

NHS Tayside

**Report on the 2009/10 Audit to the Board and the Auditor
General for Scotland**

July 2010



 **AUDIT SCOTLAND**



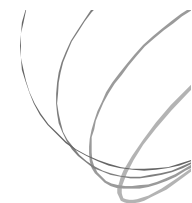
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Key Messages

Introduction

In 2009/10 we looked at the key strategic and financial risks being faced by NHS Tayside. 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 Tayside for 2009/10. 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.

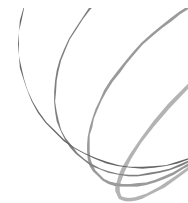
Financial position and use of resources

Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight. It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known. The Scottish public sector faces significant challenges in balancing its budget while also delivering on its commitments. Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available. In the current economic climate difficult decisions will have to be made across the public sector about priority spending programmes

The Board carried forward a £0.310 million surplus from 2008/09 before taking account of adjustments arising from the implementation of International Financial Reporting Standards (IFRS). As at 31 March 2010 the Board disclosed a cumulative surplus of £0.016 million.

The Board's financial statements include significant provisions, particularly in respect of pensions and clinical and medical negligence claims. However, they do not reflect any potential liability for Equal Pay claims as there is a lack of information to enable quantification of the liability. Accounting estimates and provisions, by their nature, include a degree of uncertainty and any under-estimate of costs in 2009/10 could have a significant impact in future years.

In the medium to longer term the Board faces a number of challenges to maintaining its financial position. These include the requirement to meet the Government's savings targets, the cost pressures in respect of prescribing growth, capital charges, pay modernisation and utility costs and the uncertainty over the level of funding uplifts. The Board had an underlying deficit of £2.576 million in 2009/10 which was offset by a non recurring surplus of £2.592 million. In its 2010/11 to 2014/15 Strategic Financial Plan, the Board has forecast that it will achieve financial balance in each year of the plan, based on its funding and expenditure assumptions.



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. Overall, the corporate governance and control arrangements for NHS Tayside operated satisfactorily during the year, as reflected in the Statement on Internal Control. We also examined the key financial systems underpinning the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

Performance

NHS Tayside has a strong performance management culture and has continued to use the Taystat process. During 2009/10 the Board demonstrated good performance against a number of very challenging HEAT targets including the 80% dental registrations of 3-5 year olds target, waiting time targets for inpatients and outpatients and newly introduced cancer waiting times and health inequality targeted cardiovascular health checks. Performance against a number of other HEAT targets requires to be addressed to ensure that appropriate action is taken to facilitate the improvements required. These include the board's current performance against the sickness absence target, the rate of reduction in the number of staphylococcus infections, the rate of antidepressant prescribing and child healthy weight interventions.

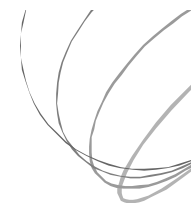
We carried out a best value review of people management arrangements at NHS Tayside during the year, using a best value toolkit. This concluded that the Board were at the "better practices" level in this area.

Looking forward

The final part of our report notes some key risk areas for NHS Tayside going forward. There are significant challenges around future funding and the achievement of savings targets. National issues around Equal Pay claims may also provide a challenge 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 2010**



Introduction

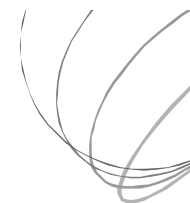
1. This report summarises the findings from our 2009/10 audit of NHS Tayside. The scope of the audit was set out in our Audit Plan, in accordance with the Code of Audit Practice, which was presented to the Audit Committee on 4 February 2010. This plan set out our views on the key business risks facing 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 this has been further developed during 2009/10 with the completion of its bank of best value Toolkits which, although primarily designed for audit use, are available to all public bodies for reference.

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





4. A linked development here has been the Scottish Government's work to refresh its 2006 best value Guidance for Public Bodies. This latter initiative, due for issue later in 2010, will result in clearer guidance to public bodies, and particularly those in the Central Government and Health sectors, on securing continuous improvement in performance, with due regard to the balance between cost and quality.
5. Throughout this report we comment on aspects of NHS Tayside's arrangements in this area. 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 yet have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report represents a further step towards that goal.
6. 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. Where these have a bearing on the activities, risks or performance of NHS Tayside, we make reference to these reports in this document. Full copies of the study reports can be obtained from Audit Scotland's website, www.audit-scotland.gov.uk.
7. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of NHS Tayside 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

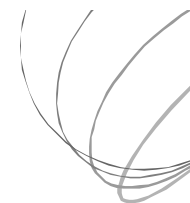
8. In this section we summarise key outcomes from our audit of NHS Tayside's financial statements for 2009/10 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources. Also, the Board's 2009/10 financial statements were prepared on the basis of International Financial Reporting Standards (IFRS) for the first time.

Our responsibilities

9. 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.
10. 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

11. We have given an unqualified opinion on the financial statements of NHS Tayside for 2009/10.
12. As agreed, the unaudited accounts were provided to us on 5 May 2010 supported by a comprehensive working papers package. The good standard of the supporting papers and the timely responses from NHS Tayside staff allowed us to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 24 June 2010 as outlined in our Annual Audit Plan.

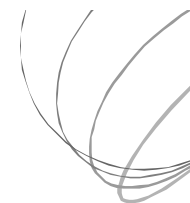


Issues arising from the audit

13. As required by auditing standards we reported to the audit committee on 24 June 2010 the main issues arising from our audit of the financial statements. The key issues reported were as follows.
14. **Equal Pay Claims** – As at 31 March 2010, NHS bodies had received some 13,000 claims and these had been referred for the attention of the NHS Scotland Central Legal Office. NHS Tayside currently has 148 claims outstanding. It is possible that these claims represent a current liability for NHS boards generally. As with a number of other NHS boards, an unquantified contingent liability and has been included in NHS Tayside's accounts for equal pay. Further details on this issue are included at paragraphs 17 to 20 below.
15. **Pension provisions** – The current information received from the Scottish Public Pensions Agency (SPPA) is considered by the Board to be insufficiently detailed and consequently the provision is based on best estimates. This is a recurring issue that affects all NHS boards. The Board provided us with formal assurances, in a letter of representation, that the provision represents a reasonable estimate of the liability for pensions.
16. **Agenda for Change** – As at 31 March 2010, £4.48 million was accrued in respect of Agenda for Change payments. This figure includes estimations based on Tayside Health Board's assumptions and refers to a range of staff posts and grades. The Board provided us with formal assurances, in a letter of representation, that the accrual represents a prudent estimate of anticipated costs.

Equal Pay Claims

17. The National Health Service in Scotland has received in excess of 11,000 claims for equal pay and NHS Tayside has currently 148 claims outstanding. These have been referred for the attention of the NHS Scotland Central Legal Office (CLO) to co-ordinate the legal response to this issue.
18. Developments over the past year have slowed the progress of claims and led to a reduction in the number of claims going forward. The CLO have stated that claims still 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 claims as well as developments relating to NHS equal pay claims elsewhere that may further inform the position.
19. 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 2009/10. 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 2009/10 financial statements of affected NHS Boards. Given the developments during the year and the comprehensive disclosure within the financial statements,



auditors agreed that the emphasis of matter paragraph included within the 2008/9 audit opinion was not required for 2009/10.

20. We continue to strongly encourage NHS Tayside, 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.

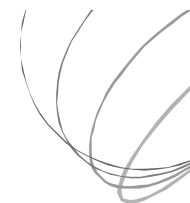
Risk area 1

Regularity

21. 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)

22. As announced by the Chancellor in the 2008 Budget report on 12 March 2008, Government departments and other public sector bodies will report using International Financial Reporting Standards (IFRS) from 2009/10. As a prerequisite to this health boards were required to prepare shadow IFRS based accounts for 2008/09 to provide comparative figures for the 2009/10 IFRS based accounts. This exercise provided a solid base for compiling the 2009/10 accounts.



Use of Resources

23. 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 Tayside's:

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

The Board's financial position

Outturn 2009/10

24. NHS Tayside 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

2009/10 Financial Targets Performance £ million

Financial Target	Target	Actual	Variance
Revenue Resource Limit	675,837	675,821	16
Capital Resource Limit	36,881	36,875	6
Cash Requirement	715,000	714,468	532

25. The Board has achieved a cumulative surplus of £0.016 million. The Board carried forward an adjusted surplus of £0.310 million from 2008/09. Table 2 below shows how the current year's surplus of £0.016 million was achieved through a combination of recurring and non-recurring funding. The Board had an underlying recurring deficit of £2.576 million in 2009/10 which was offset by a non recurring surplus of £2.592 million.

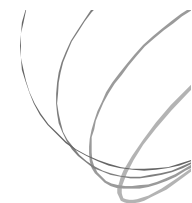
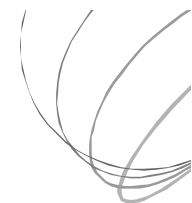


Table 2
Funding Position 2009/10

	£ Million	£ Million
Recurring income	794.241	
Recurring expenditure	809.834	
Recurring savings	13.017	
Underlying recurring surplus/(deficit)		(2.576)
Non-recurring income	26.894	
Non-recurring expenditure	27.302	
Non recurring savings	3.000	
Non-recurring surplus/(deficit)		2.592
Financial surplus/(deficit)		0.016
Underlying recurring surplus/(deficit) as a percentage of recurring income		(0.32%)

Financial sustainability and the 2010/11 budget

26. There were tighter financial settlements for health boards in 2009/10 with a general uplift of 3.15% which was equivalent to the previous year but considerably down on the 6% in previous years. This downward trend has continued in 2010/11 as the SGHD has confirmed a general funding uplift of 2.15%. Also, with effect from April 2010 the SGHD confirmed a supplementary uplift of 0.4% giving an overall increase of 2.55% for NHS Tayside in 2010/11. Current SGHD guidance indicates that funding will continue to grow at 1%. This will have a significant impact on long term financial planning and the control of pay and non pay costs.
27. In 2009/10 the Board's strategic financial plan was central to the Board achieving financial balance. The Board's efficiency savings target for 2009/10 was £11.571 million. Total savings achieved in respect of this target amounted to £16.7 million, including non-recurring savings of £5.8 million. Additional savings amounting to £2.1 million were also achieved.
28. The Board's 2010/11 strategic financial plan is again central to it achieving a break-even financial position in 2010/11. The plan aims to deliver £30.0 million of recurring cost savings in 2010/11 which is equivalent to 5% of its general resource allocation. The Board is aiming to deliver these savings through an efficiency savings programme which includes £5.6 million of savings from non-recurring measures.



29. The strategic annual plan includes cost pressures continuing from 2009/10 including £5 million for Family Health Service prescribing and £6.4 million for CHP and Clinical Directorate cost pressures, as well as £3 million of new cost pressures arising from provision of clinical growth and non clinical pressures. Further cost pressures will also arise from the increase in VAT from 17.5% to 20% from January 2011, as announced by the Chancellor in his emergency budget on 22 June 2010. This represents a major challenge for the Board and increasing savings have been identified as being required in the five year period to 2014/15 in order to secure a balanced financial position. This is against a background of likely significant cuts in public sector spending by both the UK and Scottish Governments.

Risk area 2

30. In the medium to longer term the Board faces a number of challenges to maintaining its financial position. These include the requirement to develop comprehensive cost savings plans to achieve recurring savings, the cost pressures in respect of prescribing growth, capital charges, pay increases and utility costs, and the uncertainty over the level of uplifts. The public sector as a whole is facing a difficult time ahead as emphasised in the Audit Scotland's report '*Scotland's public finances: preparing for the future*' (February 2010) which is considered in more detail below.

Extract from Auditor General's report *Scotland's public finances*

The public sector is coming under the greatest financial pressure since devolution.

- Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight.
- The Scottish Government and the wider public sector need to work together to develop better activity, cost and performance information. This information is needed to enable informed choices to be made between competing priorities, and to encourage greater efficiency and productivity.

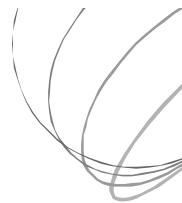
The Scottish Government faces significant challenges in balancing the budget while also delivering on its commitments and meeting increasing demands for public services.

- It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known.
- In many cases, the public sector uses income from various sources to pay for services. Income levels anticipated before the recession are unlikely to be realised, reducing the amount available to spend.
- The Scottish public sector faces significant challenges in balancing its budget while also delivering on its commitments. Changes in Scotland's population and rising unemployment rates will increase demand for public services.
- Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available.

In the current economic climate difficult decisions will have to be made about priority spending programmes.

- The Scottish Government's annual budget is largely developed on an incremental basis which involves making adjustments at the margin to existing budgets. This approach is not suitable for budgeting in a financial downturn because it does not easily allow informed choices to be made about priorities, based on robust information about activity, costs and performance.

Contd ...



- The Scottish Parliament has an important role in scrutinising the government's spending plans. Better information linking spending to costs, activities and service performance, and a rolling programme of performance reviews, would support the Scottish Parliament in fulfilling this role.

People management

31. 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 are also available to public bodies themselves for reference. In 2009/10, continuing our focus on the use of resources, we applied the best value toolkit on People Management. This exercise was part of our developing approach to the audit of best value which involves the cumulative development of a picture of NHS Bodies' best value activities over a period of time, setting it in the context of identified best practice.

32. The People Management toolkit covered a number of specific areas: policies and structures supporting effective people management; integration of workforce planning with strategic and financial planning processes; managing and developing the performance of staff, and communication and involvement of staff.

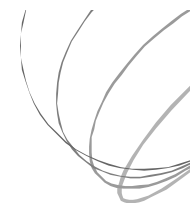
33. A number of areas of good practice were identified by our audit work including:
 - representatives from the Workforce Directorate sit on all internal project groups. This ensures that the potential impact on people management of any planned changes is given early consideration

 - NHS Tayside has been involved in some 'talent sharing' activities e.g. the Patient Safety Initiative, where expertise and learning has been shared with other NHS colleagues through improvement programmes and other networking

 - NHS Tayside has developed an Education and Training Strategy, supported by a Knowledge and Skills Framework (KSF) Policy and Personal Development Plans. There is a HEAT target for 80% of staff to have migrated to an eKSF system by March 2011 and regular reports on progress are reported to the Staff Governance Committee. Good progress has been made on migration

 - there are numerous examples of shared training programmes in place with other statutory, voluntary and education organisations. In addition, there has been an increased use of e-learning programmes as part of NHS Tayside's consideration of the best method of delivering training

 - NHS Tayside is one of two Health Boards to sign up to a Lifelong Learning Partnership Agreement within which regular staff surveys are undertaken to obtain information from staff about their views on training and development and their identified needs.



34. We also identified a number of areas where improvements could be made, including:
- considering increasing its exposure to external benchmarking by developing systematic processes to allow the organisation to assess its people management performance against external standards
 - NHS Tayside and its partners could develop joint priorities and investment plans to improve people management practices
 - through further joint working and shared service exercises, NHST may be able to demonstrate improvements in their succession planning activities, due to staff having greater opportunities to share knowledge and expertise, both internally and externally.
35. Our overall conclusion was that NHS Tayside were at the “better practices” level in terms of people management. This is a good platform to build on going forward.
36. Also, as with other health boards in Scotland, NHS Tayside faces a major challenge in achieving the national standard for sickness absence of 4%. The average sickness absence rate for 2009/10 was 5.18% (2008/09 5.07%). The board reports absence information to the Staff Governance Committee through its ‘Promoting Attendance at Work’ reporting framework. The board is pursuing a range of initiatives to reduce sickness absence and these will be included in a 2010-12 Absence Action Plan.

Risk area 3

Management and use of ICT

37. As part of the 2009/10 audit we carried out a review of the Financial Management System (FMS) Computer Services.

Financial Management System (FMS) Computer Services

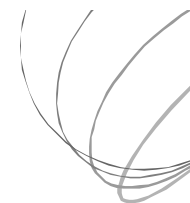
38. During 2009/10 we undertook a review of NHS Tayside’s Financial Management System (FMS) Computer Service. This is based upon the CedAR ‘eFinancials’ system and is provided to a group of NHSScotland organisations known as the Tayside Shared Financial Services Consortium. Our review identified no significant issues that would impact upon the operation of the FMS computer service. Our report was shared with the external auditors of the Consortium member boards.
39. The key findings from the review included that:
- The appointment of an interim service delivery manager has strengthened governance arrangements. The post was set to become permanent after June 2010 and any delay in making a permanent appointment could lead to difficulties in driving through all improvements and initiatives.



- NHS SSS has set a target for the implementation of a common chart of accounts as a pre-requisite for the national goal of a common shared ledger (configuration 4). Any delay by consortium members in implementing the common chart of accounts could impact on the timetable for the introduction of the NHS SSS project.
- Plans have been developed to address weaknesses in the physical, environmental and security standards at server rooms at Maryfield Financial Services Centre, Perth Royal Infirmary and Ninewells Hospital, however funding for new/alternative computer rooms will not be available until 2014, which will hinder progress in this area.
- Plans continue to be developed for a full disaster recovery test, to involve rebuilding the system and testing it across the consortium. Until the test is complete, there remains the risk that in the event of a disaster, there is significant disruption to the FMS service.

40. The review also highlighted a number of areas of good practice including:

- A standard monthly performance report and list of open calls is now issued to the Consortium Operational Management Group.
- There has been progress in relation to better information sharing and reporting against Service Level Agreement (SLA) targets.
- The tracking of incidents and fixes has improved change management arrangements.
- Sound back up arrangements and relevant disaster recovery plans are maintained.



Governance and Accountability

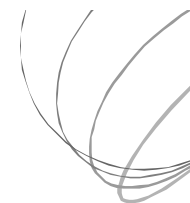
41. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our main findings arising from our review of NHS Tayside's arrangements.
42. 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

43. This year we reviewed:
 - internal audit (paragraph 62)
 - key systems of internal control (paragraphs 57 to 59)
 - aspects of ICT (paragraphs 37 to 40)
 - arrangements for the prevention and detection of fraud and irregularity (paragraphs 63 to 64)
 - commitment to the National Fraud Initiative (paragraphs 65 to 71).
44. Our overall conclusion is that governance arrangements within NHS Tayside are sound and have operated through 2009/10.

Patient safety and clinical governance

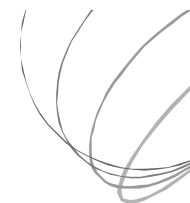
45. NHS Tayside has embraced the Scottish Patient Safety Programme (SPSP) which was launched in 2008. Within this programme, NHS Tayside has developed a local patient safety framework and a patient safety programme with the aim of delivering safer patient care and providing additional support to enable clinical groups to implement, measure and spread local and national improvements in patient safety. NHS Tayside are monitoring the patient safety programme to ensure that its aims are met by December 2011.
46. The Board continues to work with NHS Quality Improvement Scotland (NHS QIS) to support the implementation of the clinical governance and risk management standards to ensure that clinical governance principles are embedded in local practice. The Board completed and submitted a self – assessment performance prior to a NHS QIS visit in February 2010. The findings from the NHS QIS visit were reported in June 2010.



47. The NHS QIS report identified that NHS Tayside has a number of strengths:
- a robust and unified approach to risk management
 - has developed impressive structures for organisation-wide quality improvement
 - a comprehensive and well-developed framework for both internal and external communication
 - structured and comprehensive governance work plans.
48. The report also contained the following recommendations for improvement:
- develop a comprehensive framework which will provide assurance to the Board that all service areas have appropriate business continuity plans in place
 - ensure systems are developed to enable its quality and improvement committee to manage the challenging agenda it faces
 - continue to develop its equality and diversity framework to cover all six areas of Fair for All
 - develop an organisation-wide system for document control.
49. The board continues to implement a Healthcare Associated Infection (HAI) Strategy, which targets high impact areas and contributes to meeting the associated HEAT target to reduce HAIs.
50. Although measures have been put in place by the board to tackle the prevalence of healthcare associated infections, there was an outbreak of the Clostridium difficile (C.diff) infection in Ninewells Hospital during October/November 2009 which resulted in a number of related fatalities. This followed a similar experience in NHS Greater Glasgow and Clyde which resulted in a public inquiry being ordered by the Cabinet Secretary. The Cabinet Secretary has since announced that the public enquiry will be extended to the Ninewells outbreak. A report on the public enquiry is planned for May 2011. A further outbreak of C.diff was also confirmed in Perth Royal Infirmary in April 2010.
51. NHS QIS's Healthcare Environment Inspectorate also published reports on HAI inspection visits at Ninewells Hospital and Perth Royal Infirmary in November 2009 (during the C.diff outbreak) and May 2010 respectively. Both reports identified areas for improvement in infection control procedures and action plans have been developed by the Board to implement these improvements.

Partnership Working

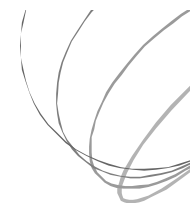
52. Partnership working in the NHS covers a number of areas, including partnerships with staff groups, local authorities, the voluntary sector, private healthcare providers and regional planning with other NHS boards.



53. 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.
54. The board has established Community Health Partnerships (CHPs) to provide care and public health services in a local setting to meet the needs of the local population. It is also the intention that CHPs will contribute to one of the key principles set out in the Scottish Government's Better Health Better Care publication which emphasises the need for 'ensuring better, local and faster access to health care'.
55. NHS Tayside's three CHPs continue to develop and face a significant challenge to demonstrate to stakeholders that they are effectively shifting the balance of care from acute settings to community based settings while delivering improved services within the set budget and timeframes. Each CHP is held to account through its own governance committee, the Delivery Unit and the Board which seeks assurance that they are operating effectively and consequently improving the patient experience.
56. Audit Scotland is currently carrying out a national performance audit of CHPs in a number of NHS Boards which is intended to examine how well CHPs are working with their partners, including independent contractors such as GPs, to shift the balance of care at a local level. Although NHS Tayside is not one of the selected sites for the study, the review will examine CHPs' financial management arrangements, including any joint financial agreements, and will comment on how resources are being used at a local level. Audit Scotland intends to publish the national report in February 2011.

Systems of internal control

57. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2009/10 the internal auditor consortium FTF (Fife, Tayside and Forth Valley) Audit and Management Services provided their opinion that, based on the internal audit work undertaken during the year, there was reasonable assurance on the adequacy and effectiveness of the system of internal control.
58. As part of our audit we reviewed the high level controls in a number of NHS Tayside systems that impact on the financial statements. This audit work covered a number of areas including the systems for cash and bank, payroll, accounts payable, accounts receivable, fixed assets, general ledger and Family Health Services. We also reviewed the internal controls in place for members' expenses. Our overall conclusion was that NHS Tayside has adequate systems of internal control in place. We identified some 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.



59. In addition we also 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 provided us with additional assurances on the adequacy of the internal control environment within NHS Tayside.

Statement on internal control

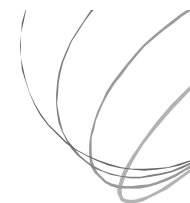
60. The Statement on Internal Control (SIC) provided by NHS Tayside's Accountable Officer reflected the main findings from both external and internal audit work. This SIC records management's responsibility for maintaining a sound system of internal control and summarises the process by which the Accountable Officer obtains assurances on the contents of the SIC.
61. The Statement on Internal Control (SIC) provided by NHS Tayside's Accountable Officer reflected the main findings from both external and internal audit work. The SIC recorded management's responsibility for maintaining a sound system of internal control and summarises the process by which the Accountable Officer obtains assurances on the contents of the SIC. The SIC included details of the board's accountability arrangements, risk and control framework and approach to Best Value and complied with the guidance issued by the SGHD on 19 March 2010.

Internal Audit

62. 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. Also, as part of our risk assessment and planning process for the 2009/10 audit we assessed whether we could place reliance on NHS Tayside's internal audit function. We concluded that the internal audit service operates in accordance with relevant Internal Audit Standards and has sound documentation standards and reporting procedures in place. We therefore placed reliance on their work in a number of areas during 2009/10, as we anticipated in our annual audit plan.

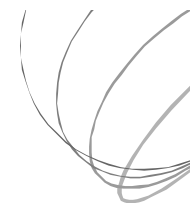
Prevention and detection of fraud and irregularities

63. NHS Tayside has a comprehensive range of measures in place to prevent and detect fraud including Standing Financial Instructions, Standing Orders and supporting policies and procedures, Codes of Conduct for Members and staff and policies covering fraud standards and 'Voicing Concern/Whistle blowing'. The Board has also entered into a formal partnership agreement with NHSScotland Counter Fraud Services (CFS). 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.
64. Additionally, the Board's internal audit function has a formal programme of work, which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud.



NFI in Scotland

65. During the year NHST took part in the 2008/09 National Fraud Initiative (NFI) in Scotland. The NFI in Scotland is a counter-fraud exercise led by Audit Scotland, assisted by the Audit Commission (our sister organisation in England). It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error.
66. NFI allows public bodies to investigate these matches and, if fraud or error has taken place, to stop payments and attempt to recover the amounts involved. It also allows auditors to assess the arrangements that the bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.
67. As part of our local audit work we carried out a high level assessment of NHS Tayside's approach to the NFI. We concluded that the Board is proactive in preventing and detecting fraud, including participation in the NFI. The Board, through its Counter Fraud Champion, systematically reviews data matches and regular updates on NFI progress are reported to both the Audit Committee and the senior management Executive Team.
68. The Audit Scotland report *The National Fraud Initiative in Scotland; making an impact*, which was published on 20 May 2010 set out the results of the 2008/09 NFI exercise. It involved 74 bodies, including councils, police forces, fire and rescue services, health boards, the Scottish Public Pension Agency and the Student Award Agency for Scotland.
69. Overall, the outcome of the 2008/09 exercise was worth £21.1 million to the public purse. The report also highlights that while the NFI has been successful, much of the information used in this exercise was collected before the recession really took hold. An economic downturn is commonly linked to a heightened risk of fraud, and public bodies need to remain vigilant.
70. The cumulative outcome of the current and previous NFI exercises in Scotland is now around £58 million and there have been at least 80 successful prosecutions since the last NFI report in 2008. Audit Scotland will require data for the next NFI exercise in October. This is expected to be carried out under new powers currently before the Scottish Parliament. These will provide for more collaboration with other UK agencies to detect 'cross border' fraud, extend the range of public sector bodies that may be involved, and allow data matching to be used to detect other crime as well as fraud.
71. The national report *The National Fraud Initiative in Scotland; making an impact* includes a self-appraisal checklist. We recommend that officers involved in the NFI should use the checklist as part of their preparations for the NFI 2010/11.



Performance

72. 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. Additionally, it includes 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.

Vision and strategic direction

73. The board's vision is summarised in its corporate strap line "*NHS Tayside working with you for better health better care.*" To achieve this, the board has agreed four specific aims (each of which are closely aligned to the three NHS Tayside values of valuing people, valuing quality and valuing health):

- to improve healthy life expectancy by supporting people to look after themselves
- to contribute to closing the health inequalities gap within a generation
- to ensure services meet minimum quality standards, especially patient experience
- to be cost effective in all decisions, actions and services.

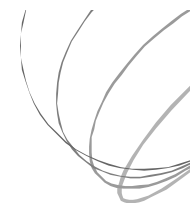
74. To enable NHS Tayside to achieve these aims and the delivery of the targets set out in their Local Delivery Plan, the board has set 11 corporate objectives which are divided between:

- outcome focussed objectives: those objectives leading to direct improvements in health
- supporting or enabling objectives: those objectives that ensure the organisational mechanisms are in place to enable direct improvements in health.

75. Within the Corporate Plan the Board has set 64 outcome targets to support the achievement of the 11 corporate objectives. Corporate Plan quarterly performances reports are submitted to the Board including an end of year progress report submitted in June 2010, which reports that of the 64 outcomes 5 have encountered slippage in achievement and 6 are not in line with targeted performance. These outstanding outcomes are incorporated in the Corporate Plan for 2010/11.

Managing risk

76. There are a number of key challenges and risks for the board in delivering its plan. The board has put in place robust systems for the identification and management of risk. NHS Tayside has an integrated approach which combines both clinical and non-clinical risks. Risks are divided into strategic and operational level and key risks are recorded within the organisation's electric risk register.



77. The main risk areas are:

- Securing Financial Stability
- Service Redesign and Sustainability
- Working In Partnership
- Maintaining Robust Performance Reporting Frameworks
- Workforce Planning.

78. These areas are all addressed in the earlier sections of this report. Each area is complex and comprises 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.

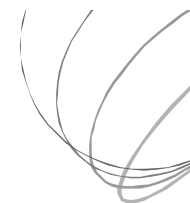
Service Development

79. NHS Tayside has set out steps to progress towards a more integrated system of healthcare across the Tayside area under the 'Next Steps for Integration' programme. Steps taken in 2009/10 include the formation of three Clinical Boards and changes in Directorate structures. The programme has a number of objectives including the provision of more integrated care pathways for patients, increasing the involvement of clinical staff in decision making and strategic direction and establishing clearer lines of joint working arrangements across acute clinical services, community health partnerships and general practice. A report was presented to the Board in June 2010 setting out the progress made and outlining the next phase of work, including the establishment of a fourth Clinical Board and further Directorate changes.

80. NHS Tayside has also set out its planned investment requirements for the next five years in its Strategic Financial Plan 2010/11 to 2014/15. This plan recognises that "NHS Tayside needs to ensure that it develops strong business cases around national priority areas, in order to continue to be successful in attracting funding from national earmarks, and there will be an increased focus on service redesign in order to free resources to take forward other local priorities, in addition to existing development commitments".

81. During 2009/10 a number of developments were progressed, including:

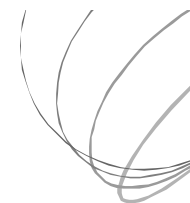
- Dundee University Integrated Teaching Facility
- Perth Dental Facility
- Assisted Conception Unit Re-provision
- Montrose Maternity Unit.



82. A significant service development in 2009/10 was the provision of two new mental health facilities in Stracathro and Murray Royal Hospital and the provision of services within these facilities, funded through the use of a Non Profit Distributing Organisation (NPDO). Although this development is located in the Tayside area, other NHS boards have provided input to the project. The NPDO project became operational in 2009/10 and is a key development in providing Secure Care, General Adult Psychiatry and Psychiatry of Old Age.
83. There have been significant changes to the structure of NHS Tayside's Delivery Unit with a reduction in clinical groups from seven to three. The changes were introduced to establish a more integrated system of healthcare within the board and have resulted in changes to the Delivery Unit sub-structures.

Performance Overview

84. NHS Tayside has a strong performance management culture and has continued to use the Citistat methodology for assessing and improving performance. The Board receives regular reports on progress towards achieving waiting times and other access targets set by the Scottish Government (commonly known as HEAT targets).
85. During 2009/10 the board demonstrated good performance against a number of challenging HEAT targets including:
- 86.4% of 3-5 year olds being registered with a dentist. The national HEAT target is 80% by 2010/11.
 - Waiting time targets for inpatients and outpatients have been achieved and newly introduced targets for cancer waiting times are on track to be achieved.
 - The target for health inequality targeted cardiovascular health checks has been exceeded.
 - Achievement of targeted improved efficiencies for first outpatient appointment "did not attends", non-routine inpatient average length of stay, review to new outpatient attendance ratio.
 - Its 85% target of 48 hour access by a health professional has been significantly exceeded.
86. NHS Tayside's performance against a number of other HEAT targets requires to be addressed however, to ensure that appropriate action is taken to facilitate the improvements required. These include:
- The sickness absence target of 4% was not achieved.
 - Its target for child healthy weight interventions was not achieved, largely as a result of a later than planned start to the programme.
 - Antidepressant prescribing shows little sign of decreasing to achieve the HEAT target of a zero rate of increase.

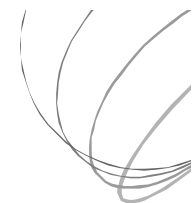


Performance Management

87. NHS Tayside is continuing to use Taystat for assessing and improving performance and the Community Health Partnerships (CHPs) are each developing their own performance management frameworks. The Taystat monthly meetings help to review ongoing progress and to progress corporate objectives.
88. There is now an expectation that all public sector bodies, including the NHS, should be able to demonstrate how their activities are aligned with the Government's over-arching purpose through the National Performance Framework (2008). This introduced Single Outcome Agreements (SOAs) for local government bodies in 2008/09. In 2009/10 this was extended to the health sector through the mechanism of Community Planning Partnerships (CPPs). As a result, NHS boards are required to engage with local authorities, and other public bodies, to agree the priority outcomes and related indicators, and set out how these will support the National Outcome in SOAs.
89. The Board has recently approved proposals for changes to the arrangements for Board's engagement in the SOA process including enhanced CPP governance arrangements in Perth, extension of these revised arrangements to the partnerships in Dundee and Angus, changes to internal arrangements (synchronisation of planning arrangements, planning a development event to create a new strategic vision for the CPP and planning event for the development of the SOAs) and exploration of extending partnership-based leadership development. We intend to monitor progress in this area.
90. One of the major challenges facing all boards in Scotland is tackling health inequalities. The Board recognises this challenge and has developed a draft Health Equity Strategy "*Communities in Control*" which was approved by the Board in September 2009 to contribute to tackling health inequality as the single highest long term priority for NHS Tayside.

Improving public sector efficiency

91. The Audit Scotland report *Improving public sector efficiency* was published on 25 February 2010. It provides a position statement on the first year (2008/09) of the Efficient Government Programme (the Programme), which aims to deliver £1.6 billion efficiency savings over the three years to 2010/11. It also gave an update on how the Scottish Government and public bodies have addressed the recommendations made in the 2006 report about the previous efficiency programme.
92. The report found that Scottish public bodies reported more efficiency savings than the Government's two per cent target. But there are serious financial challenges ahead – the biggest since devolution – and making the required savings through efficiency will become increasingly difficult.
93. The report recommended that to deal with reduced future funding and increase savings public bodies need to consider fresh approaches to improving efficiency and productivity. They must take a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working.



94. The drive to improve efficiency and productivity is not just an exercise for managers and service providers. It requires strong leadership and engagement from the very top of public bodies. Leaders and senior decision-makers within an organisation have a responsibility to check, challenge, monitor and support their organisations in delivering efficiency and productivity improvements. The report's recommendations highlighted areas that public bodies' key decision makers should look at to assess their organisation's development and to challenge existing arrangements (see below).

Extract from Audit Scotland report *Improving public sector efficiency*

In order to improve the delivery of efficiency savings public bodies should:

- ensure they have a priority-based approach to budgeting and spending
- continue to improve collaboration and joint working, overcoming traditional service boundaries
- consider using alternative providers of services, if these providers can improve the efficiency, productivity or quality of services
- improve information on costs, activity, productivity and outcomes, including setting baselines to measure performance against
- give greater urgency to developing benchmarking programmes
- maintain the momentum of activities and initiatives to improve purchasing and asset management and extend shared services
- ensure there is a joined-up approach to efficiency savings across the public sector, avoiding duplication
- ensure that plans are in place to deliver savings, clearly setting out what action will be taken, the level of savings to be delivered and how these will be measured
- strengthen the involvement of front-line staff, service providers and users in redesigning public services
- reduce reliance on non-recurring savings to meet financial targets and generally use these as part of a wider and longer term strategy
- report efficiency savings consistently.

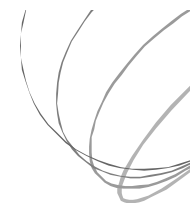
95. To support these high-level recommendations, Audit Scotland, the Northern Ireland Audit Office and the Wales Audit Office have drawn on their combined experience to develop a detailed good practice checklist. The checklist is intended to promote detailed review and reflection and, if necessary, a basis for improvement. We recommend that those responsible for leading efficiency and improvement work should consider assessing themselves against each question, and recording the results.

National Studies

96. Audit Scotland's Public Reporting Group undertakes a programme of national studies each year in consultation with key stakeholders. The findings and key messages of these studies are published in national reports which are publicised and widely distributed. In addition they are also available on Audit Scotland's website (www.audit-scotland.gov.uk).



97. Following a local agreement between the external audit team and NHS Tayside, a number of national reports are scheduled to be reviewed and discussed at future Audit Committee meetings. Audit Scotland's expectation is that NHS boards should consider the findings contained in national reports and identify actions to be taken locally.
98. To date the following national reports have been considered at Audit Committee:
- Managing the Use of Medicines in Hospitals – A Follow-up Review (published April 2009).
 - Overview of the NHS in Scotland's performance 2008/09 (December 2009).
 - Improving Public Sector Efficiency (February 2010).
 - Review of Orthopaedic Services (March 2010).
99. Current national reports have yet to be considered by the Audit Committee for:
- Managing NHS waiting lists (March 2010).
 - Using locum doctors in hospitals (June 2010).

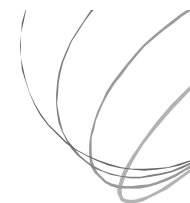


Looking Forward

100. NHS Tayside faces a number of challenges in 2010/11, which include:

- **Financial management and affordability** – The financial settlement in 2010/11 provides an uplift of 2.55% which may reduce in 2011/12 given the current economic situation and the impact of the recent UK Government emergency budget in June 2010. This may have a significant impact on long term financial planning and the control of pay and non pay costs.
- **Efficiency, future funding and economic developments** - Scottish public bodies reported more efficiency savings than the Government's two per cent target in 2008/09, but there are serious financial challenges ahead – the most significant since devolution – and making the required savings through efficiency will become increasingly difficult. To deal with reduced future funding and increase savings fresh approaches to improving efficiency and productivity must be considered, taking a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working. NHS Tayside has identified that it needs to find £81.4 million of savings over the next five years to achieve financial balance. The challenge for the Board is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **Service redesign and sustainability** – There are significant developments planned for the delivery of future healthcare services by the Board Against a background of recurring cost pressure on the Board's financial plan in future years. NHS Tayside aims to continue to attract funding for national earmarked priorities and to increase focus on service redesign in order to free resources to take forward other local priorities, in addition to existing development commitments. This will be a significant challenge for the Board.
- **Equal Pay** - The Equal Pay Directive has made it clear that pay discrimination should be eliminated from all aspects of remuneration. NHS Tayside currently has 148 claims outstanding. Significant ongoing uncertainties have been identified by the CLO resulting in an unquantified contingent liability disclosure in 2009/10. 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 has continued its commitment to extending the best value audit regime across the whole public sector and significant development work has taken place over the last year including the finalisation of its best value toolkits. This has been matched by the Scottish Government's commitment to refreshing its Best Value Guidance for Public Bodies. NHS Tayside should continue to respond to this important initiative as it develops.

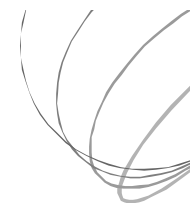
101. The Board recognises these challenges and is taking steps through its planning processes to address them. We will continue to monitor the progress that the Board is making on these key issues.



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
1	NHS Tayside as with other Boards has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities will have a significant impact on the Board's financial position.	<p>NHS Tayside recognises the currently unquantifiable risk and will continue to liaise closely with the NHS Scotland Central Legal Office and Scottish Government Health Directorates on this matter.</p> <p>The NHS Tayside Equal Pay Board will be reconvened to assess the next steps in light of the current legal advice.</p>	Director for Workforce and Director of Finance	31 August 2010
2	The Board faces a wide range of financial challenges and there is a risk that it may not be able to make its savings targets in 2010/11. The longer term financial plan remains at risk of not being affordable and is a significant challenge to the Board moving forward.	<p>NHS Tayside is closely monitoring both delivery and impact of the savings required to operate within available resources.</p> <p>The Steps to Better Healthcare Programme, which is being taken forward energetically, seeks to improve patient care at reduced cost.</p>	Chief Executive supported by Executive Team	31 August 2010
3	NHS Tayside faces a major challenge in achieving the national sickness absence target of 4%. Sickness absence was above target in 2009/10 and increased from 2008/09. There is a risk that the Board may not achieve the targeted reduction in 2010/11.	<p>Promoting attendance at work remains a key priority for the Board to drive sustained improvement. Work is ongoing around an audit of policy compliance, and the priority inclusion of sickness absence management in the objectives of every team leader at every level of the organisation has been instructed by the Chief Executive.</p> <p>NHS Tayside has taken a proactive approach the early rehabilitative return of long term absentees, including this within local policy in advance of the recent [April] change to the medical certification scheme. Local HR/Workforce and Occupational health teams working closely with line managers on securing temporary changes of duty, role etc to accelerate a supported early return to normal working for staff, where that is clinically appropriate.</p>	Director of Workforce	31 August 2010



Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
		<p>Joint work is also underway with OD colleagues around a team health and culture model ['Team Vitality'] looking to positively influence some of the work place factors that drive employee engagement and attendance.</p> <p>Along side this and having reviewed best practice elsewhere, the Board has agreed the six month pilot of the 'EASY' occupational health case management approach successfully adopted within NHS Lanarkshire. This includes accelerated 24:7 staff access to an independent advisory and counselling service to help address the high incidence of non-work related pressures that can impact within the workplace. Implementation planning is ongoing within Angus CHP as the agreed pilot area, with a September target date.</p>		
4	<p>The Board faces a challenge in meeting the suite of HEAT targets prescribed by the SGHD. A number of indicators fell below target in 2009/10 and further targets have been identified for 2010/11. There is a risk that the Board may not be successful in achieving these targets.</p>	<p>NHS Tayside will continue to monitor its performance against HEAT targets routinely through its existing scrutiny arrangements. This will allow any variance from projected performance to be identified and remedial action to be taken and where necessary initiate dedicated improvement programmes.</p>	<p>Director of Health Strategy</p>	<p>31 August 2010</p>