in 2008/09

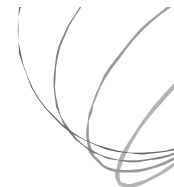


accounts. The Board has provided formal assurances, in a letter of representation, that the level of provision is not significantly misstated.

18. **Pension provision (2)** – The Board had been in dispute with the SPPA in relation to one particular permanent injury benefit claimant not included in the provision amount discussed above. The SPPA made the decision to award permanent injury benefit to this individual in October 2007 (effective from April 2006), although the Board had submitted Occupational Health Service reports to the SPPA which stated that the individual's condition was not wholly or mainly attributable to the Board. In addition, the Board informed the SPPA that the individual had signed a compromise agreement prior to leaving the Board's employment. The required provision has been calculated to be £280k, and has been incorporated in the financial statements.

Equal Pay Claims

19. 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 coordinates the legal response of NHSScotland to this issue.
20. There have been some developments in this area over the past year. Some cases are being pursued that also comprise a challenge to the Agenda for Change pay evaluation system on the basis that it perpetuates discrimination. This has slowed the progress of claims. The challenge to Agenda for Change was recently heard at an Employment Tribunal in England. The challenge was unsuccessful and the Tribunal rejected the contention that the Agenda for Change job evaluation scheme was discriminatory. This ruling severely curtails the possibility of claims for any period after 1 October 2004. In relation to claims for the period prior to 1 October 2004, claimants will still have to establish that their jobs at that time were of equal value to the comparator jobs. The CLO have stated that claims currently submitted do not provide sufficient detail about the comparator jobs to allow an estimate to be made of the likelihood of the success of the claims or of any financial impact that they may have. The NHS Scotland Central Legal Office and Equal Pay Unit are monitoring the progress of all equal pay claims in NHS Scotland as well as developments relating to NHS equal pay claims elsewhere that may further inform the position.



21. Discussions have been held between Audit Scotland, their partner firms, the Scottish Government, the CLO and Board representatives to ascertain the appropriate accounting treatment of equal pay claims in 2008/09. Given the CLO's advice that, although some liability is probable, it is not possible to estimate the impact of the claims, it has been agreed that disclosure as an unquantified contingent liability remains appropriate for the 2008/09 financial statements of affected NHS Boards. The position has also been disclosed in the Statement on Internal Control.
22. Only 21 claims have been recorded by the CLO in relation to NHS Western Isles to date, therefore we do not consider that there is a material risk of significant equal pay liabilities accruing to the Board in future years, however, we continue to strongly encourage NHS Western Isles management, working with the Scottish Government Health Directorates, the CLO and other NHS Boards to form a view of the potential liabilities as soon as possible taking into account the progress of cases in Scotland and England.

Regularity

23. 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.

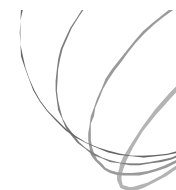
International financial reporting standards (IFRS)

24. As announced by the Chancellor in the 2008 Budget report on 12 March 2008 (Budget report paragraph C103), Government departments and other public sector bodies will report using International Financial Reporting Standards (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 would be required to produce shadow IFRS based accounts for financial year 2008/09. This was to include a restated balance sheet as at 1 April 2008.
25. In terms of the audit of the IFRS opening balance sheet at 1 April 2008, there were two key dates to achieve as outlined below:
 - **28 November 2008** – opening 2008 IFRS-based balance sheet were to be presented to auditors for dry-run audit
 - **28 February 2009** – dry-run audit of opening balances was to be completed, resulting in a letter to management highlighting the work done, auditors' findings and areas for further work.



26. The opening balance sheet and supporting documentation were submitted by NHS Western Isles for audit review by the deadline date of 28 November 2008, with supporting documentation received on request during our review carried out in February 2009.
27. Our audit work confirmed that the Board had examined and restated the great majority of relevant areas in the financial statements in relation to IFRS. We also made some specific recommendations for the delivery of the next stage of IFRS reporting – the production of the shadow accounts for 2008/09, and will consider progress on these when we review the shadow accounts later in 2009. These included:
- review of all of non-property leases to determine their lease status
 - ensuring all assets held for sale are separately identified
 - review of the provisions for liabilities and charges to determine the current and non-current elements.
28. For the preparation of the restated balance sheet no notes to the main financial statements or associated accounting policies were required but these will have to be prepared for the full set of shadow accounts. The disclosure requirements under IFRS are more onerous than for accounts prepared under UK GAAP. In particular, segmental reporting will impose a significant additional workload on finance staff in identifying appropriate segments and allocating asset values. Continued progress will be required to prepare the shadow IFRS accounts for 2008/09. NHS Western Isles should ensure that sufficient resources and support are available to produce the required information in accordance with the prescribed timetable.

Risk area 1



Use of Resources

29. Sound management and use of resources (people, money and assets) to deliver strategic objectives is a key feature of best value. This section sets out our main findings from a review of NHS Western Isles’:

- financial position
- financial management
- management of people
- management and use of information and communications technology (ICT).

The Board’s financial position

Outturn 2008/09

30. NHS Western Isles is required to work within the resource limits and cash requirement set by the Scottish Government. The Board’s performance against these targets is shown in Table 1.

Table 1
2008/09 Financial Targets Performance £ million

Financial Target	Limit set by SGHD	Actual Outturn	Variance (over)/under
Revenue Resource Limit	67.596	67.587	0.009
Capital Resource Limit	1.417	1.291	0.126
Cash Requirement	69.013	68.247	0.766

31. The Board brought forward a £3.097million cumulative deficit from 2007/08. In May 2009, SGHD provided a brokerage arrangement to fund this amount. Under the terms of the brokerage agreement, the Board will repay this funding over the six financial years commencing 2012/13. During 2008/09 the Board achieved an in year surplus of £9k. The Board has identified that it needs to continue to address the underlying recurring funding gap, and that it is likely that this can only be accomplished on successful implementation of its integrated clinical strategy, and delivery of the savings set out in the Board’s financial recovery plan 2008/09 – 2010/11.

32. Table 2 below shows how the surplus of £9k was achieved through a combination of recurring and non-recurring funding. Historically boards have relied upon a measure of non recurring funding to achieve financial targets. However, with the tightening financial settlement in future years and the option of capital to revenue transfers no longer being available to boards, there is less scope for reliance on non recurring income to achieve financial balance as boards seek to rationalise their cost base.



Table 2

Funding Position 2008/09

	£ Million	£ Million
Recurring income	65.194	
Recurring expenditure	67.888	
Recurring savings	1.197	
Underlying recurring surplus/(deficit)		(1.497)
Non-recurring income	2.402	
Non-recurring expenditure	1.698	
Non recurring savings	0.802	
Non-recurring surplus/(deficit)		1.506
Financial surplus/(deficit)		0.009
Underlying recurring surplus/(deficit) as a percentage of recurring income		(2.3%)

Financial sustainability and the 2009/10 budget

33. There were significantly tighter funding settlements in 2008/09 with health boards receiving an uplift of 3.15% compared to around 6% in previous years. This trend has continued in 2009/10 where the uplift is again set at 3.15%. This will have a significant impact on long term financial planning and the control of non pay costs. In addition, in common with other public sector organisations, boards have been set an efficiency savings target of 2% in 2009/10 (£1.13m in NHS Western Isles' case). However, given the current economic situation and the impact of any review of national spending priorities, there is also risk that future funding uplifts will continue to be very challenging.
34. In NHS Western Isles' budget for 2009/10 expenditure, a general pay uplift of 2.5% has been assumed across all staff groups in 2009/10. Pay costs account for approximately 46% of all Board expenditure, therefore this increase in pay costs presents a significant challenge to the Board's Financial Plan in 2009/10. NHS Western Isles also faces other significant cost pressures which have to be managed within current resources, such as its ongoing reliance on locum medical staff, the high incidence of procedures provided by mainland boards, rising drug costs and energy costs. Non pay budgets have been set to reflect 2008/09 expenditure patterns, with no general inflationary uplift. Specific increases have been anticipated where appropriate, for example prescribing has been uplifted by 5%. Along with pay costs, these factors will significantly affect the Board's ability to meet current and future financial targets.



35. The Board has identified a funding gap of £2.909m for 2009/10, with £2.019m of that being a recurring shortfall. Within the Local Delivery Plan for 2009/10, savings have been identified to cover the total funding gap, with £1.346m of these being recurring savings, so that the underlying recurring deficit is forecast to be £0.673m. Non recurring savings have also been identified, which bring the forecast position to an overall break even. The underlying recurring deficit is therefore predicted to be much improved from the 2008/09 outturn of almost £1.5m per Table 2 above, although the Board itself has assessed over £600k of the total £2.9m savings as being high risk. Management are therefore continuing to identify further savings wherever possible, and are closely monitoring progress towards set targets.

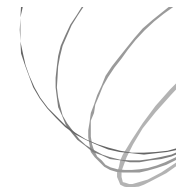
Risk area 2

Financial management

36. Audit Scotland is developing a range of audit toolkits to cover key best value principles. These are being developed for use by auditors although they may also be used by NHS bodies themselves for self-assessment purposes. The first of the toolkits, which covered financial management, was applied in assessing arrangements in NHS Western Isles during 2007/08.
37. Our detailed report was issued in November 2008 and drew upon examples of good practice across the NHS in Scotland. Overall, the NHS Western Isles was judged to be at the 'basic practices' level in relation to Financial Governance. This reflected the problems experienced by the Board in recent years, but also demonstrated some of the progress that has been made over the past two years. This is a reasonable position for the Board to be in at this stage and should serve as a sound base for further development. In 2009/10 we plan to monitor the Board's progress in developing an action plan to address the areas where performance could be improved.

People management

38. On 21 January 2009 the Cabinet Secretary for Health and Wellbeing launched '*A Force for Improvement – the Workforce Response to Better Health Better Care*'. This national workforce framework sets out the vision for the NHSScotland workforce and focuses on five key drivers for change or workforce challenges that impact on every aspect of the workforce:
- Tackling health inequalities
 - Shifting the balance of care
 - Ensuring a quality workforce
 - Delivering best value across the workforce
 - Moving towards an integrated workforce.



39. It is the Health Directorates' expectation that Boards will review relevant policies and procedures to ensure that the key aspects of '*A Force for Improvement*' are implemented at a local level. The overall workforce capacity of the Board to deliver sustainable healthcare services is being addressed within the clinical strategy development which is ongoing. Significant management restructuring and movement towards a single operating division are expected to provide the staffing structures with which to provide sustainable services. The assistance of the Board's partners at NHS Highland will be key to resolving staffing issues alongside the clinical strategy development.
40. Good workforce planning information allows boards to identify current and future issues relating to shifting demographics within the workforce, impacts of service redesign and the identification of training and development requirements. Reliable and detailed workforce information is necessary in developing appropriate and affordable workforce plans. The Board's Workforce Plan is currently being reviewed as part of the clinical strategy development to be completed by Autumn 2009. Major workforce issues to be resolved include:
- compliance with European working time directives without incurring unacceptable levels of Locum and Agency costs
 - Integration of workforce plans with financial plans
 - Agenda for Change assimilation of former employees
 - Introduction of Knowledge and Skills Framework (KSF) for all employees in accordance with national targets
 - Achieving target levels for sickness absence.
41. The Knowledge and Skills Framework (KSF) is currently being phased in across NHS Western Isles. The achievement of the target for incorporating the KSF into employees' performance appraisal systems by the extended deadline of 31 May 2009 has been challenging. The Board's target was to have completed e-KSF reviews and Personal Development Plans (PDPs) for 59% of all staff by then. There is a risk to the organisation that failure to implement the KSF fully may lead to training and development needs being overlooked which may result in the workforce not achieving the required skill levels.

Risk area 3

42. During 2008/09 we carried out a brief review of NHS Western Isles' process for the completion of its staff governance action plan. The work was carried out in response to a request from the Scottish Government to Audit Scotland for external auditors to review boards' procedures in relation to staff governance. In the case of NHS Western Isles, we reviewed the procedures followed for the production of the 2009/10 staff governance action plan. The main purpose of our review was to ensure that the staff governance action plan addressed issues arising from:



- staff survey results
 - mandatory statistics on people management
 - any outstanding issues from the previous year's action plan.
43. Our review also included checking that the staff governance action plan included clear timescales, identified responsible officers and set out measurable actions. Overall, we noted that NHS Western Isles has a robust process in place for the production of its staff governance action plan.
44. The SGHD set NHS Boards a challenging target to reduce sickness absence rates to 4% by March 2009. NHS Western Isles will fail to meet this target for the year, and reported a rate of 4.4% for March, with an annual rolling sickness absence rate of 5.25% for the year. The Board continues to take action to address sickness absence and improve performance against the target set for 2009/10.

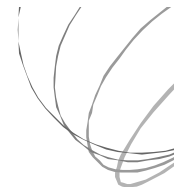
Risk area 4

Management and use of ICT

45. As part of the 2008/09 audit we have reviewed aspects of the Board's management and use of ICT:
- information management
 - computer services review follow up (2007/08)

Information Management

46. Audit Scotland is continuing to develop a range of audit toolkits to cover key best value principles. These are being developed for use by auditors although they may also be used by NHS bodies themselves for self-assessment purposes. The second of the toolkits, which covers information management, was applied in NHS Western Isles during 2008/09. The review sought to establish the Board's position in relation to:
- information governance and leadership
 - information for decision making
 - service delivery
 - compliance and control
 - knowledge management.



47. Our work in this area is ongoing, although we have established that the Board's arrangements in this area are reasonably based. We plan to submit our detailed report in August, drawing upon examples of good practice across NHSScotland, and in particular drawing attention to good practice from other board areas where we believe this could be of benefit to NHS Western Isles.

Computer Services Review Follow up (2007/08)

48. We carried out a follow up review of the actions taken in response to our 2007/08 Computer Services Review. This work is nearing completion and preliminary findings indicate that the Board has made good progress in implementing previously agreed audit recommendations. Full details of progress will be reported to the Risk Management & Audit Committee meeting scheduled for August 2009.

National Studies

Asset management in the NHS

49. This study examined how the NHS is strategically managing its assets to support effective service delivery. The study's objectives included assessing the extent to which the Scottish Government provides strategic direction to NHS bodies on asset management in general and the assurance that NHS estate is being used in the most economic and effective way. It also evaluated how well NHS bodies strategically manage all of their assets to ensure effective service delivery.
50. The report recommended that NHS bodies should:
- develop strategies for each type of asset and then develop a corporate asset management strategy and plan, which links with their clinical strategies
 - ensure they assess estate condition, statutory compliance, functional stability and space utilisation on a regular basis
 - ensure all information on assets is held electronically
 - review their performance management arrangements and, where required, develop performance measures and targets for assets.

Managing the use of medicines in hospitals: follow-up review

51. This review followed up the key recommendations from Audit Scotland 2005 report on '*Managing the use of medicines in hospitals.*' It also provided an overview of national developments since 2005. The report recommended that NHS boards should ensure that pharmacy workforce plans are based on an assessment of need, which considers the appropriate numbers, skill mix and other resources such as automation, to meet future needs for dispensary, clinical and other work.



Governance and Accountability

52. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our main findings arising from our review of NHS Western Isles' arrangements.
53. Increasingly services are being delivered across the public sector through partnership working, sometimes involving complex governance and accountability arrangements. Best value characteristics also include effective partnership working to deliver sustained improvements in outcomes.

Overview of arrangements

54. This year we reviewed:
- patient safety and clinical governance
 - partnership working arrangements
 - key systems of internal control
 - internal audit
 - arrangements for the prevention and detection of fraud and irregularity, including standards of conduct.
55. During 2008/09, four new Non-Executive Board Members were appointed to replace outgoing Non-Executive Board Members and the Interim Chief Executive was appointed to the substantive role on a permanent basis in December 2008. A further development during the year was the Board's involvement in the first phase roll-out of the 'Developing Boards Diagnostic Tool' (DBD) which forms part of the Scottish Government's Board Effectiveness Programme. Involvement in this exercise should provide the Board with performance information and details of strengths and weaknesses in relation to governance and accountability.
56. During the year there continued to be turnover and absence of staff at a senior level, which, the Board acknowledges, impacted upon the organisation's framework of internal control.
57. Our overall conclusion was that controls were satisfactory in relation to those areas where we required to place reliance for the audit of the financial statements. However, as noted in paragraphs 71 to 74 below, the Board's internal auditors have commented upon the Board's wider governance and control environment and concluded that it had not operated satisfactorily for the full year.



Patient safety and clinical governance

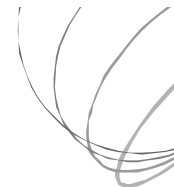
58. The Scottish Patient Safety Alliance (SPSA) was set up by the SGHD in 2007, bringing together the Scottish Government, NHS Quality Improvement Scotland, health boards and special boards, professional bodies, patient safety experts and other groups. The SPSA launched the Scottish Patient Safety Programme (SPSP) in 2007 and this has now been introduced at NHS Western Isles. The aim is to make healthcare in Scotland safer by using evidence- based tools to enable hospitals to improve safety for patients.
59. NHS Western Isles has made good progress with regard to patient safety, in line with the SPSP, with the introduction of systems for making incremental changes in clinical processes, introduction of pre-surgery briefings and implementation of new pharmacy data collection and hand hygiene compliance strategies;
- NHS Western Isles is now one of the top three boards for hand hygiene compliance, and one of only four boards to have consistently exceeded the 90% hand hygiene target. Healthcare Acquired Infection rates are reported routinely to the Board.
 - Executive Walk Rounds have been introduced, so that executive directors can hear front line staff's view of patient safety issues and discuss practical solutions.
 - Patient safety issues are overseen by a Patient Safety Programme Implementation Committee, and the Board has introduced formal reporting of patient safety outcomes to the SPSP network.
60. However, an Internal Audit review of corporate governance in 2008/09 found that the Clinical Governance Committee had not functioned in line with its terms of reference, in that not enough meetings had been held, attendance of key individuals had been poor, and there was little evidence of the committee's action points being resolved. The Board must ensure that clinical governance arrangements operate to the required standard, and should utilise fully the support and advice of its NHS Highland partner to achieve this. This has been identified in the Board's joint action plan with NHS Highland.

Risk area 5



Partnership Working

61. Partnership working in the NHS covers a number of areas, including partnership with staff groups, local authorities, the voluntary sector, private healthcare providers and regional planning with other NHS Boards.
62. The NHS routinely works in partnership with other organisations to deliver health services and to meet its aims and objectives. The need to work collaboratively is set out in both the Partnership Agreement and in Partnership for Care, which states that improvements in the health of the people of Scotland cannot be achieved by the SGHD or NHS Boards alone.
63. Effective partnership working is particularly important in allowing NHS Western Isles to sustain a full range of healthcare services, particularly given the relatively small local population and the difficulty in recruiting and retaining specialist medical staff.
64. Western Isles Community Health and Social Care Partnership (CHaSCP) was established in June 2007, and became fully operational in April 2008, with the aims of providing services as close to the homes of patients and service users as possible; increasing the amount of collaboration between partner agencies such as Comhairle nan Eilean Siar and the Health Board; improving communications and consultation with staff, the public, patients and service users; and streamlining the use of resources in the island economy. During 2008/09, the second phase of this process has seen a wide range of Social Care functions delegated to the CHaSCP. The Board need to ensure that the CHaSCP is able to demonstrate service improvements, commensurate with the re-allocation of funding, as it moves forward. We will continue to monitor the development of the CHaSCP during 2009/10.
65. Formal partnership arrangements are also being developed with other boards, principally NHS Highland, to provide support in key management areas. These arrangements are underpinned by an additional Scottish Government allocation of £0.250 million to NHS Western Isles for 3 years, which is intended to address specific difficulties Island Boards have around management capacity. We note that this allocation was not substantially utilised during 2008/09, however the partnership agreement drawn up between NHS Highland and NHS Western Isles shows utilisation is expected to peak in 2009/10.
66. It is important that the relative responsibilities of the Board and its partners are clearly defined, in order that maximum benefit is obtained from the additional resources and expertise being made available. In relation to its partnership with NHS Highland, the Board has in place a service agreement, and an associated Service Agreement Action Plan to maintain and track progress across the numerous identified work streams.



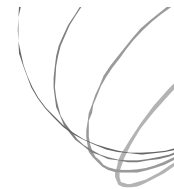
67. In addition to the partnership arrangements outlined above, there are other less formal arrangements in place which involve the Board receiving support in relation to finance and human resources from executive directors from other Scottish health boards.

Systems of internal control

68. 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.
69. As part of our annual audit we reviewed the high level controls in a number of NHS Western Isles systems that impact on the financial statements. This audit work covered a number of areas including cash and bank, payroll, accounts payable, accounts receivable, fixed assets, general ledger, Family Health Services, stores and procurement. We identified a number of areas where controls could be strengthened and agreed an action plan of improvements with management. This will be followed-up at a future date to confirm that improvements have been made.
70. During the year we placed formal reliance on aspects of internal audit's systems work in terms of International Standard on Auditing 610 (*Considering the Work of Internal Audit*) to avoid duplication of effort. This work provided us with additional assurances on the adequacy of the internal control environment within NHS Western Isles.

Statement on internal control

71. The Statement on Internal Control (SIC) provided by NHS Western Isles reflected the main findings from both external and internal audit work, and complied with latest guidance from SGHD. It recorded management's responsibility for maintaining a sound system of internal control and set out the main processes employed by NHS Western Isles in identifying and managing risk. The SIC highlighted the steps taken to address governance and internal control weaknesses identified in previous years, and noted that these continue to be implemented. The Board's responsibilities in relation to Information Governance, and to development of Best Value across the organisation, were also described, and the various sources of assurance by which the Chief Executive is able to review the effectiveness of internal control were listed.
72. The SIC discloses events during the year, and other issues, which are relevant to systems of internal control and governance, including:
- Absence of senior staff, changes at Chief Executive level and retirement/appointment of non executives in late 2008



- Investigations conducted on potential breaches of standing financial instructions, and a potential fraud which resulted in a referral to Counter Fraud Services
 - Internal audit reporting that financial control systems have improved, although their operation has not been consistent throughout the year due to turnover of staff.
73. In their annual report for 2008/09 Deloitte, the Board's internal auditors, provided their opinion that, based on the internal audit work undertaken during the year, NHS Western Isles did not have an adequate framework of internal control systems over the course of the financial year.
74. In summary, the Chief Executive has not been able to conclude that a sound framework of internal control was in place for the duration of 2008/09, but now expects a period of stability in which improvements made in the last two years will be consolidated.

Risk area 6

Internal Audit

75. 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 2008/09 audit we assessed whether we could place reliance on NHS Western Isles internal audit function. We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in a number of areas during 2008/09, as we anticipated in our annual audit plan.

Prevention and detection of fraud and irregularities

76. NHS Western Isles 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 NHS National Services Scotland.

NFI in Scotland

77. In 2008/09 NHS Western Isles took part in the National Fraud Initiative (NFI) in Scotland. The SGHD and NHS Counter Fraud Services have strongly supported the involvement of health bodies in the exercise, which is undertaken as part of the audits of the participating bodies. NFI brings together data from health bodies, councils, police and fire and rescue boards, and other agencies, to help

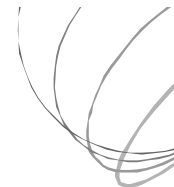


identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. Health bodies provided payroll data for the exercise. The NFI has generated significant savings for Scottish public bodies (£13 million from the 2006/07 exercise as at November 2008 and £37 million including previous exercises) but, if fraud or overpayments are not identified, assurances may be taken from internal arrangements for preventing and detecting fraud.

78. The NFI 2008/09 results (data matches) were made available to health bodies on 11 February 2009 via a secure web-based application. Participating bodies follow up the matches, as appropriate, and record the outcomes of their investigations in the application. We monitored the Board's involvement in NFI 2008/09 during the course of the audit.
79. Individual data matches have still to be reviewed and investigated by the Board's Fraud Liaison Officer, in consultation with the Board's HR department. An action plan should be developed to progress this, and regular updates should be presented to Audit Committee over the upcoming months.

National Studies – Review of the new General Medical Services contract

80. This report considered how the new General Medical Services (GMS) contract, which is UK wide, was implemented in Scotland. The review focused upon the approach taken by the Scottish Government and NHS Boards to plan and implement the contract, the cost and effect of the contract on patients and GPs and the wider NHS arrangements for monitoring and managing the contract.
81. The report recommended that the Scottish Government and NHS Boards should:
 - monitor the investment by NHS Boards in enhanced services to make sure that they achieve value for money as well as meeting local needs
 - collect comprehensive data on local GP and GP practice staff numbers to support workforce planning at a national and local level.



Performance

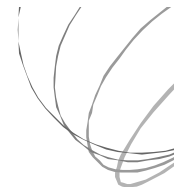
82. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. Key features of best value include:
- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure improvement, with resources aligned to support their delivery
 - a performance management culture which is embedded throughout the organisation and a performance management framework which is comprehensive and supports the delivery of improved outcomes for citizens.
83. In this section we comment on:
- the Board's corporate plan and risks to its achievement
 - performance against targets
 - performance management arrangements.

Vision and strategic direction

84. The Corporate Plan 2008/09 sets out the Board's overall aim as being:

"To protect and improve the health of the Western Isles population and to ensure delivery of the healthcare required"

85. NHS Western Isles reviewed the SGHD's *Better Health, Better Care – Action Plan*, and identified the major issues which it had to address to make the necessary progress, and reflected these in its 2008/09 Corporate Plan and underlying Local Delivery Plan. The Corporate Plan comprises six corporate objectives:
- To continue to ensure delivery and continuous improvement of a range of high quality health improvement, health protection and health care services to the people of Western Isles within the financial and other resources available and by working in partnership with our staff and the people we serve.
 - To ensure continued improvement of all the following governance systems to meet national standards and best practice:
 - Health Board Governance
 - Staff Governance
 - Clinical Governance
 - Financial, Audit and Risk Management Governance.



- To deliver HEAT national targets as described in Local Delivery Plan, and the requirements as agreed at the 2006/07 Annual Review
- To develop and deliver a Clinical Strategy for NHS Western Isles which will describe the future pattern of health services available to the Western Isles population
- To successfully establish and develop a Single Operating Division, and incorporate the development of the Community Health and Social Care Partnership (CHaSCP).
- To be a full partner with colleague bodies in Western Isles and on the mainland.

Managing risk

86. There are a number of key challenges and risks for the Board in delivering its plan. The Board has put in place good systems for the identification and management of risk with the adoption of a single corporate risk register, corporate risk management policies and the issuing of guidance for managers. These corporate risk arrangements are supported by local departmental risk management arrangements. The challenge for the Board will be embedding a risk aware culture within the organisation for the future management of existing and emerging risks in the medium to long term.

87. The main risks facing the Board, as identified in our annual audit plan, include:

- **Financial Management and Affordability** – As noted elsewhere in this report, one of the significant challenges that the Board faces relates to its ability to fund a sustainable level of service and implement major service developments in a rural and remote setting.
- **Effective Partnership Working** – The increasing ability of the Board to work in partnership with the Comhairle, central government agencies and the voluntary / private sectors has been demonstrated in the various partnership structures established by the Board. For example: CHaSCP and the Outer Hebrides Community Planning Partnership. The Board also has a formal partnership agreement in place to receive support from NHS Highland. Partnership working will play an increasingly important role in proposed service developments and in enabling the Board to demonstrate the shift in the balance of care, and improving access to services.
- **Performance Management** – The importance of having robust systems of relevant, accurate and understandable information has been recognised by the Board. The Board has been reviewing its performance management arrangements to ensure better linkages with its planning processes, and enhance scrutiny and reporting of performance against HEAT targets.
- **Capacity to Deliver** – With the current level of service redesign, investment in new and innovative services and organisational change required to address corporate objectives, there is an inevitable increase on the demands of senior officers of the Board in terms of knowledge and skills to manage the individual service priorities. The Board will require to take account of this as these developments progress.



88. These risk areas are complex and comprise multiple issues which will require careful management to resolve. We have continued to monitor the Board's progress in each of these areas over the course of the year and have commented on this within the report.

Service Development

89. Our annual audit plan also highlighted that NHS Western Isles faces a unique challenge in providing safe and sustainable services to its resident population. As a consequence of this challenge, the detailed work of developing a clinical strategy for health services in the Western Isles was begun late in 2007/08 and has continued during 2008/09. The clinical strategy will be consistent with the key principles of the Scottish Government's report "*Delivering for Remote and Rural Healthcare*". The work was originally planned to be carried out in two phases;

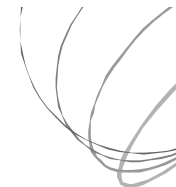
- **Phase 1 – Identification of Proposals:** Including development of a Programme Management Plan, identification of Alternative Models of Care, an Initial Analysis and Scoring stage, and an Option Appraisal stage. Originally scheduled to be completed over February-July 2008.
- **Phase 2 – Formal Consultation and Decision:** An Independent Scrutiny stage, where an independent panel would be set up by SGHD to scrutinise and respond to the Board's Phase 1 submission, a period of Public Consultation with public meetings and publication of consultation paper, and concluding with Decision and Handover stage with final report for approval by the Board. Originally scheduled to be completed over August 2008 – February 2009.

90. During the year the planned timeline has been adjusted, in consultation with SGHD, to enable more detailed information to be provided for the public consultation and options appraisal processes. A draft strategy document is now scheduled for approval by the Board in August, followed by an options scoring event in October and public consultation commencing in December. Further slippage in the development of the clinical strategy could be damaging to the Board's progress in all areas. Furthermore, the draft strategy may be subject to independent scrutiny, if instructed by the Cabinet Secretary for Health and Wellbeing.

Risk area 7

91. Alongside the ongoing development of the Community Health and Social Care Partnership (CHaSCP), the Board has been working to establish a Single Operating Division in order to provide services in a more efficient and "joined up" manner. This restructuring is seen as an important element of the overall development of services. Revised operating and reporting structures are now in place, however, further development will be necessary, to ensure that the full benefits of effective joint working across the Single Operating Division is achieved.

Risk area 8



Performance Overview

92. Performance monitoring and reporting against HEAT targets is reasonably well developed within NHS Western Isles, however, we noted in our audit plan that performance management required to be further integrated with its planning cycle. As part of the inter board support arrangements, NHS Western Isles has been liaising with NHS Highland in relation to performance management processes, including the development of a performance management framework across the CHaSCP. The Board was successful in achieving a number of very challenging targets by 31 March 2009. These included waiting time targets for inpatients, outpatients and diagnostic tests, and uptake levels for primary immunisation and cervical screening. It was noted that some targets, including cancer waiting times, were only partially achieved.
93. 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.
94. The challenge for the Board will be to maintain momentum and increase efficiency to meet the new Government targets in a more financially restrictive environment where the opportunities for additional investment will have to be balanced with the other strategic and operational objectives of the Board.

Risk Area 9

Performance Management

95. NHS Western Isles is currently implementing a performance management framework, with regular reporting of performance against targets to the Board. The framework is designed to apply across the organisation ie to encompass the Single Operating Division structure. It was approved by the Board in March 2009, and an action plan is currently being developed, with agreed performance measures, reporting requirements and identified accountable officers. We will monitor the Board's progress against that action plan as part of our 2009/10 audit.
96. The Cabinet Secretary for Health and Wellbeing, as part of the Annual Review 2008 of NHS Western Isles highlighted areas where specific action would be required to ensure that certain performance targets are achieved. These included working towards achieving the 18 week referral to treatment and cancer targets, and the increase of capacity within NHS dental services. An Annual Review Action Plan has been utilised to identify responsible officers and track progress for reporting to the Board. A small number of actions are completed, however, the remainder are by their nature still ongoing.



Efficiency

97. In 2008/09 the Board had a cost savings target of £1.1m, being 2% of baseline allocation, as part of the Scottish Government Efficient Government – Efficiency Savings Initiative. In producing its financial recovery plan, the Board identified sufficient efficiency savings amounts to cover a £2.177m funding shortfall for 2008/09, thereby meeting the Scottish Government target. Actual savings achieved for 2008/09 amounted to £1.197m of recurrent savings and £0.802m of non recurrent savings, or £1.999m in total. As identified earlier in this report, the challenge for 2009/10 onwards will be significant for the Board.
98. Moving forward, the Board continues to derive cost efficiencies through a programme of service reviews and budget monitoring. The cost savings plan includes projects designed to produce recurring and non – recurring savings which are incorporated into the financial plan. NHS Western Isles has identified £2.9m of such savings for 2009/10.
99. There is a continuing challenge for the Board to identify additional efficiencies in the service within a tightening financial settlement. The Board will require to ensure that service redesign and other cost savings initiatives, while delivering required efficiencies, do not have a detrimental effect on patient experience.

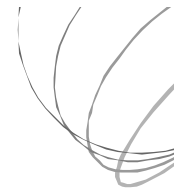
National Studies

A review of palliative care services

100. The study examined a number of issues including access to, and quality of, palliative care services and services for adults with long term conditions. The report recommended that NHS boards should:
- have an up-to-date strategy for delivering palliative care based on an assessment of the current and future needs of their local populations
 - work with the voluntary sector to develop and agree protocols for primary care staff and non-specialist hospital staff to refer patients to specialist palliative care services
 - apply service improvements such as the Gold Standards Framework Scotland, Liverpool Care Pathway and Do Not Attempt Resuscitation policies in all care settings and ensure these are used appropriately.

Day surgery in Scotland – reviewing progress

101. This study highlighted that ten years after the first review of day surgery in Scotland, Audit Scotland has found that the rate of day surgery continues to rise but there remains wide variation in performance among health boards. Performing more operations as day cases, which involve no overnight stay in hospital, could potentially free up about £8 million a year.



102. The report included some important recommendations:

- there is urgent need for the Scottish Government Health Directorates, NHS Boards and ISD to agree how best to ensure accurate and complete recording of surgical procedures undertaken in an outpatient setting
- all NHS Boards should adopt the British Association of Day Surgery (BADS) Information System and make effective use of this system.

Review of NHS diagnostic services

103. This review examined the efficiency and effectiveness of radiology, endoscopy and laboratory services. It focused mainly on the eight key diagnostic tests covered by the national waiting times target and examined the four main disciplines within laboratory services. The new 'referral to treatment' waiting times target states that, by the end of 2011, the time between any referral and a patient starting treatment should be no more than 18 weeks. This target covers all stages of a patient's care including diagnostic tests and will, in effect, replace existing targets relating to different parts of NHS services, such as outpatient, inpatient and diagnostic services.

104. The report made a number of significant recommendations for the Scottish Government, NHS Boards and ISD Scotland. In particular, it recommended that the Scottish Government work with NHS Boards and ISD Scotland to improve data collection systems for all diagnostic services as a matter of priority and also ensure that robust benchmarking data are available to allow NHS Boards to compare efficiency. Further, the report recommended that ISD Scotland work with the Scottish Government and NHS Boards to improve the quality and consistency of national data sets that include diagnostic services, particularly the Cost Book.

Drug and alcohol services in Scotland

105. The aim of this study was to identify how much of the public sector spends on 'labeled' drug and alcohol services as well as the impact the money has had. The report recommended that public sector bodies should:

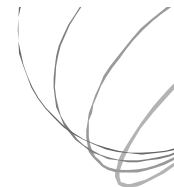
- ensure that all drug and alcohol services are based on an assessment of local need and that they are regularly evaluated to ensure value for money
- ensure that service specifications are in place for all drug and alcohol services and set out requirements relating to service activity and quality
- set clear criteria of effectiveness and expected outcomes for the different services that they provide and undertake regular audits to ensure services adhere to expected standards.



Overview of mental health services in Scotland

106. This report provides an overview of mental health services and its main aim was to highlight areas for improvement and identify priorities for future audit work. The study covered mental health services provided by the NHS, councils, prisons, the police and the voluntary sector and examined the accessibility, availability and cost of services. The report recommended that the Scottish Government and local partners should, amongst other things:

- ensure that they work together to deliver services for people with mental health problems which are joined up and that appropriate services are provided on the basis of need
- collect information about services in the community to enable better planning and development of services
- work together to identify and address any gaps in services, including services for children and adolescents and the availability of psychological therapies
- ensure that data on waiting times for mental health services are collected and reported routinely. Action should be taken to address services with long waiting times.



Looking Forward

107. NHS Western Isles faces a number of challenges in 2009/10, which include:

- **Service redesign and sustainability** – The successful implementation of a Clinical Strategy which will deliver safe, efficient and sustainable healthcare across the Western Isles will require high levels of public support and high levels of cooperation between the Board and its partner organisations. Community Health (Care) Partnerships have been one of the most significant service redesign features in recent years. NHS Western Isles and its partner local authority have been innovative in designing a structure that encompasses a true partnership approach to local health and social care provision. The challenge for the Board will be to demonstrate that the current CHaSCP structure is delivering its objectives and is instrumental in shifting the balance of care from acute to primary care settings.
- **Financial management and affordability** – The financial settlement in 2009/10 provides an uplift of 3.15% which may reduce in 2010/11 given the current economic situation and the impact of the UK Government budget in April 2009. This will have a significant impact on long term financial planning and the control of non pay costs. NHS Western Isles have also identified that during 2009/10 approximately £2m of recurrent savings would require to be achieved to remove the Board's reliance on non recurring funding to achieve recurring balance. Delivering this level of savings without impacting on services presents a significant challenge for the Board.
- **International Financial Reporting Standards (IFRS)** – Officers are required to prepare shadow accounts under IFRS for 2008/09 for audit review by September 2009. The move to full compliance in 2009/10 will require significant resource and it will be important that these issues are addressed early in 2009/10.
- **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 Western Isles is addressing this developing area as part of the 2009/10 audit.



- **Efficiency, future funding and economic developments** – Budgets for 2009/10 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; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting. The challenge for NHS Western Isles is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives. This will be even more challenging in the context of the current economic downturn which may impact on a number of elements of the Board's operations including both its resources and the demand for its services.
- **Equal Pay** - The Equal Pay Directive has made it clear that pay discrimination should be eliminated from all aspects of remuneration. The CLO have recorded only 21 claims in relation to NHS Western Isles, however, ongoing uncertainties have been identified by the CLO resulting in an unquantified contingent liability disclosure in 2008/09. However, Board 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.
- **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, particularly in the area of Use of Resources. NHS Western Isles will wish to respond to this important initiative as it develops.
- **Swine Flu (H1N1 Influenza)** – In terms of clinical activity, a key risk going forward is the potential impact of H1N1 Influenza. Although the full extent of the swine flu infection is still emerging, all boards require to ensure plans are in place to deal with the local impact of the developing situation.

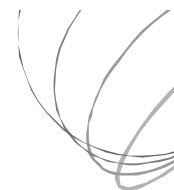
108. The Board recognises these challenges and is taking steps through its planning processes to address them. We will continue to monitor the progress that the Board is making on these key issues.



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
1	Continued progress is required to prepare the shadow IFRS accounts for 2008/09 in accordance with the prescribed timetable. There is a risk that NHS Western Isles will be unable to commit sufficient resources to produce the shadow accounts by the deadline.	The finance function is sighted on the prescribed timetable and fully expects to be able to comply with it.	Director of Finance	30th September 2009
2	The Board faces significant cost pressures along with a more stringent funding regime, and requires to achieve savings in 2009/10 to cover a funding gap of £2.9m. There is a risk that the required additional savings may not be secured, which will impact on ongoing financial recovery, and implementation of the Board's clinical strategy.	Progress with delivery of required savings is regularly reported via an Action Plan to Corporate Management Team and the Board. The Action Plan is project-managed by the Deputy Director of Finance. Monthly performance meetings are held by the Chief Executive and the Director of Finance with senior budget holders to ensure that savings targets are delivered. In parallel brainstorming sessions will continue to be held to identify additional savings to cover any slippage.	Director of Finance	Ongoing
3	Failure to complete the implementation of KSF based personal development plans for all staff could lead to training and development needs being overlooked, which may result in the workforce not achieving the required level and mix of skills. This would also have a negative impact on clinical strategy implementation.	This is being addressed through performance objectives, and the development and approval of a Mandatory Training Policy.	Director of Human Resources and Workforce Development	Ongoing
4	There is a risk that the Board may fail to meet the target of 4% for sickness absence by 31 March 2010.	The Chief Executive has established a Promoting Attendance Taskforce to support line managers in addressing attendance issues. Progress updates are reported regularly to the Corporate Management Team.	Director of Human Resources and Workforce Development	Ongoing



Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
5	The Board may fail to make the necessary improvements in its clinical governance arrangements, to achieve its target of level 2 for QIS Clinical Governance and Risk Management Standards, by the next inspection in March 2010.	Responsible officers have been identified for each standard and standard element. Regular performance reviews will be conducted by the Clinical Governance Committee during 2009/10.	Nurse Director/Chief Operating Officer	Ongoing
6	The Board may fail to make the necessary improvements to its framework of internal control.	The Board is currently developing a Single Code of Corporate Governance which once approved by the Board will be rolled out across the organisation. This will raise awareness of staff responsibilities regarding internal control and, coupled with the greater stability which has been achieved through recent Executive Director appointments, will provide a firm foundation for consolidating and building on the improvements in internal control so far achieved.	Director of Finance	Approval of the Single Code - August 2009. Rollout thereafter
7	Failure to progress development and implementation of the Board's clinical strategy, in accordance with the revised timeline, will have a negative impact on improvements across all areas of Board activity.	Monthly progress reports will continue to be made to the Board. In the meantime 'Early Deliverables' have been identified whose achievement will ensure ongoing improvements to services.	Chief Executive	Ongoing
8	Failure to develop operating and reporting arrangements under the Single Operating Division structure may restrict the benefits achieved from joint working across the Single Operating Division.	The structure of the Single Operating Division and reporting relationships within it will be reviewed. The role and function of the Single Operating Division will continue to be developed.	Nurse Director/Chief Operating Officer	December 2009 Ongoing
9	The Board may fail to meet more demanding government HEAT and efficiency targets including waiting times.	Work continues to identify areas of risk. These are addressed through the SLA Group and via development of appropriate obligate networks. The Board will seek to carry out further appropriate Rapid Improvement Events.	Nurse Director/Chief Operating Officer	Ongoing