

Greater Glasgow NHS Board

Board Meeting

20 July 2004

Board Paper No 04/36

PricewaterhouseCoopers

**EXTERNAL AUDIT
ANNUAL REPORT TO BOARD MEMBERS 2003/2004**

Recommendation:

The NHS Board is asked to consider the Annual Report to Board Members for 2003/2004 by the NHS Board's external auditors, PricewaterhouseCoopers.

Background

The Annual Report to Board Members is issued as an element of the statutory audit of the NHS Board's Statement of Accounts for 2003/2004 and is primarily designed to direct Board Members' attention to matters of significance that have arisen out of the 2003/2004 audit process.

The report was considered in draft form by the NHS Greater Glasgow Audit Committee on 6 July 2004.

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Greater Glasgow NHS Board
Annual Report to Board Members 2003/04
DRAFT



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Our ref: CDR/MT/JM

28 July 2004

Ladies and Gentlemen

Annual Report to Board Members 2003/04

We have completed our audit of Glasgow Glasgow NHS Board (the “Board”) and its financial statements for the year ended 31 March 2004.

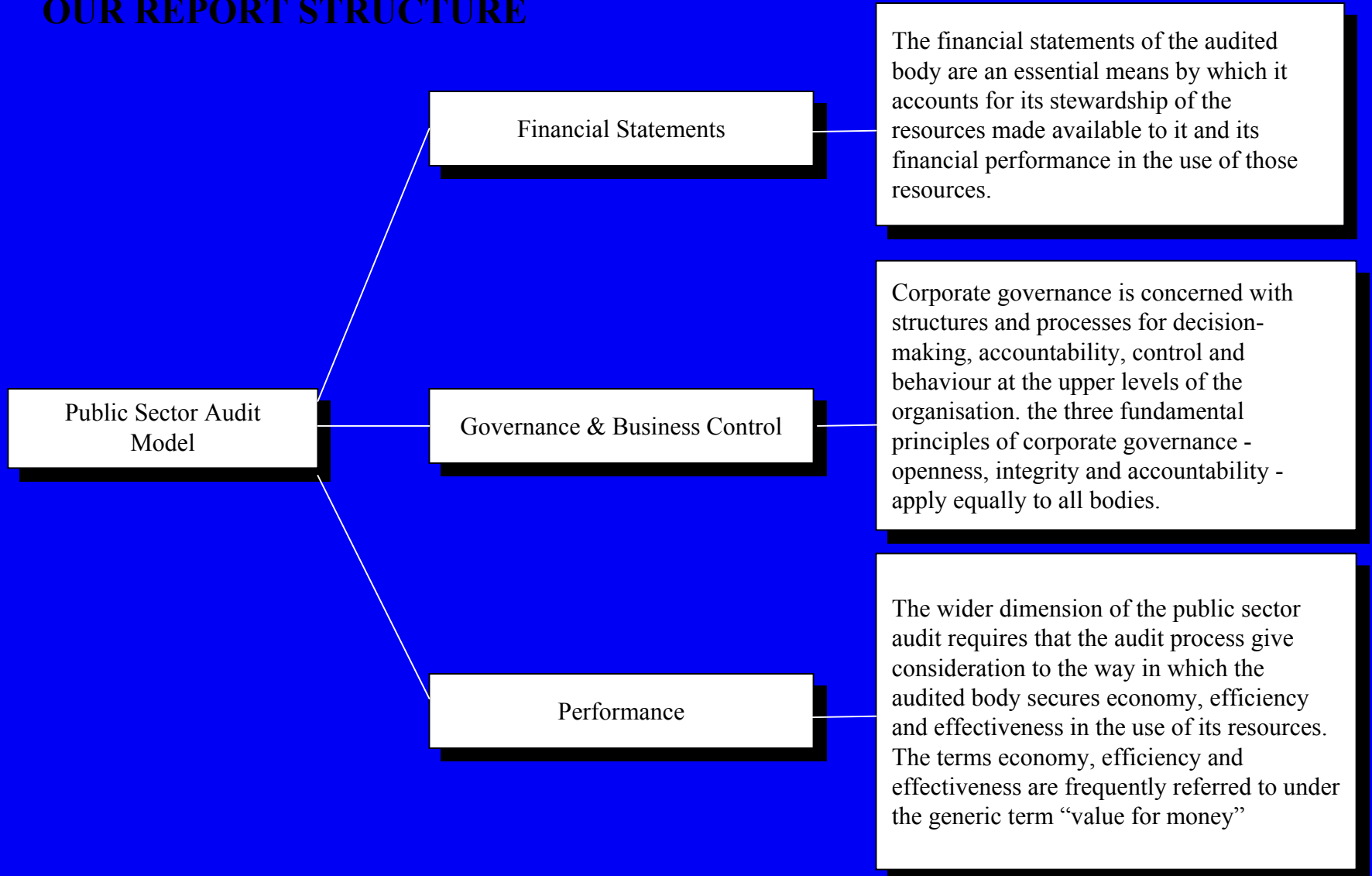
The Annual Report which follows is primarily designed to direct your attention to matters of significance that have arisen out of the 2003/04 audit process and to confirm what action is planned by management to address the more significant matters identified for improvement.

We would like to take this opportunity to offer our thanks to those members of management and staff who have assisted us during the course of the audit.

Yours faithfully

PricewaterhouseCoopers LLP

OUR REPORT STRUCTURE



OUR REPORT STRUCTURE (Continued)

Financial Statements	Page	Governance & Business Control	Page	Performance	Page
1. Stewardship of Resources and Audit Opinions	4	4. Prevention and Detection of Fraud and Irregularities	13	7. Use of Resources and Business Issues	18
- Audit Opinions		- Fraud and Corruption Reviews		- Performance Assessment Framework	
- Financial Targets		- Fraud and Legality Guidance		- Joint Futures	
- Revenue Resource Limit		- Fraud Submission		- New Deal for Junior Doctors	
2. Financial Performance and Position	6	5. Standards of Conduct, Integrity and Openness	14	- Waiting List Targets	
- Financial Performance in the year		- Single System Working		- Back-pay for part-time staff	
- 2004/05 Financial Position		- New Governance Arrangements in NHS Glasgow		- PPP/PFI	
3. Regularity of Financial Transactions and the Audit Process	11	6. System of Internal Control	16	- Acute Services Review	
- Audit Process		- Statement of Internal Control		- Working Time Directive	
- Preparation of Financial Statements		- Follow Up Report on previous control matters		- Pay Modernisation/Agenda for change	
- Accounts Approval		- Financial Systems and our 2003/04 Internal Controls Report		- General Medical Services	
- Treatment of Inter NHS Glasgow Balances		- Internal Audit's Report on the Board's Internal Controls		- Consultants contract	
- Revaluation of NHS Estate		- Central Payroll		- CHP's	
		- Termination Packages		8. In Year Value for Money Studies	28
				- Waste Management	
				- Staff Governance	

OUR REPORT STRUCTURE (Continued)

Appendices	Page
1. Action Plan	30
2. Responsibilities of External Audit and the Board and its Management	35
3. The Audit Model and our Approach	37
4. Audit Opinion	38
5. Other formal reports submitted during the 2003/04 process	41
6. Proposed Governance Structure for NHS Greater Glasgow	42

Audit Opinions

Our true and fair opinion on the financial statements is unqualified
Our regularity opinion on income and expenditure is unqualified
Our opinion is set out in full in **Appendix 4**

Our regularity opinion on the income and expenditure was qualified in 2002/03 as a result of the absence of post payment verification checks during the earlier part of 2002/03. However, it was recognised that significant progress had been made by the Primary Care Trust and the Common Services Agency (CSA) to implement a fuller programme of payment verification and that the expected controls were in place for the latter part of financial year 2002/03. Evidence has been provided to support management's contention that these controls were also in place for financial year 2003/04 and, on these grounds, the qualification has been removed.

The second part of the qualification in 2002/03 related to a lack of information surrounding income from patient charges and related payments to general medical, dental, ophthalmic and pharmaceutical contractors. The Counter Fraud Services (CFS) of the CSA have performed testing in relation to patient exemptions and have now quantified and allocated amounts to specific Trusts. This additional information has enabled us to remove our limitation of scope qualification.

The Counter Fraud Services (CFS) of the CSA perform testing in relation to patient exemptions with regard to pharmacy, dental and ophthalmic charges for the whole of Scotland. On the basis of the data obtained, the CFS extrapolate this information to give an estimated (and possible) total value for patient exemptions that may be non eligible. In the year to December 2002, this amounted to £12.3 million across Scotland, but this potential value could not be attributed to specific Trusts. However, in 2003/04, this amount has been quantified and allocated to specific Trusts and, in the case of Greater Glasgow Primary Care NHS Trust and the Board the amount could potentially be £5.96m for the year to December 2003. As a result of the work by the CFS and the potential control deficiencies which may exist, the Board has outlined in its Statement of Internal Control and Director's Report, details of this matter concerning patient exemptions and certain of the mechanisms in place to improve the weaknesses in future.

Financial Targets

The Board achieved its three financial targets of:

- The net resource outturn did not exceed the Revenue Resource Limit (“RRL”) - the Board spent £1,099 million against its RRL of £1,101 million.
- Staying within its Capital Resource Limit (“CRL”) – the Board spent £29 million against its CRL of £29 million.
- The Board did not exceed the Cash Requirement target - the Board spent £1,137.2 million against a limit of £1,137.5 million.

2. Financial Performance and Position

Financial Performance in the Year

	2003/04 Budget £000	2003/04 Budget £000	2003/04 Actual £000	2003/04 Actual £000
Total Recurring Income	1,165,000		1,197,650	
Total Expenditure (Note 1)	1,188,100		1,217,996	
Recurring Funding Gap		<u>(23,100)</u>		<u>(20,346)</u>
Main non Recurring Income				
- Land Sales	14,000		14,072	
- Other Non Recurring Sources	<u>9,100</u>		<u>8,068</u>	
		23,100		22,140
Savings Plans at the Health Board		0		0
Net 2003/04 Surplus / (Deficit)		<u>0</u>		<u>1,794</u>

Note 1: It needs to be recognised that this expenditure level was achieved after the achievement of cumulative savings of £14.1 million by Glasgow Trusts in 2003/04

Note 2 : At our request the figures were provided in this format by Divisional Management. Whilst they have been reviewed for reasonableness, they have not been the subject of separate or detailed audit testing.

Financial Performance in the Year

The Board has reported a surplus of £1.794 million for the financial year ending 31 March 2004 compared with a surplus of £12.135 million in 2002/03.

The budget for 2003/04, included a planned over commitment on new service developments of £20 million, which was funded from a range of non-recurrent sources in particular the sale of the former Canniesburn hospital's land.

During the year additional cost pressures were identified, which resulted in the Board forecasting a deficit position for 2003/04, the most significant pressures were:

- New Deal for Junior doctors;
- Consultants' contracts backpay to April 2003;
- capital charges; and
- drug inflation.

Notwithstanding this forecast by the end of the year the Board reported a breakeven position. This was achieved through a number of mechanisms, including three major factors (mainly non recurring) as follows:

- the use of retained pan-Glasgow reserves;
- additional allocation from the SEHD of £5.5 million towards consultants' back pay; and
- deferred income and slippage on developments.

2004/05 Financial Position

For the purposes of this report we have summarised the projected 2004/05 financial position for NHS Greater Glasgow in the table below.

	£000	£000
Recurring Income	1,080.1	
Recurring Expenditure	<u>(1,147.6)</u>	
Underlying recurring deficit		(67.5)
Non recurring Income	24.5	
Non recurring Expenditure	<u>(15.7)</u>	
		8.80
2004/05 funding deficit		(58.7)
Non recurring SEHD funding		<u>12.6</u>
		(46.1)
Corporate Savings Programme to date		41.9
Projected financial position for 2004/05		(4.2)

Details on the corporate recovery plan are reported on page 10

Due to the magnitude of the financial challenge it is likely that the Board will be in a deficit position for 2004/05. The Board is currently predicting that its year end deficit will be £4.2 million and that it will be in recurrent balance by the end of 2005/06.

The NHS GG Board needs to deliver at least £58.7 million of recurring savings (£41.6 million plus the £12.6 million of SEHD funding), this represents a considerable challenge to the system as in previous years a substantial proportion of savings have been achieved on a non-recurrent basis and it is likely additional cost pressures will arise over the next two years.

2004/05 Financial Position (continued)

The NHS GG Board has also identified a number of risks that may adversely impact on this financial position increasing the possible level of deficit, including higher than projected pay awards and operating divisions not achieving agreed levels of operational savings.

- It also needs to be recognised that the £58.7 million noted above is arrived at after the application of certain earmarked non-recurring income to fund certain recurring spend.
- The Board has reported previously that £18.8 million of the £58.7 million deficit relates to a brought forward deficit from 2003/04. The Board has agreed with its Divisions that as part of the 2004/05 financial plan it will fully fund the £18.8 million to bring each Division back to recurring balance as at the start of 2004/05. Notwithstanding this certain divisions have indicated to us that they still require to identify local savings over and above the £18.8 million to achieve an in balance opening position. At this time these Divisions have been unable to quantify the potential level of shortfall in opening balance funding.
- A PwC presentation on the financial position of NHS Greater Glasgow was available at the Board's Audit Committee in July 2004.

Key challenges faced by the Board in reducing the recurring deficit include:

- the level of unspecified divisional savings that will be necessary for the Divisions to deliver before they can begin to contribute to the corporate recovery plan.
- the delivery of at least £31.9 million of recurring corporate savings (see page 10) – as of June 2004 (3 months into the year) few **detailed** and clear action plans have been finalised for savings.
- the Board needs to strengthen its programme management structure to deliver savings of this magnitude.
- the continuing reliance on SEHD non recurring income to support NHS Greater Glasgow.
- the risk of “double counting” savings expected at operational level also included in the corporate recovery plan.
- the Board's ability to negotiate with other West of Scotland Boards to obtain the full cost of cross boundary activity – this will be a particular challenge recognising the deficit positions faced elsewhere within the NHS.

2004/05 Financial Position

The corporate recovery plan summarised below has identified a number of key projects/ themes aimed to move NHS GG Board move towards financial balance:

	£m
Benchmark acute services	3.2
Review of Care of the elderly	2.5
Shared services	3.9
Improved Prescribing	7.2
Benchmark manpower levels	2.2
Estates review	0.5
Review of children's services	0.5
Clinical/non clinical redesign	1.0
Review of non acute capacity	1.0
Original Corporate Recovery Plan	21.9
Expenditure reductions (actions still to be identified)	10.0
	31.9
Cross Boundary activity income	10.0
Corporate Recovery plan	41.9

Action Point 1

Audit Process

The annual financial statements preparation and subsequent audit process was complicated by the estates revaluation process. The Board did not receive its agreed revaluation figures until 17 June 2004 and this along with other matters impacted on the Board's ability to produce a complete draft set of financial statements and working papers within the agreed timescales.

It should be noted that the requirement for producing consolidated financial statement for 2004/05 will place additional pressure on Board staff. It is therefore essential that for 2004/05 a clear timetable for producing the financial statements is agreed at an early stage and consideration is given to "dry running" this process for say, the first six months

Action Point 2

Preparation of Financial Statements

The Accounts were prepared in accordance with the accounting requirements contained in the NHS Board Manual for Accounts & supplementary guidance, as issued by the Scottish Executive Health Department (SEHD) and approved by the Scottish Ministers.

Accounts Approval

Each Division of the newly constituted NHS GG held an Audit Committee meeting in June 2004 to endorse the former NHS Trusts' Accounts. The Annual Accounts are to be submitted to the NHS GG Audit Committee, and then considered and recommended to the NHS Board where they are to be approved and adopted at its meeting on 20 July 2004. These arrangements and timescales have been jointly agreed with the Board.

Treatment of Inter-NHS Glasgow Balances

There are a number of debtor and creditor balances within the Board's financial statements that are offset by equivalent balances with either Greater Glasgow Primary Care Trust or the Scottish Executive. As part of the consolidation exercise for 2004/05, the Board should ensure that these balances are removed from the system.

Action Point 3

Cable and Wireless Debtor

The Board has included a net debtor of £1 million within the 2003/04 financial statements in relation to money owed from Cable and Wireless for the provision of telecommunications for NHS Greater Glasgow. The Board claims that it has overpaid Cable and Wireless for the services provided as the bills issued do not agree to the contract. The Board has undertaken a detailed analysis of the 2003/04 invoices and has identified a number of discrepancies which it is currently discussing with Cable and Wireless. Whilst we recognise the detailed analysis work that has been undertaken by the Board, at this time there remains a degree of uncertainty about whether Cable and Wireless will accept the liability. We will continue to monitor the Board's progress in pursuing this recovery during 2004/05.

Revaluation of NHS Estate

An exercise was undertaken to revalue the NHS Estate as at the 31 March 2004. The overall effect on the Health Board was to revalue land and buildings at £1.362 million (an increase of £0.93 million). The revaluations of the land and buildings were taken to the revaluation reserve and did not therefore have an impact on the operating cost statement for 2003/04. However, it should be noted that the increased valuation will result in higher capital charges during 2004/05.

We note that the Director of Finance has commented on the financial consequences of the revaluation exercise in a letter to the SEHD in June 2004. The Board should consider what other actions are necessary to ensure that either capital charges are fully funded or that on a Scottish wide basis the accounting for capital charges can be revised to avoid this impact on the ability of NHS bodies to meet their financial targets.

Fraud and Corruption Reviews

As part of our rotational plan to review the key systems and methods for the prevention and detection of fraud and corruption we have conducted a review of the Board's overall arrangements and policies. No major issues of concern were identified

Fraud and Irregularities Guidance

We have reviewed the fraud and irregularities guidance issued by Audit Scotland during 2003/04 (Technical bulletins 2003/1, 2003/2, 2004/1 and 2004/2) and undertaken work accordingly. There were no matter arising from this work.

Fraud Submission

A nil return has been made to Audit Scotland of reported frauds that have occurred within the Board during the year ie no frauds reported by the Board during 2003/04.

Single System Working

The Scottish Executive White Paper entitled “A Partnership for Care” outlined a fundamental redesign of the Scottish National Health Service, including the abolition of Trusts. NHS GG Board disbanded its Trusts by the required deadline of 1 April 2004, replacing Trusts with a number of operating divisions. Going forward NHS Greater Glasgow is tasked with redesigning this structure, implementing suitable governance arrangements and merging operational arrangements/ways of working including a review of the finance function, human resources and payroll.

Due to the size of NHS GG, the Board recognised that the move to single system working would present a significant challenge in terms of resources and time. As a result single system structures and new ways of working are to evolve, avoiding the inherent risks present in a “big bang” approach

Operational Structure

The former Trusts have become operating divisions of NHS GG. This has ensured that there was a smooth transition as at 1 April 2004 and enabled the Board to focus on the strategic direction of the organisation while leaving the divisions to manage operational matters.

Governance Arrangements

The Board has carried out a review to establish what arrangements will be necessary to ensure that there is an appropriate governance structure in place. The NHS Board approved transitional arrangements for the period 1 April to 30 September 2004. It is planned that the new arrangements will be in place for 1 October 2004 and this is reported in greater detail in our separate report to NHS GG Board titled “Governance Structure” dated June 2004 and summarised on page 15 which follows.

Merging Operational Arrangements

Each divisional Chief Executive has been given the lead responsibility for a number of pan-Glasgow projects. The projects cover a range of initiatives to enable NHS GG to work effectively as a single system. These include; consultant’s contracts, estates rationalisation and the Acute Services Review.

New Governance Arrangements in NHS Glasgow

The requirements of the White Paper include the need to harmonise Governance arrangements. At a Health Board Seminar on 24 June 2003, the future governance challenges were discussed involving members of Board and Trust committees, together with internal and external audit.

The Board Seminar concluded that the existing governance committees of the Greater Glasgow NHS Board; clinical governance, staff governance and audit, would be unable to effectively manage the workload for the whole of NHS Greater Glasgow.

It was recognised that there would be a requirement to have a focus on operational matters at a divisional level to enable the Health Board Committees to focus on strategic considerations. At a second workshop in September 2003, a new governance structure was proposed (see appendix 6) where Governance Forums at the divisions would bring together the operational aspects of clinical governance, financial governance and staff governance. The governance forums would then report up to the respective Health Board Committees on key issues.

We continue to work with the Board in terms of, for example, the remits of the committees/ forums to ensure that there will be appropriate clarity on the roles and responsibilities and reporting arrangements. At a Health Board Seminar in May 2004, it was agreed that the new structure would be in place for 1 October 2004 with interim arrangements put in place until then.

Statement of Internal Control

Our opinion is unqualified on the Board's disclosures contained in the Statement of Internal Controls. The Board has used the correct format (format 1) and has outlined the processes designed to identify and evaluate principal risks. In addition, key elements of the Board's control framework have been highlighted including internal and external audit, risk management, and clinical governance.

The Statement of Internal Control also outlines details of control weaknesses in place over payments to Family Health Service (FHS) contractors and patient exemptions. As a result, this section should be read in conjunction with page 4 of this report.

Follow Up Report on previous control matters

Our follow up report on our 2002/03 control recommendations was issued to the Board in January 2004. Of the 8 agreed recommendations made in our 2002/03 Interim Management Letter and Annual Report to Board Members, 5 had been fully implemented, 1 partially implemented and 5 were ongoing at the time of our review.

Action Point 4

Financial Systems and our 2003/04 Internal Controls Report

An Internal Controls Report was issued to the Board in March 2004. The Board has completed an action plan detailing those individuals responsible for implementing our recommendations and the timetable for completion. We will issue a report on the progress made as part of our 2004/05 audit.

Action Point 5

Internal Audit's Report on the Board's Internal Controls

The extract of the Internal Auditor's opinion for 2003/04 is reproduced below:

"On the basis of the work undertaken in the year ended 31 March 2004 we consider that the Board generally has an adequate framework of control over the systems we examined (subject to implementation of the recommendations). In providing such an opinion we would draw to your attention our summary findings as presented in the individual reports issued throughout the year".

Termination Packages

The Board had no reported settlements for senior officers during the year.

Performance Assessment Framework

First introduced in 2002-03 this continues to be refined and now comprises 71 quantifiable indicators and 23 qualitative self-assessments. It is structured into seven fields, which broadly accord with the priorities in Our National Health. These are:

- Health improvement and inequalities
- Fair access to health care services
- Clinical governance, quality and effectiveness of health care
- Patient experience including service quality
- Involving public and communities
- Staff governance
- Organisational and financial performance and efficiency

The PAF is completed on an annual basis and allows the Scottish Executive an overview on the Board's performance. The PAF represents one of the main inputs to the annual Accountability Review across all Board functions led by the Chief Executive for NHS Scotland.

One of the Board's principal strategic functions is for performance management to ensure continuous improvement and that its priorities are being delivered. An important aspect of the relationship with the public and the Board itself is to be able to demonstrate that health services are performing to the highest standard and that health needs of the population are being addressed.

Trusts and their successor Operating Divisions have their own performance management routines. Performance reporting to the NHS Board is relatively limited, generally covering finance, waiting times and complaints.

The Board already recognise the need to review the present performance management arrangements to reflect the move to a unified system of working and the new constructs of the Corporate Management Team, the Performance Review Group, the development of Community Health Partnerships and increasingly integrated service delivery arrangements with Local Authorities.

Action Point 6

Joint Futures

The Joint Futures Agenda aims to deliver better services to all community care groups through better joint working, primarily between local authorities and NHS Scotland.

The joint futures agenda sets a new direction for joint working. It is a challenging agenda requiring major organisational, operational and financial changes, as well as cultural changes.

This is the second year of the Local Partnership Agreements which were set up to help deliver the Joint Futures Agenda. Services for the elderly was the first area to be targeted, but joint working is also being developed in the areas of children's health services and disabled persons' services.

At present aligned budgets (each entity retain control of their finances) tend to be used more than pooled budgets (budgets are controlled by a single entity). However, the Board do have a pooled budget in operation with Glasgow City Council for Learning Disabilities.

Action Point 7

New Deal for Junior Doctors

As of August 2003, no junior doctor should have to work more than 56 hours a week, or 72 hours including on-call time. If junior doctors work beyond the permitted threshold, Trusts/Operating Divisions have to pay salary enhancements for the additional time worked. The financial consequences of the New Deal for Junior Doctors arise from the need to pay salary enhancements for non compliant rotas and the requirement to recruit additional junior doctors so that compliant shift rosters can be established.

Funding in relation to the New Deal for Junior Doctors provided during 2003/04 to individual Trusts was as follows:

	£m
Initial assessment costs for the New Deal for Junior Doctors – North	1.315
Initial assessment costs for the New Deal for Junior Doctors– South	1.273
Additional funding to meet shortfall in Trusts initial assessments	<u>3.100</u>
Total expenditure 2003/04	<u>5.688</u>

This will continue to be an area of significant challenge for the system.

Waiting list targets

All the Board's Acute Trusts achieved the target of a maximum 9 month waiting list by 31 December 2003. This has now been updated to achieving and sustaining a maximum waiting list target of 6 months for in-patient and day surgery by December 2005. Waiting time targets and progress in achieving these are regularly reported to the performance review group.

To achieve national targets by December 2005, additional recurrent investment of £2 million is required, together with the uncommitted £4 million available in existing baseline allocations. A further £4 million is required in 2005/06 to achieve these targets for cases undertaken in Glasgow.

In addition there is a significant requirement for non-recurring funding (approximately £10 million in each of 2004/05 and 2005/06) to deal with the "backlog" of patients.

Action Point 8

Back-pay for part-time staff

In recognition of the need to ensure part-time workers are treated in line with the Part Time Workers Regulations 2000, NHS Scotland and the Trade Unions and Professional Organisations have now reached an agreement on the introduction of a pro rata entitlement to public holidays for part-time workers. This agreement means that all part-time workers regardless of pattern of work, with effect from 1 July 2000 will have a pro-rata entitlement to public holidays compared to full-time.

For the period 1 July 2000 to 31 March 2004, any part-time member of staff who has been disadvantaged as a consequence of the current NHS Scotland policy on pro rating of public holidays, will be compensated as part of this agreement.

The Board has calculated that the cost of back pay for part time workers will be approximately £1 million for NHS Greater Glasgow.

PPP/PFI

A number of other PPP/PFI Schemes are in operation within NHS Greater Glasgow and with dissolution of the Trusts these contracts are now held by Greater Glasgow NHS Board. The principal PPP/PFI schemes include:

- local Forensic Psychiatric Unit at Stobhill;
- 117 bed psychiatric hospital at Gartnavel Royal Hospital;
- 2 multi-bed medicine for the elderly units at Mearnskirck House and Town Hospital;
- multi-storey car park at Glasgow Royal Infirmary.

The Stobhill and Victoria ASR/Ambulatory Care and Diagnostic centres (ACAD) with an expected capital cost £120 million is currently at the pre-contract stage with negotiations are ongoing with the preferred bidder.

Management need to continue to keep us informed of such developments including the need to seek our views on accounting treatment before contract closure.

Action Point 9

Acute Services Review

In recent years Greater Glasgow Health Board (“GGHB”) in conjunction with the Glasgow NHS Trusts had developed proposals for the redesign of hospital services within the Glasgow area. A GGHB Acute Services Review (“ASR”) was developed from this work and was published in Spring 2000.

As part of our role as External Auditors to Greater Glasgow Health Board we have been monitoring the implementation of the Acute Services Review. Set out below is a brief summary of the reports that we have issued to NHS Greater Glasgow to date:

- August 2001 An initial assessment by PwC of the work undertaken on the ASR was presented to the Board
- May 2002 A report on the Governance Arrangements for the ASR from August 2001 on January 2002, which identify the nature and extent of the work completed to date on each ASR OBC an which ascertained in broad terms the planning and financial assumptions utilised by the Board.
- August 2003 A report on arrangements that were in place up to the submission of the pre qualification questionnaire stage of the tendering process for the provision of two Ambulatory Care and Diagnostic Centres (ACAD) at Stobhill and Victoria Hospital sites.
- December 2003 A presentation on the Programme Management Framework that the Board should have in place to manage the various streams of the ASR.
- January 2004 A project review to assess whether appropriate processes were being applied to the ACAD project prior to the issues of Invitation to Negotiate stage of the tender process.

Due to the complexity of this subject we have not attempted to summarise the contents of these reports. If more detail is required copies of these reports can be provided.

Although these reports contained a number of significant findings and recommendations, we are pleased to report that management has acknowledged the points made and has reacted to each report by putting in place action plans to address our concerns

It is our intention to continue to monitor the implementation of the Acute Services review on a regular basis with our next review planned for October 2004.

Pay Modernisation

There are three separate strands which form the NHS Pay Modernisation agenda, these are:

- Agenda for change, a new pay system which will apply to all directly employed NHS Staff, with the exception of Doctors and the most senior managers;
- The General Medical Services Contract (GMS); and
- The Consultants' Contracts.

Progress in relation to each of the above are outlined below.

Agenda for Change

Agenda for Change covers the modernisation of pay rates across the NHS and relates to all staff with the exception of Executive Management, consultants and GP's. It was initially due for implementation in October 2004, although this has now been delayed nationally until December 2004.

NHS Greater Glasgow allocated a revenue budget for the implementation of Agenda for Change although during 2003/04 the Board provided no additional funding to the Trusts for this purpose as it was awaiting the results of four pilot schemes run within other Scottish NHS bodies.

A pan Glasgow project steering group has been established by the Board which is co-chaired in partnership with the Chief

Executive of Yorkhill Division. In addition five specific groups have been established to consider the following specific aspects of implementing Agenda for Change:

1. Terms and Conditions
2. Job Evaluation and Matching
3. Knowledge and skills framework
4. Management, Communications and Finance
5. Partnership working

Action Point 10

General Medical Services Contract (“GMS”)

The new contract allows practices to control their workload by providing them with the ability to choose the services they will provide. This will be achieved through a categorisation of services: essential, additional and enhanced supported by a Quality and Outcomes Framework which potentially represents around 20% of GMS expenditure. Essential services will be provided by every practice; additional services will be covered by most practices.

Implementation across the Glasgow Health system is informed by the national implementation framework and working groups have been established, feeding into a Primary Care co-ordinating group and GMS implementation steering group. Specific areas considered:

- Core contract
- Contract (redesign)
- Out of Hours services
- OD/HR issues

The introduction of the new GMS contract presents Greater Glasgow NHS and partners with a major challenge in health delivery which will need to be addressed in the coming financial year.

Action Point 11

Consultants Contracts

The Consultants Contracts still to be introduced (backdated to April 2004) will require the each Operating Division to recognise and pay for hours and activities above 10 core sessions, rendering the intensity and frequency of on-call activity of greater significance.

The Board made non-recurring payments to each of the Trusts at the end of 2003/04 in respect of costs incurred in connection with the new consultants contract, as follows:

	£m
North Glasgow Universities Hospitals NHS Trust	5.744
South Glasgow Universities Hospitals NHS Trust	3.144
Greater Glasgow Primary Care NHS Trust	1.250
Yorkhill Hospitals NHS Trust	<u>1.534</u>
	<u>11.672</u>

Estimated costs for 2004/05 have been modelled at £17.2 million and assumes that all Senior Medical Staff agree work plans which on average provide an additional 1.4 sessions plus 0.8 out-of-hours sessions. The Board intends funding the estimated cost of £17.2 million will be funded as follows:

	£m
Utilisation of 2003/04 pay uplift	3.0
Utilisation of 2003/04 pay uplift	3.1
Contributions from other West of Scotland Boards	<u>3.2</u>
	9.3
Internal funds to be found by the Board	<u>7.9</u>
	<u>17.2</u>

The Board should continue to monitor the cost of implementing the Consultants' Contracts to ensure that costs do not exceed the funding identified.

Action Point 12

Community Health Partnerships (CHPs)

Greater Glasgow presently has 16 LHCCs covering populations ranging from 23,000 to 115,000. It is proposed that these will be converted into five CHPs in the Glasgow City Council area and one in each of East Dunbartonshire, West Dunbartonshire and East Renfrewshire Council area's. Work is ongoing with North and South Lanarkshire Councils to develop proposals for CHPs that will cover Stepps/Moodiesburn and Rutherglen/Cambuslang areas. At present there are no forecasts of the additional costs associated with the introduction of Community Health Partnerships.

A steering group has been set up Glasgow wide with Board and Acute representatives, this steering group is tasked with considering the governance arrangements surrounding CHPs and their structure, hopefully to be agreed by Autumn 2004. Early discussions have determined that there are potentially four key corporate functions of CHP's:

- resource allocation;
- performance management;
- production of a local health service and Health Improvement Plan; and
- specialist planning if deemed applicable.

At this early stage of planning, the Board foresees its role as setting budgets and taking strategic overview of the CHPs activities, priorities and objectives. Thereafter, to hold to account the CHP management teams for the delivery of CHP annual plans. The Board does not plan to be involved in operational decisions.

Action Point 13

Waste Management

Between November 2003 and March 2004 we carried out a follow up study of the Auditor General's January 2001 report "Waste Management in Scottish Hospitals". The aims of the study were:

- to review progress against the recommendations in the original report, which were subsequently incorporated in a Scottish Executive Health Department Property and Environment Forum (P&EF) action plan;
- to ensure that waste is properly segregated, recycled wherever possible, and disposed of economically;
- to ensure that waste is handled safely and effectively in accordance with the regulations; and to identify and share good practice.

Both domestic and clinical waste management were reviewed, although the emphasis was on clinical waste. The Auditor General's 2001 report was a baseline report which did not name individual bodies, and was designed to assist the NHS with its continuous improvement agenda. The follow up national report, due to be published by 10 September 2004, will name individual organisations and is intended to hold NHS bodies to account. It is likely that the Audit Committee of the Scottish Parliament will hold an evidence-based session based on the findings of the follow-up report.

In addition to the national report, we produced a single local report for Greater Glasgow, to which the Board and Operating Divisions are currently responding.

Action Point 14

Staff Governance

Background

Staff Governance combines with financial and clinical governance to form the overall framework within which NHS Boards and Special Health Boards are required to operate. Each Board has three standing committees covering these three critical areas. The Performance and Accountability Framework (PAF) for NHSScotland ensures that equal weight is afforded to each of these and as a result, Boards are expected to demonstrate that they are exemplar employers.

The aim of the Staff Governance Standard is to improve the way staff are treated in NHSScotland, to be clear on what staff should expect wherever they are in Scotland and to improve accountability for making this happen. This will be achieved by focussing on how staff are managed and how they feel they are managed. Staff across the whole of the country will be asked every two years in a systematic and professional way about how their employer runs their organisation and quality of their working lives and environment. In addition, every Board is required to use the Self Assessment Audit Tool (SAAT) and information gained from the NHS staff survey to review and update their Staff Governance action plans on an annual basis. Audit Scotland in conjunction with the Human Resources Forum (HRF) is responsible for developing appropriate audit arrangements which will, at a minimum, consist of an annual visit to all Boards to review the evidence contained in the Self Assessment Audit.

Glasgow Wide

The Self Assessment Audit and staff survey and therefore production of a Staff Governance action plan was carried out on an individual organisation basis this year and was not developed Glasgow wide. Although the Area Partnership Forum was aware of the requirement to submit a Glasgow wide action plan, this did not prove possible within the timescales set by Audit Scotland. Due to logistical and timing difficulties, attempts at providing a pan Glasgow Action Plan were unsuccessful. We would recommend that the Board put in place a system that would enable Staff Governance to be managed on a Glasgow wide basis as soon as possible to ensure that these difficulties are not encountered during the 2004/05 process. For all the Trusts and the Board there were problems encountered regarding compiling all the statistics requested by the SEHD.

Board Staff

The Self Assessment Staff Governance process was led by the Human Resources Manager. In the area of communication, the Director of Corporate Communications and the Public Affairs manager both made significant contributions. In the area of Health and Safety, the Head of Control and Support Services supplied the necessary information and progress against the actions. The Local Partnership forum was involved in the development of the action plan for the forthcoming 2004/05 year. The actions from the prior year are moving forward. From the 9 actions that were identified, 6 were fully implemented and 3 partly implemented.

Action Point 15

Appendix 1 – Action Plan

Report Reference	Issue	Risk	Agreed Action	Responsible for Implementation	Due Date
Action Point 1	NHS Greater Glasgow need to continue monitoring their financial position, and ensure that Operating Divisions achieve their expected savings.	The Board does not meet its financial recovery targets.	The financial position of NHS Greater Glasgow will be regularly monitored by the Performance Review Group and the NHS Board.	Director of Finance	On Going
Action Point 2	NHS Greater Glasgow needs to develop a timetable for the production of 2005/06 financial statements and appropriate resources identified to ensure that deadlines are achieved.	The Board does not meet the statutory deadline for producing audited statements.	A timetable for the production of the 2005/2006 financial statements will be established including the identification of the resources required to deliver the statements on time.	Director of Finance	September 2004.
Action Point 3	For 2004/05 NHS Greater Glasgow should ensure that balances between themselves and other operating divisions are consolidated with all issues outstanding resolved.	Balances are disclosed in the accounts which may not be actual balances in terms of recoverability.	For 2004/2005, balances between the NHS Board and the Divisions will be consolidated and any outstanding issues resolved.	Director of Finance	January 2005

Appendix 1 – Action Plan

Report Reference	Issue	Risk	Agreed Action	Responsible for Implementation	Due Date
Action Point 4	Of the 8 recommendations raised by us in 2004/05 3 were only partially implemented.	Key elements of the Board's control framework may not be adequate.	All recommendations have been implemented in full including those of a continuous nature.	Director of Finance	Actioned
Action Point 5	Management has agreed an action plan in response to our Internal Controls Report issued in March 2004.	Key elements of the Board's control framework many not be adequate.	The Action Plan contained in the Internal Controls Report has been implemented.	Director of Finance	Actioned
Action Point 6	The performance review group should take an active role in monitoring and reporting progress against PAF targets.	PAF targets may not be adequately monitored at Board Level.	Reports are now submitted to the Performance Review Group to enable performance against PAF targets to be monitored.	Director of Planning and Community Care	Actioned from July 2004 meeting of PRG
Action Point 7	The Board should continue to progress the Joint Future agenda by working closely with Local Authorities. This will be of particular important in relation to development of CHP's.	NHS Greater Glasgow may not be working effectively with Local Authorities in order to enhance current services provided.	The NHS Board through the Local Health Plan Steering Group continues to work with its local authority partners to progress the Joint Futures Agenda.	Chief Executive/Director of Planning and Community Care	On Going

Appendix 1 – Action Plan

Report Reference	Issue	Risk	Agreed Action	Responsible for Implementation	Due Date
Action Point 8	Waiting list targets should continue to be monitored in order to meet target of December 2005.	Waiting times may escalate beyond required targets.	Reports on waiting time targets will continue to be received by the Performance Review Group and the NHS Board.	Chief Executive/Director of Planning and Community Care	On Going
Action Point 9	External Auditors are required to approve the accounting methodology of PFI/PPP schemes.	The schemes may not be accounted for correctly.	The External Auditors will be kept informed of all PPP/PFI developments and in particular will be consulted on the accounting methodology.	Director of Finance	On Going
Action Point 10	The Board still needs to establish a full cost for implementing Agenda for Change and the resource that will be required to implement and manage the process	The Board may not have sufficient resources (financial and staff) to implement and manage Agenda for Change.	The cost of implementing Agenda for Change will be determined and resources identified to implement and manage the process.	Director of Finance	December 2004

Appendix 1 – Action Plan

Report Reference	Issue	Risk	Agreed Action	Responsible for Implementation	Due Date
Action Point 11	The Board should continue to monitor the costs involved in implementing the new GMS contract across the Divisions.	GMS Costs may exceed those initially budgeted for.	The costs of the implementing the new GMS contract will continue to be monitored.	Director of Finance	On Going
Action Point 12	The Board should continue to monitor the costs involved in the new consultants contract and update their budget/financial recovery plan appropriately.	Costs of the new consultants contract may exceed additional funding received from the SEHD.	The NHS Board will continue to monitor the costs of implementing the Consultants' Contracts. Recovery plans and budgets will be adjusted to reflect these costs.	Director of Finance	On Going
Action Point 13	Arrangements for CHP's should be agreed and finalised as soon as possible.	Appropriate governance arrangements many not be established.	The finalised governance arrangements which will apply to CHPs will be consulted upon and agreed by the NHS Board.	Director of Planning and Community Care	March 2005

Appendix 1 – Action Plan

Report Reference	Issue	Risk	Agreed Action	Responsible for Implementation	Due Date
Action Point 14	<p>A pan-Glasgow report containing actions required to address the P&EF Action Plan on Waste Management is due to be finalised by 30 June 2004.</p> <p>The Board should monitor the progress of the completion of the P&EF Action Plan.</p>	Agreed actions to improve Waste Management may not be implemented.	The NHS Board will monitor completion of the P & EF Action Plan on waste management.	Chief Executive	March 2005
Action Point 15	An action plan for Staff Governance has been agreed with management in connection with this Report. The Board should monitor progress against this action plan.	Agreed actions to improve Staff Governance may not be implemented.	Progress in implementing the Staff Governance Action Plan for 2004/2005 will be monitored by the NHS Board through the Staff Governance Committee	Chief Executive	March 2005

We strongly recommend that the Board Management Team monitors and ensures delivery of this action plan, together with those action plans contained in our previously submitted reports set out in Appendix 5.

Appendix 2 – Responsibilities of External Audit and the Board and its Management

The matters dealt with in this report came to our notice during the conduct of our normal audit procedures which we carried out in accordance with the framework and principles contained within the Audit Scotland's Code of Audit Practice.

As a result, we may not have identified all the issues and matters that may exist. It is the responsibility of the Board and its management to maintain adequate and effective financial systems and to arrange for a system of internal controls. To discharge our audit responsibility we evaluate significant financial systems and associated internal controls and where appropriate, report to management any weaknesses identified. In practice, we do not examine every financial activity and accounting procedure and we cannot substitute for management's responsibility to maintain adequate systems of internal control.

This report is intended to assist the Board regarding its arrangements to implement appropriate controls surrounding the production of certain management information and processing systems. The report does not purport to provide information or advice to any person not associated with the Board and we accept no responsibility to such persons. Specifically, the report should not be interpreted as providing legal advice to the Board or any other party.

The prime responsibility for the prevention and detection of fraud and irregularities rests with the Board. It also has a duty to take reasonable steps to limit the opportunity for corrupt practices. As part of our approach we consider these arrangements, but our work does not remove the possibility that fraud, corruption or irregularity has occurred and remained undetected.

It is the responsibility of the Board and its officers to prepare the Accounts in compliance with statutory and other relevant requirements. We are responsible for providing an opinion on the Accounts.

Appendix 2 –Responsibilities of External Audit and the Board and its Management (Continued)

It is the responsibility of the Board to put in place proper arrangements to ensure the proper conduct of its financial affairs, and to monitor their adequacy and effectiveness in practice. We have a responsibility to review and, where appropriate, report on the financial aspects of the audited body's corporate governance arrangements, as they relate to:

- The legality of transactions that might have significant financial consequences;
- The financial standing of the audited body;
- Systems of internal financial control; and
- Standards of financial conduct, and the prevention and detection of fraud and corruption.

It is the responsibility of the Board to put in place proper arrangements to manage its performance, to secure economy, efficiency and effectiveness in its use of resources. We have a responsibility to review and, where appropriate, report on the arrangements that the Board has put in place to secure economy, efficiency and effectiveness in its use of resources. We also have a responsibility to undertake reviews arising from national studies commissioned by Audit Scotland where these have been designated as mandatory studies.

For more details on any of the issues raised in this document reference should be made to those detailed reports issued by us to the Board during the year and as listed at **Appendix 5**.

Appendix 3 – The Audit Model and Our Approach

Against a background of change throughout the NHS, our audit approach has evolved to place more emphasis on the way in which you manage the range of key risks and challenges affecting your business – whilst still focusing on the impact of these risks on our Code objectives.

Our approach recognises that, in running the business, your management team does many things to get comfort that the information systems are robust, generating reliable data and information for use in managing the business, meeting statutory duties and for reporting to stakeholders. We concentrate our attention on assessing how effectively management have gained this comfort.

This involves stepping back from transaction processing, to focus instead on the activities that drive your business. Our approach mirrors the way in which you manage the business, which means we align our work to your management structure and your business activities, rather than financial statement balances.

This approach enables us to make recommendation which should provide assurance over governance arrangements and “add value” to your business processes wherever possible.

Appendix 4 – Audit Opinion

Auditor's report to the members of Greater Glasgow Health Board, the Scottish Parliament and the Auditor General for Scotland.

We have audited the financial statements on forms A1.0 to A4.0 and notes 1.0 to 25.0 under the National Health Service (Scotland) Act 1978. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and stocks, and the accounting policies set out in note 1.0.

This report is made solely to the bodies to whom it is addressed, and not to individual members, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Respective responsibilities of the Board Members, Accountable Officer and Auditors

As described in the Statement of Health Board Members' Responsibilities, the Board and the Accountable Officer of the Board are responsible for the preparation of the financial statements in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder. The Accountable Officer is responsible for ensuring the regularity of expenditure and income. The Board and Accountable Officer are also responsible for the preparation of the Directors' report. Our responsibilities, as independent auditors, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

Appendix 4 – Audit Opinion (Continued)

We report our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder and whether, in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We also report if, in our opinion, the Board has not kept proper accounting records, or if we have not received all the information and explanations we required for our audit.

We also review whether the Statement on Internal Control complies with the guidance issued by the Scottish Executive Health Department titled, “Corporate governance: Statement on Internal Control”. We report if, in our opinion, the statement does not comply with the guidance or if it is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the NHS Trust’s corporate governance procedures or its risk and control procedures.

Additionally, we read the Directors’ report published with the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and the Accountable Officer in the preparation of the financial statements and of whether the accounting policies are appropriate to the Board’s circumstances, consistently applied and adequately disclosed.

Appendix 4 – Audit Opinion (Continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Board as at 31 March 2004 and of its income and expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder; and
- In all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

PricewaterhouseCoopers LLP
Glasgow
20 July 2004

Appendix 5 - Other formal reports submitted during the 2003/04 process (in addition to this Annual Report)

		Financial Statements	Governance & Business Control	Performance
• Report on PQQ stage of tendering for ACAD's	August 2003	-	✓	✓
• Audit Service Plan	October 2003	-	-	-
• Programme Management Arrangements report	December 2003	-	✓	✓
• Report on ITN stage of tendering for ACAD's	January 2004	-	✓	✓
• Follow up report on 2002/03 Recommendations	January 2004	✓	✓	✓
• Internal Controls Report	March 2004	✓	✓	
• Staff Governance	March 2004	-	-	✓
• Waste Management	May 2004	-	-	✓
• Governance Structure Report (to NHS GG)	May 2004	-	✓	-
• Key Business Risks Report (to NHS GG)	June 2004	-	✓	✓
• Financial Analysis Report (to NHS GG)	June 2004	-	✓	✓

Appendix 6 - Proposed Governance Structure for NHS Greater Glasgow (from 1 October 2004)

