

AUDIT COMMITTEE

AGENDA

13th Meeting, 2001 (Session 1)

Tuesday 18th September 2001

The Committee will meet at 2.00 pm in The Hub, Castlehill, Edinburgh to consider the following agenda items:

1. **Declaration of Interest:** The new Committee member will be invited to make a declaration of any interest.
2. **Deputy Convener:** The Committee will choose a Deputy Convener.
3. **Committee Business:** The Committee will consider whether to take agenda items 7 and 8 in private.
4. **National Health Service Bodies in Tayside:** The Committee will consider responses from the Scottish Executive and NHS Tayside on the report entitled 'National Health Service Bodies in Tayside' (SP Paper 360).
5. **Public Audit in Scotland: A Strategic Statement by the Auditor General:** The Committee will receive a briefing from the Auditor General for Scotland on his strategic statement entitled 'Public Audit in Scotland'.
6. **Auditor General for Scotland's Long Term Work Programme:** The Committee will receive an update from the Auditor General for Scotland.
7. **Governance and Financial Management at Moray College:** The Committee will receive a briefing from the Auditor General for Scotland on his report entitled 'Governance and Financial Management at Moray College' (AGS/2001/4) and consider arrangements for the inquiry.
8. **Annual Report of the Audit Committee:** The Committee will consider a draft Annual Report for the Parliamentary Year 12 May 2000 to 11 May 2001.

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The papers for this meeting are as follows

Agenda Item 4

Response from the Scottish Executive on the report entitled "National Health Service Bodies in Tayside" (SP Paper 360). AU/01/13/1

Response from NHS Tayside on the report entitled "National Health Service Bodies in Tayside" (SP Paper 360). AU/01/13/2

Agenda Item 6

Publication by the Auditor General entitled 'Public Audit in Scotland: A Strategic Statement by the Auditor General'. AU/01/13/3

Agenda Item 7

Report by the Auditor General for Scotland entitled 'Governance and Financial Management at Moray College'. AGS/2001/4

Briefing paper on report. PRIVATE PAPER

Agenda Item 8

Draft report entitled 'Annual Report of the Audit Committee for the Parliamentary Year 12 May 2000 to 11 May 2001' PRIVATE PAPER



SCOTTISH EXECUTIVE

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Trevor Jones, Head of Health Department and Chief
Executive, NHS in Scotland

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AUDIT COMMITTEE 2nd REPORT 2001 : NATIONAL HEALTH SERVICE BODIES IN TAYSIDE

The Audit Committee's report on National Health Service Bodies in Tayside was published on 6 July.

The Department and NHS Tayside have considered the report carefully and I now enclose the Department's formal response which addresses the 15 principal conclusions and recommendations, those addressed to NHS Tayside as well as those addressed to the Department.

I am arranging for the response to be laid formally before Parliament.

I am also sending a copy to Peter Bates.

TREVOR JONES



AUDIT COMMITTEE, 2nd REPORT 2001
SCOTTISH EXECUTIVE HEALTH DEPARTMENT RESPONSE
NATIONAL HEALTH SERVICE BODIES IN TAYSIDE

Introduction

1. The Scottish Executive Health Department welcomed the Auditor General's Report on "National Health Service Bodies in Tayside" which was published on 16 March 2001. In particular, the Auditor General's acknowledgement of the action taken locally and nationally to tackle key issues around leadership, governance and communication was welcomed. The Department accepted there were lessons for all involved in the delivery of healthcare.
2. The Department and NHS Tayside have considered carefully the Audit Committee's thorough investigation on the basis of the Auditor General's Report. We note the Committee's comments on the Department's monitoring processes and on practice and procedures in NHS Tayside.
3. The Department and NHS Tayside have readily acknowledged that there is scope for improvement. Both are keen to learn from events in Tayside. In addition, the Department intends to draw the wider implications of the Committee's conclusions and recommendations to the attention of the NHS in Scotland.
4. This paper is the Department's formal response to the Committee's Report published on 6 July. It addresses the 15 principal conclusions and recommendations, drawing together responses from NHS Tayside and the Department itself. These are set out in the attached annex.

Scottish Executive Health Department
September 2001

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
1	18	On the basis of the evidence taken, it quickly became apparent that there was fundamental disagreement between officials from the demitting trusts and officials at Tayside Health Board and Tayside University Hospitals Trust (TUHT) as to the financial position at the time of handover.	<p>This conclusion is directed at NHS Tayside. A number of mechanisms have already been put in place to ensure improved governance and effective monitoring and reporting.</p> <p>These mechanisms include: -</p> <p>Fortnightly meetings, chaired by Mr. Bates, of Chairmen and Chief Executives;</p> <p>The establishment of a Health Board Finance and Resources Committee, chaired by the Vice-Chairman, and including both Trust Chairmen (Chief Executives and other Executive Directors of all NHS Tayside bodies are held to account by the Committee in respect of financial planning and performance);</p> <p>The Joint Management Forum, (involving all Chief Executives and other Executive Directors of the Health Board and Trusts, as well as LHCC and Staff Partnership Forum representation) that has been operational since March 2000;</p> <p>A Staff Partnership Forum has been established in each of the Trusts and the Health Board, as well as on an area wide basis, and the Chair of the Area Staff Partnership Forum now attends all Health Board meetings (including reserved business) to ensure staff input to the Board's governance.</p> <p>Directors of Finance have developed a monthly Corporate Financial Report, incorporating the financial position of all three NHS bodies. This common report is submitted to either the Board or Finance and Resources Committee of all bodies;</p> <p>Regular meetings with the Health Department to review progress reports on the NHS Tayside financial position, both prospectively, and in respect of ongoing financial performance;</p> <p>Revised arrangements for the provision of Internal Audit Services were put in place in October 2000, in partnership with NHS bodies in Fife and Forth Valley. These arrangements have significantly altered the coverage provided by this service, and require a professionally qualified staff ratio of at least 50%.</p> <p>In future, all Chairmen and Chief Executives will be members of the Board of NHS Tayside, which will oversee strategic financial planning, resource allocation and financial performance monitoring for all elements of NHS Tayside.</p>	<p>Chairperson NHS Tayside</p> <p>Vice-Chairman THB and all Chairmen</p> <p>Chief Executives</p> <p>Chairmen, Chief Executives and Directors of Human Resources</p> <p>Directors of Finance</p> <p>Chief Executives and Directors of Finance</p> <p>Directors of Finance</p> <p>Chairmen and Chief Executives</p>	<p>Already in place</p> <p>Already in place</p> <p>Already in place</p> <p>Already in place</p> <p>Already in place</p> <p>Already in place</p> <p>Already in place</p> <p>Effective October 2001</p>

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
2	23	On the basis of the evidence taken, not all individuals who should have been aware of the position were cognisant of the serious financial difficulties which were looming. We find it difficult to believe that there was such a complete breakdown in communication between individuals at (1) the demitting Dundee Teaching Hospitals NHS Trust and the incoming team for the successor trust and (2) the demitting trust and Tayside Health Board (especially in light of the fact that Tim Brett, the Chief Executive of Tayside Health Board, had previously been the Chief Executive of that demitting trust).	<p>This conclusion is directed at NHS Tayside. NHS Tayside accepts the fundamental importance of thorough investigations and of robust project management in any situation where responsibilities are realigned or significant service change is contemplated.</p> <p>Many of the measures noted under item 1 are relevant to this recommendation: part of their purpose is to minimise the risk of misunderstanding of the financial position at any point in time.</p> <p>Mr Gerry Marr, formerly the Department's Director of Planning and Performance Management, has been appointed to succeed Mr. Paul White as Chief Executive of Tayside University Hospitals NHS Trust. Mr. Marr will play a key part in ensuring the effectiveness of the mechanisms noted at item 1.</p> <p>Mr Brett was seconded from the former Dundee Teaching Hospitals NHS Trust at the end of December 1997, fifteen months before the new Trusts became operational.</p>	Chief Executives	Ongoing

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
3	24	We cannot understand why, if the financial position was thought to be as serious as it was, this was not reported to the board of Dundee Teaching Hospitals NHS Trust. Likewise, it is astonishing that in the shadow period prior to a re-organisation, recognised as being the most complex in Scotland, both the Health Department and incoming officials appear to have been oblivious to the belief that a huge deficit was being projected for the period for which they were to be accountable.	<p>This conclusion is directed at NHS Tayside. It is acknowledged that there are clearly differing views with regard to awareness of financial projections at that time.</p> <p>It is important to note the development of the Corporate Financial Plan and the monthly Corporate Financial Report (during the last financial year), covering all elements of NHS Tayside. The aim of the latter report is to account to Members, and to provide sufficient and robust information for rigorous review and on which to base decisions. This composite report, produced by the Directors of Finance of all three bodies, and reflecting the overall financial position of the Tayside health economy, allows Members of the Health Board and both Trusts to receive agreed joint advice from Directors of Finance.</p> <p>Guidance issued by the Department earlier this year makes it clear that this style of reporting will be expected for NHS Boards.</p> <p>The establishment of the Health Board Finance and Resources Committee, charged with validating financial plans, ensuring that appropriate contingency planning is developed, and monitoring progress throughout the year, has already added an important additional accountability to this process. The Corporate Financial report continues to be submitted to the regular monthly meeting of the Health Board.</p> <p>It is anticipated that the proposed Finance and Resources Committee of the NHS Board will keep the format of reporting under continuous review.</p> <p>Internal Audit Plans will continue to include provision for the review of accuracy and completeness of reports presented to the Board, its Committees and to the Department.</p>	<p>Chief Executives and Directors of Finance</p> <p>Director of Finance</p> <p>Vice-Chairman, THB and all Chairmen</p> <p>NHS Board Finance and Resources Committee</p> <p>Directors of Finance and Chief Internal Auditor</p>	<p>Process already in place, but subject to regular review and update</p> <p>Already in place</p> <p>In place from May 2001</p> <p>Ongoing</p> <p>Ongoing</p>
4	25	We conclude that there was sufficient evidence of serious financial problems to merit action by the accountable officers and, therefore, that there were failures within the Tayside health system in both formal reporting and investigation to establish the true financial position.	This conclusion is directed at NHS Tayside. See the comments in relation to recommendations 1, 2, and 3 above, which are intended to minimise the risk of any future difficulties either in respect of reporting or investigation.	Chief Executives	As detailed in items 1,2 and 3.

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
5	30	During the last quarter of 1998/99 Dundee Teaching Hospitals NHS Trust filled vacant posts by recruiting an additional 200 nurses and other staff. This contributed £2.1 million to the overall deficit recorded by TUHT. It is clear to us that the filling of these vacancies, for which there was no budget provision, constituted a serious breakdown in management control.	<p>This conclusion is directed at NHS Tayside. Directors of Finance within NHS Tayside will remind budget holders of the extent of the impact of any assumptions within their budgets about the average level of vacancies that will exist throughout the financial year.</p> <p>Because of the exceptional circumstances within TUHT, the Trust also has established a Vacancy Control Committee to ensure that budgetary provision exists for any proposed appointment.</p>	<p>Directors of Finance</p> <p>Chief Executive, TUHT</p>	<p>August 2001</p> <p>Already in place</p>
6	32	On the basis of the evidence taken that Perth and Kinross Healthcare NHS Trust had committed itself to spend an extra £300,000 to recruit additional nursing staff without that trust board's approval, we conclude that funding was not released in the last quarter of the Perth and Kinross Healthcare Trust to fund recruitment of nurses in the way stated by Paul White (the Chief Executive of TUHT) and Tim Brett.	This conclusion is directed at NHS Tayside. For the avoidance of doubt in future, budget holders will again be reminded by Directors of Finance that they must not act on any advice of funding changes without the explicit written authority of their own Chief Executive or Director of Finance.	Directors of Finance	August 2001

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
7	35	While we accept that the major responsibility for a robust approach to budgeting lay with senior staff, we disagree with the view of Sir William Stewart, the former Chairman of Dundee Teaching Hospitals NHS Trust and Tayside University Hospitals Trust, that he had no financial accounting responsibility. We consider that it was incumbent upon him to promote provision of patient care on a financially responsible basis.	<p>The Department and NHS Tayside agree with the Committee that all members of NHS bodies have a corporate responsibility for the management of the resources with which they are entrusted. This principle is embodied in the Code of Accountability for NHS Boards issued by the then Scottish Office Home and Health Department in April 1994. The Department proposes to remind the new NHS Boards of these important principles immediately after they are formed.</p> <p>Under the terms of the Public Finance and Accountability (Scotland) Act 2000, each Chief Executive carries a personal responsibility, as Accountable Officer, on behalf of the other Board members for ensuring that an effective system of internal financial control is maintained and operated.</p>	<p>All Board Members</p> <p>Chief Executives</p>	<p>Operational since April 1994</p> <p>Individuals notified by then Chief Executive, NHSiS, of Accountable Officer status in July 2000. Successors will be notified on appointment.</p>
8	36	The Ministerial Taskforce assessed that the cost of developing cancer and renal services had not been adequately budgeted for in 1999/2000, exemplified by the recruitment of a cancer specialist without provision of adequate support. We agree with the Taskforce conclusion that there had been a lack of financial control within Dundee Teaching Hospitals NHS Trust.	<p>This conclusion is directed at NHS Tayside. It is accepted that there are key issues here at the heart of planning and budgeting processes. A number of the controls mentioned previously will be important in exercising control in future.</p> <p>It is now standard practice that all reports to the Health Board must include details of any financial consequences. This practice will be continued with the Unified Board, and it is proposed that authors also be required to make reference to the provision within the Corporate Financial Plan, where appropriate.</p> <p>We understand NHSTayside will be developing each year a Local Health Plan, incorporating service plans. The Board accepts it is essential that this is constructed with proper regard to the availability of resources.</p> <p>The supporting Corporate Financial Plan must reflect decisions about priorities within available resources.</p> <p>The role of the NHS Board, and particularly the Finance and Resources Committee will be fundamental to ensuring this objective is achieved, and that financial control is secured and maintained.</p> <p>In particular, the Finance and Resources Committee will undertake a rigorous scrutiny of budget proposals submitted by Trust Management Teams, and will formally propose the adoption of the whole budget for NHS Tayside. Thereafter it should undertake a monthly financial monitoring process.</p>	<p>Chief Executive</p> <p>Chief Executives</p> <p>Chief Executives and Director of Finance</p> <p>Chairmen</p> <p>NHS Board Finance and Resources Committee</p>	<p>In place</p> <p>By October 2001</p> <p>To be approved in March 2002 and annually thereafter.</p> <p>As above</p> <p>Ongoing</p> <p>Annual process</p> <p>Monthly process</p>

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
9	38	We do not underestimate the challenges involved in conducting an Acute Services Review. However, we conclude that elementary mistakes were made by individuals within Tayside Health Board in the conduct of their Acute Services Review. It is evident that the length of time already taken and the lack of detailed costings of the various options have undermined the confidence of the public, patients and staff in the integrity of the Tayside Acute Services Review.	<p>This conclusion is directed at NHS Tayside. The Board accepts that, in taking forward its programme of strategic reviews, it needs to ensure robust project management standards are applied. In particular, reviews must be adequately scoped, realistic timescales must be established, and the resource implications of undertaking reviews must be clearly identified.</p> <p>The Board is giving further consideration to its means of monitoring progress with the review.</p> <p>As noted in <i>"Our National Health : a plan for action, a plan for change"</i> the Department is to establish an expert group to support and advise NHS Boards in managing changes in the configuration of services and to advise the Department of the appropriateness of local configuration.</p> <p><i>"Our National Health"</i> also noted the Department's intention to provide guidance, training and support to local NHS leaders to enable them to involve the public effectively in the management of changes to local services.</p>	<p>Chief Executives</p> <p>Board</p> <p>SEHD</p> <p>SEHD</p>	<p>Ongoing</p> <p>To be determined</p> <p>Autumn 2001</p> <p>Ongoing from Summer 2001</p>

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
10	39 and 42	In the vital area of maintaining public confidence in the local health service, we conclude that Tayside Health Board failed. We believe that there is an urgent need to restore confidence in the Health Board as an effective team which can lead the Tayside trusts and other partners forward to deliver improvements in health care in the region.	<p>The Department endorses the Committee's view that public confidence needs to be restored to NHS Tayside. The membership of new NHS Boards throughout Scotland is designed to increase public representation and involvement in NHS activities. Since November 2000 the Minister for Health and Community Care has appointed Mr. Bates to the Chair, firstly of Tayside Health Board, and subsequently of NHSTayside and Prof. McGoldrick to the Chair of TUHT, and also as a member of Tayside Health Board. Mr. Gerry Marr has been appointed as the new Chief Executive of TUHT. All three will be members of the Board of NHS Tayside.</p> <p>The NHS Board in Tayside will be operational in September of this year, and will also include amongst its membership three local authority Councillors - one from each of the Tayside local authorities, as well as the Chair of the Staff Partnership Forum and the Chair of the Area Clinical Forum.</p> <p>It is likely that Standing Committees of the NHS Board will include Clinical Governance, Staff Governance, Finance and Resources, and Audit.</p> <p>Risk Management Teams have also been put in place at officer level in each of the existing bodies, following the earlier approval of Risk Management Strategies. There will be a need to establish firm linkages with the NHS Board itself, and its Standing Committees.</p> <p>As previously indicated, the creation of the Staff Partnership Fora is also a key mechanism in tackling issues of confidence and morale.</p>	<p>SEHD</p> <p>TUHT Board</p> <p>Chairmen and Chief Executives</p> <p>NHS Board</p> <p>Chief Executives</p> <p>Chairmen, Chief Executives and Directors of Human Resources</p>	<p>November 2000</p> <p>June 2001</p> <p>By September 2001</p> <p>October 2001</p> <p>October 2001</p> <p>Already in place</p>

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
11	44	On the basis of the evidence taken, we conclude that Geoff Scaife, the then Chief Executive of the NHS in Scotland, and the Department failed to ensure that fundamental financial performance and management issues were addressed. We also conclude that annual accountability review meetings between the Department and Tayside NHS organisations failed to address financial issues adequately. We recommend that annual reviews are strengthened by a detailed, structured and effective system of financial management.	<p>The Department believes that financial monitoring arrangements highlighted the emerging financial difficulties arising in Tayside and that appropriate action was taken as soon as the Department became aware of the difficulties. We note that the Auditor General reported that the Department acted promptly when the financial difficulties became apparent. However, it is fully acknowledged that there are lessons to be learned from the problems arising in Tayside.</p> <p>A new Performance Assessment Framework is being developed for the new NHS Boards and this will be used as a basis for the annual accountability review meeting.</p>	SEHD and NHS Boards	Ongoing
12	46	We agree with the conclusion of the Taskforce's report questioning the robustness and ultimate effectiveness of the financial monitoring undertaken by the Department. On the basis of evidence taken, we do not agree with Mr Scaife's view that the monitoring process had worked well and we therefore recommend that the Department implements more robust systems for monitoring financial performance of NHS bodies.	<p><i>“Our National Health :A plan for action, a plan for change”</i> indicated that the Department would consider a number of issues in relation to the financial regime of the health service. These included making NHS Boards accountable for the financial performance of the local NHS system, simplifying the funding for specialist services and reviewing existing financial systems. The necessary detailed work is well underway and in most cases the changes will be implemented at or before the beginning of 2002-03. The changes in the financial regime in particular will facilitate greater consistency between Trust and Health Board accounts and thus increase the effectiveness of the Department’s monitoring of the NHS Boards.</p> <p>In addition, NHS bodies are being given as firm an indication as possible of the resources to be allocated for each of the forward 3 years. This will enable Boards to plan for future years with more certainty.</p> <p>As set out in “Our National Health”, the Department proposes to introduce a new performance assessment framework from October 2001 which will provide a broader picture of NHS Boards’ operational performance, over time and in comparison with other parts of Scotland.</p> <p>While this is principally a matter for SEHD to take forward, NHS Tayside have indicated that they will co-operate fully in strengthening arrangements.</p>	<p>SEHD and NHS Boards</p> <p>SEHD</p>	<p>Spring 2002</p> <p>October 2001</p>

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
13	49	We note that the Taskforce was established very late in the first financial year of the new trusts. We therefore believe that the Department's attitude was reactive and too dependent on information compiled by local health bodies. While we accept that it is for health areas to be managed on a local basis, there does not appear to have been robust and comprehensive information which would have allowed the Department to assess more quickly the pressures and problems which were behind the routine monitoring figures. Without full information, the Department would be unable to judge whether early intervention was necessary in cases of severe financial problems.	<p>The comments in relation to recommendations 1, 3, 11 and 12 are relevant to this recommendation, as is the proposed extension of internal audit coverage to performance information (see recommendation 14). In addition, to further improve the Department's effectiveness in analysing and responding to monitoring information received from Health bodies we propose to introduce a protocol setting out how the monitoring process will be undertaken within the Department with particular reference to the steps that will be taken when monitoring suggests that a NHS Board may have financial difficulties. The Department will share this protocol with the Committee once it is finalised.</p> <p>Again NHS Tayside are willing to co-operate with SEHD in securing any changes that are needed.</p>	SEHD and NHS Boards	Spring 2002
14	53	We support the move to strengthen financial and performance reporting at the level of the unified health board, but it will be essential to ensure comprehensive and transparent reporting on the financial and service delivery performance of individual trusts within the unified board. We expect the audit process to report independently on this performance information.	<p>NHS Tayside is committing to a further review of reporting mechanisms.</p> <p>The Board and Trust Audit Committees will consider extending the coverage of Internal Audit plans to include the audit of performance information, in addition to that of financial reporting processes.</p>	<p>Directors of Finance</p> <p>Board and Trust Audit Committees.</p>	<p>October 2001</p> <p>To be considered at next meetings.</p>
15	57	Working with Audit Scotland, the Audit Committee will continue to monitor the financial management and financial position in Tayside through a review process involving the Department and NHS Tayside.	We note the Committee's intention to continue to monitor the financial position in NHSTayside. The Department and NHS Tayside will be pleased to assist in this process.	Audit Committee/Audit Scotland.	

Your Ref:
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13th August, 2001

Mr Andrew Welsh MSP
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**AUDIT COMMITTEE- 2ND REPORT 2001
NATIONAL HEALTH SERVICE BODIES IN TAYSIDE**

I am writing following the publication of the Audit committee's report on 6th July.

Coincidentally, Tayside Health Board was meeting on that date to adopt the Board's audited Accounts for the year ended 31st March 2001. As an additional business item, the Board was advised that the Audit committee's report had just been published that morning, and agreed to convene a further special meeting of the Board in order to consider the Committee's findings.

I would now advise you that this special meeting took place on Tuesday, 6th August, when the Board also considered a report that had been commissioned from the Directors of Finance of the NHS bodies in Tayside. A copy of this report is attached for your interest.

The report from the Directors of Finance has been prepared very much from the perspective of emphasising the significant opportunity for the new NHS Tayside Board to learn from the experiences of the past, and the Annex to the report outlines the actions either already taken or planned, with the objective of seeking a "best practice" approach to governance.

Mr Chris Beaton, Partner in Henderson Loggie, was also in attendance. Henderson Loggie has been the External Auditor to the Health Board for the last six years, External Auditor to Tayside Primary Care NHS Trust for the past two years, and previously the External Auditor to the former Dundee Healthcare NHS Trust. The Board is grateful to Audit Scotland for its agreement to Mr Beaton's attendance. You will be aware that Audit Scotland assumes the responsibility for the external audit of NHS Tayside with effect from 2001/2002.

In considering this matter, the Board agreed that it was crucial for it to draw to a conclusion the very difficult history of the NHS locally over the last few years, before handing over to the new Board of NHS Tayside. The Audit Committee's report was welcomed as an important contribution to achieving this end.

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The report provided the Board with an opportunity to acknowledge that mistakes had been made by the NHS bodies in Tayside, to review progress in tackling these issues, and to allow the new NHS Tayside Board to move forward to deal with the challenges ahead.

After hearing from the Health Board's Director of Finance and Mr Beaton, the Board unanimously agreed to accept the broad findings of the Audit Committee's report. The Board also formally accepted the report and attached Annex from the Directors of Finance, and agreed that it be remitted to the new Board to oversee its implementation.

The Board then agreed that, in private session, the non-executive members of the Board should give further consideration to any staffing implications arising from the Committee's report. This was undertaken with advice from Mr Beaton, and the Directors of Human Resources from both Tayside NHS Trusts.

I hope that you will share my view that significant action has already been taken or is planned, to assist the NHS in Tayside to serve the public by operating to very high standards of governance.

On a private and confidential basis, I would advise you that the Board met in private, with the External Auditors in attendance, to discuss issues raised in the report relating to the Tayside Health Board's Chief Executive, Mr Brett. I regard these employment and contractual issues as private between the individual and the Board and I am sure you will share my views on this.

I would be happy to meet with you to discuss this matter further if this would be helpful.

I have written in similar terms to Trevor Jones and Bob Black.

Peter J Bates
Chairperson - NHS Tayside

enc.



THB 90/2001
TAYSIDE HEALTH BOARD
SPECIAL MEETING
7TH AUGUST 2001

**SCOTTISH PARLIAMENT AUDIT COMMITTEE - 2ND REPORT 2001
NATIONAL HEALTH SERVICE BODIES IN TAYSIDE**

1. PURPOSE

The purpose of this memorandum is to review the findings of the Audit Committee of the Scottish Parliament with regard to the above report. Whilst it is acknowledged that individuals will have their own viewpoint on the findings, this review is undertaken from the perspective of emphasising that there is a significant opportunity for NHS Tayside to learn from the experiences of the past. We must seek to ensure a **"best practice"** approach that secures appropriate **"checks and balances"** in developing and implementing an appropriate governance framework for managing our affairs.

In his paper, **"Supporting Democratic Scrutiny by Public Audit"**, published by the Public Management and Policy Association last year, the Auditor General for Scotland notes that: -

"In any well-managed public organisation, there should be in place:

- ◆ ***Systems for sound governance***
- ◆ ***Systems for consulting customers, clients and citizens***
- ◆ ***Systems for involving staff and unions***
- ◆ ***Rigorous service reviews, based on the Four Cs: challenge, compare, consult , and compete***
- ◆ ***Effective performance monitoring and reporting"***.

The new Unified Board should seek to satisfy these criteria as a key objective.

2. RECOMMENDATIONS

The Board is requested to confirm its support for the actions either already taken or now proposed in response to the findings of the Scottish Parliament Audit Committee. These actions are detailed in the Annex to this memorandum.

3. EXECUTIVE SUMMARY

Since June 2000, a number of reports have been produced that have highlighted issues within the NHS in Tayside.

These have included: -

- ◆ The Interim Report to the Minister for Health and Community Care by the Tayside Task Force;
- ◆ Annual Statutory Reports to Members and the Auditor General for Scotland in respect of each of the NHS bodies in Tayside by respective External Auditors;

- ◆ As part of a national programme, reports to each body and to the Auditor General on Corporate Governance;
- ◆ The Auditor General's report to the Scottish Parliament - "Overview of the National Health Service in Scotland";
- ◆ The Auditor General's report to the Scottish Parliament - "National Health Service bodies in Tayside".

These reports serve as background to the findings of the Scottish Parliament Audit Committee, whose report has fifteen principal conclusions and recommendations. These are detailed in the Annex, together with comments on actions taken or proposed.

4. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report. The actions taken and further recommendations, do, however, seek to provide a sound control environment of which firm financial control is a key component.

5. IMPLICATIONS FOR HEALTH

A sound control environment will greatly assist the Board of NHS Tayside in securing the optimum health and health service outcomes for the people of Tayside.

6. TIMETABLE FOR IMPLEMENTATION AND ACCOUNTABLE OFFICER

6.1 Timetable for implementation

Most of the actions discussed have either already been taken, or will be implemented during the first year of the life of the new Board.

6.2 Accountable Officer

As Accountable Officers, the Chief Executives of the Health Board and the Trusts will have an individual and collective responsibility to the new Board, for ensuring that a sound control framework is in place for NHS Tayside. They will be supported in their roles by a range of other officers.

7. CONSULTATION

In preparing this report, Directors of Finance have sought the views of Henderson Loggie, the outgoing External Auditors in respect of Tayside Health Board and Tayside Primary Care NHS Trust, Audit Scotland in respect of Tayside University Hospitals NHS Trust, the Chief Internal Auditor and the Director of Finance at the Scottish Executive Health Department. Responsibility for the content, however, rests with the Directors of Finance of the Tayside NHS bodies.

8. BACKGROUND

8.1 Tayside Task Force

In February 2000, the Minister of Health and Community Care appointed a Task Force to work with NHS bodies in Tayside to ensure that local health services were planned and delivered effectively and within the total resources available.

This action arose as a consequence of the then forecast financial deficit, particularly within Tayside University Hospitals NHS Trust, and other wider concerns.

Key objectives were to assist in restoring the confidence of NHS staff and the people of Tayside in the health service, and to ensure that everyone in Tayside received the well-run, high quality health service, which they deserved.

The Task Force produced its Interim Report to the Minister of Health and Community Care in June 2000, and identified the following key themes: -

- ◆ Lack of financial control
- ◆ An absence of obvious health leadership
- ◆ Lack of corporate working and corporate governance
- ◆ Lack of effective communication

The Task Force also identified other factors, including the relatively high level of health care services in Tayside, and the reporting and monitoring arrangements between Tayside health bodies and the Scottish Executive Health Department (SEHD) should have been more robust.

8.2 Tayside Recovery Proposals

A number of measures were taken by NHS bodies in Tayside during 2000, including actions such as the establishment of the Joint Management Forum in March 2000 under the leadership of the Health Board to tackle issues on a corporate basis.

In August 2000, NHS bodies in Tayside submitted **"Recovery Through Modernisation and Investment"** to SEHD. This report set out proposals to secure a return to recurring balance by 2002/2003, and was subsequently agreed with SEHD.

8.3 Report to the Scottish Parliament by the Auditor General for Scotland **"National Health Service bodies in Tayside"**- March 2001

The Public Finance and Accountability (Scotland) Act 2000, Part 2, Section 23, empowers the Auditor General for Scotland to initiate examinations into the economy, efficiency and effectiveness with which relevant bodies and office-holders have used their resources in discharging their functions.

In view of the comments reported by the appointed auditors of the Health Board and NHS Trusts in Tayside, on the use of financial resources in the wider provision of healthcare in the area, and the outcome of the Ministerial Task Force, the Auditor General exercised his powers under the above Act, to report to the Scottish Parliament.

The principal conclusions drawn by the Auditor General in his report entitled **"National Health Service bodies in Tayside"** were as follows: -

1. "The financial difficulties experienced by the NHS in Tayside have not emerged suddenly. To a large extent, they have their origins in the Trusts which existed before NHS reorganisation in 1999. The problems have persisted since reorganisation partly because of the legacy inherited by the new Trusts, partly because Trust reorganisation in Tayside was unusually complex

and partly because of the need to manage the fundamental issue of re-configuring the delivery of healthcare services in Tayside."

2. "The Department and the healthcare bodies each have roles to play in achieving the financial recovery necessary in the NHS in Tayside. The Department has the opportunity to review the rigour of its accountability arrangements in the light of the structural changes envisaged in 'Our National Health: A plan for action, a plan for change'. Similarly the NHS bodies in Tayside have the opportunity, through the financial recovery plans and other initiatives set out in 'Recovery Through Modernisation and Investment' and through their Acute Services Review, to identify areas for potential savings which will contribute to more effective management and financial equilibrium."

3. "Financial recovery will take time, and the Tayside recovery plan already looks to 2005/6 before existing deficits are eliminated. It is crucial therefore that no further delay to recovery occurs and that all partners in the management and the financial recovery of the NHS in Tayside commit to ensuring that existing targets are achieved."

Under the terms of the Scottish Parliament's Standing Orders, the Audit Committee then considered the Auditor general's report.

9. REPORT BY AUDIT COMMITTEE TO SCOTTISH PARLIAMENT

The Audit Committee, having met on seven occasions, and taken both oral and written evidence in its consideration of the Auditor General's report, published its report to the Scottish Parliament on Friday, 6th July, 2001.

Members have already received a copy of the Audit Committee's report.

The report provides a commentary on the evidence taken by the Committee on the issues identified in the Auditor General's report.

Paragraph 7 and 8 of the Report are re-produced below:-

"7. We are mindful of the view of Peter Bates, the new Chair of the unified board in Tayside, who urged us to help the process of "moving on" in Tayside. We consider it essential to look to the past in order to see what positive measures can be taken to increase the confidence of the people of Tayside and NHS staff. However we agree that there is an urgent need to "move on" and that is why we have reported so quickly following the conclusion of the evidence taking process.

8. A key issue in Tayside was that there was a loss of financial control - that is to say public money was not being properly managed and those responsible were not being properly held to account. Allied to this were failings in corporate governance and communication: the working relationship (1) between all the health bodies in Tayside and (2) between the Department and the local bodies was not as it should have been. It is our duty and the aim of our report to highlight where we believe things went wrong in order to identify lessons which can be learned and applied to improve governance and accountability not only in Tayside but across the NHS in Scotland."

We believe that these issues are at the core of the agenda to be tackled by NHS Tayside.

10. CONCLUSION

In acknowledging that the NHS in Tayside has been subject to very difficult circumstances over the last few years, we would emphasise to the Board the importance of ensuring that all parts of NHS Tayside operate within a framework of sound internal control. This is clearly a much wider issue than financial governance, although that is a crucial part of the process. It is, however, fundamental to securing the objectives that we exist to meet.

It is a major responsibility of the Board to ensure that arrangements are in place to keep the delivery of this objective under continuous review.

D J CLARK
Director of Finance
Tayside Health Board

C J MASSON
Director of Finance & Information
Tayside University Hospitals NHS Trust

D McLAREN
Director of Finance
Tayside Primary Care NHS Trust

26th July, 2001

ANNEX

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
1	18	On the basis of the evidence taken, it quickly became apparent that there was fundamental disagreement between officials from the demitting trusts and officials at Tayside Health Board and Tayside University Hospitals Trust (TUHT) as to the financial position at the time of handover.	<p>A number of mechanisms have already been put in place to ensure improved governance and effective monitoring and reporting.</p> <p>These mechanisms include: -</p> <p>Fortnightly meetings, chaired by Mr. Bates, of Chairmen and Chief Executives;</p> <p>The establishment of the Health Board Finance and Resources Committee, chaired by the Vice-Chairman, and including both Trust Chairmen (Chief Executives and other Executive Directors of ALL NHS Tayside bodies are held to account by the Committee in respect of financial planning and performance);</p> <p>The Joint Management Forum, (involving all Chief Executives and other Executive Directors of the Health Board and Trusts, as well as LHCC and Staff Partnership Forum representation) that has been operational since March 2000;</p> <p>A Staff Partnership Forum has been established in each of the Trusts and the Health Board, as well as on an area wide basis, and the Chair of the Area Staff Partnership Forum now attends all Health Board meetings (including reserved business) to ensure staff input to the Board's governance.</p> <p>Directors of Finance have developed a monthly Corporate Financial Report, incorporating the financial position of all three NHS bodies. This common report is submitted to either the Board or Finance and Resources Committee of all bodies;</p> <p>Regular meetings have been held with the Head of the Health Department and other senior staff to review progress reports on the NHS Tayside financial position, both prospectively, and in respect of ongoing financial performance;</p> <p>Revised arrangements for the provision of Internal Audit Services were put in place in October 2000, in partnership with NHS bodies in Fife and Forth Valley. These arrangements have significantly altered the coverage provided by this service, and require a professionally qualified staff ratio of at least 50%.</p> <p>In future, all Chairmen and Chief Executives will be members of the Board of NHS Tayside, which will oversee strategic financial planning, resource allocation and financial performance monitoring for all elements of NHS Tayside.</p>	<p>Chairperson NHS Tayside</p> <p>Vice-Chairman THB and all Chairmen</p> <p>Chief Executives</p> <p>Chairmen, Chief Executives and Directors of Human Resources</p> <p>Directors of Finance</p> <p>Chief Executives and Directors of Finance</p> <p>Directors of Finance</p> <p>Chairmen and Chief Executives</p>	<p>Already in place</p> <p>Already in place</p> <p>Already in place</p> <p>Already in place</p> <p>Already in place</p> <p>Already in place</p> <p>Already in place</p> <p>Effective October 2001</p>

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
2	23	On the basis of the evidence taken, not all individuals who should have been aware of the position were cognisant of the serious financial difficulties which were looming. We find it difficult to believe that there was such a complete breakdown in communication between individuals at (1) the demitting Dundee Teaching Hospitals NHS Trust and the incoming team for the successor trust and (2) the demitting trust and Tayside Health Board (especially in light of the fact that Tim Brett, the Chief Executive of Tayside Health Board, had previously been the Chief Executive of that demitting trust).	<p>The learning for NHS Tayside and indeed other bodies must be to underline the importance of due diligence and the requirement for robust project management in any situation where responsibilities are realigned or significant service change is contemplated.</p> <p>Many of the measures noted under item 1 have been put in place to minimise the risk of misunderstanding of the financial position at any point in time.</p> <p>Mr Gerry Marr, presently Director of Planning and Performance Management at SEHD, has been appointed to succeed Mr. Paul White as Chief Executive of Tayside University Hospitals NHS Trust. Mr. Marr will play a key part in ensuring the effectiveness of the mechanisms noted at item 1.</p> <p>Mr Brett was seconded from the former Dundee Teaching Hospitals NHS Trust at the end of December 1997, some fifteen months before the new Trusts became operational.</p>	Chief Executives	Ongoing

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
3	24	We cannot understand why, if the financial position was thought to be as serious as it was, this was not reported to the board of Dundee Teaching Hospitals NHS Trust. Likewise, it is astonishing that in the shadow period prior to a re-organisation, recognised as being the most complex in Scotland, both the Health Department and incoming officials appear to have been oblivious to the belief that a huge deficit was being projected for the period for which they were to be accountable.	<p>It is acknowledged that there are clearly differing views with regard to awareness of financial projections at that time.</p> <p>During 2000/2001 health bodies in NHS Tayside developed a Corporate Financial Plan and monthly Corporate Financial Report covering all elements of NHS Tayside. Corporate reporting has helped ensure there is a shared understanding and awareness of the financial position.</p> <p>The aim of the monthly Corporate Financial Report is to account to Members, and to provide sufficient and robust information for rigorous review and on which to base decisions. This composite report, produced by the Directors of Finance of all three bodies, and reflecting the overall financial position of the Tayside health economy, allows Members of the Health Board and both Trusts to receive agreed joint advice from Directors of Finance.</p> <p>Guidance issued by SEHD earlier this year makes it clear that this style of reporting will be expected for Unified Boards.</p> <p>The establishment of the Health Board Finance and Resources Committee, charged with validating financial plans, ensuring that appropriate contingency planning is developed, and monitoring progress throughout the year, has already added an important additional accountability to this process. The Corporate Financial report continues to be submitted to the regular monthly meeting of the Health Board.</p> <p>It is anticipated that the proposed Finance and Resources Committee of the Unified Board will keep the format of reporting under continuous review.</p> <p>Internal Audit Plans will continue to include provision for the review of accuracy and completeness of reports presented to the Board, its Committees and SEHD.</p>	<p>Chief Executives and Directors of Finance</p> <p>Director of Finance</p> <p>Vice-Chairman, THB and all Chairmen</p> <p>Unified Board Finance and Resources Committee</p> <p>Directors of Finance and Chief Internal Auditor</p>	<p>Process already in place, but subject to regular review update</p> <p>Already in place</p> <p>In place from May 2001</p> <p>Ongoing</p> <p>Ongoing</p>
4	25	We conclude that there was sufficient evidence of serious financial problems to merit action by the accountable officers and, therefore, that there were failures within the Tayside health system in both formal reporting and investigation to establish the true financial position.	See the action taken at items 1, 2, and 3 above to minimise the risk of any future difficulties either in respect of reporting or investigation.	Chief Executives	As detailed in items 1,2 and 3.

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
5	30	During the last quarter of 1998/99 Dundee Teaching Hospitals NHS Trust filled vacant posts by recruiting an additional 200 nurses and other staff. This contributed £2.1 million to the overall deficit recorded by TUHT. It is clear to us that the filling of these vacancies, for which there was no budget provision, constituted a serious breakdown in management control.	<p>Directors of Finance will remind budget holders of the extent of the impact of any assumptions within their budgets about the average level of vacancies that will exist throughout the financial year.</p> <p>Because of the exceptional circumstances within TUHT, the Trust also has established a Vacancy Control Committee to ensure that budgetary provision exists for any proposed appointment.</p>	<p>Directors of Finance</p> <p>Chief Executive, TUHT</p>	<p>August 2001</p> <p>Already in place</p>
6	32	On the basis of the evidence taken that Perth and Kinross Healthcare NHS Trust had committed itself to spend an extra £300,000 to recruit additional nursing staff without that trust board's approval, we conclude that funding was not released in the last quarter of the Perth and Kinross Healthcare Trust to fund recruitment of nurses in the way stated by Paul White (the Chief Executive of TUHT) and Tim Brett.	For the avoidance of doubt in future, budget holders will again be reminded by Directors of Finance that they must not act on any advice of funding changes without the explicit written authority of their own Chief Executive or Director of Finance.	Directors of Finance	August 2001

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
7	35	While we accept that the major responsibility for a robust approach to budgeting lay with senior staff, we disagree with the view of Sir William Stewart, the former Chairman of Dundee Teaching Hospitals NHS Trust and Tayside University Hospitals Trust, that he had no financial accounting responsibility. We consider that it was incumbent upon him to promote provision of patient care on a financially responsible basis.	<p>It is fully accepted that ALL members of NHS bodies have a corporate responsibility for the management of the resources with which they are entrusted. This principle is embodied in the Code of Accountability for NHS Boards issued by the Scottish Office Home and Health Department in April 1994.</p> <p>Under the terms of the Public Finance and Accountability (Scotland) Act 2000, each Chief Executive carries a personal responsibility, as Accountable Officer, on behalf of the other Board members for ensuring that an effective system of internal financial control is maintained and operated.</p>	<p>All Board Members</p> <p>Chief Executives</p>	<p>Operational since April 1994</p> <p>Chief Executives notified by then Chief Executive, NHSiS, of Accountable Officer status in July 2000</p>
8	36	The Ministerial Taskforce assessed that the cost of developing cancer and renal services had not been adequately budgeted for in 1999/2000, exemplified by the recruitment of a cancer specialist without provision of adequate support. We agree with the Taskforce conclusion that there had been a lack of financial control within Dundee Teaching Hospitals NHS Trust.	<p>There are key issues here at the heart of planning and budgeting processes. A number of the controls mentioned previously will be important in exercising control in future.</p> <p>It is now standard practice that all reports to the Health Board must include details of any financial consequences. This practice will be continued with the Unified Board, and it is proposed that authors also be required to make reference to the provision within the Corporate Financial Plan, where appropriate.</p> <p>NHS Tayside will be developing each year a Local Health Plan, incorporating service plans. It is essential that this is constructed with proper regard to the availability of resources.</p> <p>The supporting Corporate Financial Plan must reflect decisions about priorities within available resources.</p> <p>The role of the unified NHS Board, and particularly the Finance and Resources Committee will be fundamental to ensuring this objective is achieved, and that financial control is secured and maintained.</p> <p>In particular, it is recommended that the Unified Board Finance and Resources Committee undertakes a rigorous scrutiny of budget proposals submitted by Trust Management Teams, and should formally propose the adoption of the whole budget for NHS Tayside. Thereafter it should undertake a monthly financial monitoring process.</p>	<p>Chief Executive</p> <p>Chief Executives</p> <p>Chief Executives and Director of Finance</p> <p>Chairmen</p> <p>Unified board Finance and Resources Committee</p>	<p>In place</p> <p>By October 2001</p> <p>To be approved in March 2002 and annually thereafter.</p> <p>As above</p> <p>Ongoing</p> <p>Annual process</p> <p>Monthly process</p>

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
9	38	We do not underestimate the challenges involved in conducting an Acute Services Review. However, we conclude that elementary mistakes were made by individuals within Tayside Health Board in the conduct of their Acute Services Review. It is evident that the length of time already taken and the lack of detailed costings of the various options have undermined the confidence of the public, patients and staff in the integrity of the Tayside Acute Services Review.	<p>The Board has consulted on the Tayside Acute Services Strategy between the beginning of May and the end of July. A special meeting of the Board has been arranged for 29th August, when all the comments from the consultation will be received. It is expected that recommendations will be made to the Minister by 1st September, 2001.</p> <p>The Board has ensured that, in taking forward its programme of strategic reviews, robust project management standards are applied. In particular, reviews must be adequately scoped, realistic timescales must be established, and the resource implications of undertaking reviews must be properly identified.</p> <p>The Board also needs to give further consideration to its means of monitoring such reviews</p> <p>It also needs to be recognised that service costing for the purpose of strategic reviews is not as detailed as that undertaken in the development of business cases, and that much will depend on the availability of information regarding clear service models.</p> <p>"Our National Health" (page 26) notes SEHD's intention to establish an expert group to support and advise local NHS Boards in managing changes in the configuration of services and advising the Health Department of the appropriateness of local configuration. It is understood that this is currently under active consideration.</p> <p>"Our National Health" (page 55) also notes SEHD's intention to provide guidance, training and support to local NHS leaders to enable them to involve the public effectively in the management of changes to local services.</p>	<p>Chief Executive</p> <p>Chief Executives</p> <p>Board</p> <p>SEHD</p> <p>SEHD</p>	<p>1st September 2001</p> <p>Ongoing</p> <p>To be determined</p> <p>To be determined</p> <p>To be determined</p>

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
10	39 and 42	In the vital area of maintaining public confidence in the local health service, we conclude that Tayside Health Board failed. We believe that there is an urgent need to restore confidence in the Health Board as an effective team which can lead the Tayside trusts and other partners forward to deliver improvements in health care in the region.	<p>Since November 2000, Mr. Bates has been appointed to the Chair, firstly of Tayside Health Board, and subsequently of NHS Tayside; Prof. McGoldrick has been appointed to the Chair of TUHT, and has also become a member of Tayside Health Board; and Mr. Gerry Marr has been appointed as the new Chief Executive of TUHT. All three will be members of the Board of NHS Tayside.</p> <p>The unified Board of NHS Tayside will be operational by October of this year, and will also include amongst its membership three local authority Councillors - one from each of the Tayside local authorities, as well as the Chair of the Staff Partnership Forum and the Chair of the Area Clinical Forum. The opportunity offered by the new Unified Board will be firmly grasped.</p> <p>It is likely that Standing Committees of the Unified Board will include Clinical Governance, Staff Governance, Finance and Resources, and Audit</p> <p>Risk Management Teams have also been put in place at officer level in each of the existing bodies, following the earlier approval of Risk management Strategies. There will be a need to establish firm linkages with the Unified Board itself, and its Standing Committees.</p> <p>As previously indicated, the creation of the Staff Partnership Fora is also a key mechanism in tackling issues of confidence and morale.</p>	<p>SEHD</p> <p>TUHT Board</p> <p>Chairmen and Chief Executives</p> <p>Unified Board</p> <p>Chief Executives</p> <p>Chairmen, Executives Directors of Human Resources and Chief</p>	<p>November 2000</p> <p>June 2001</p> <p>By October 2001</p> <p>October 2001</p> <p>October 2001</p> <p>Already in place</p>

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
11	44	On the basis of the evidence taken, we conclude that Geoff Scaife, the then Chief Executive of the NHS in Scotland, and the Department failed to ensure that fundamental financial performance and management issues were addressed. We also conclude that annual accountability review meetings between the Department and Tayside NHS organisations failed to address financial issues adequately. We recommend that annual reviews are strengthened by a detailed, structured and effective system of financial management.	SEHD will be introducing a revised " Performance Assessment Framework (PAF) " for application to the new Unified Boards. Directors of Finance within NHS Tayside will be further reviewing the format of the monthly Corporate Financial Report, introduced last year, with a view to a further strengthening of its impact.	SEHD and NHS Boards Directors of Finance	Spring 2002 October 2001
12	46	We agree with the conclusion of the Taskforce's report questioning the robustness and ultimate effectiveness of the financial monitoring undertaken by the Department. On the basis of evidence taken, we do not agree with Mr Scaife's view that the monitoring process had worked well and we therefore recommend that the Department implements more robust systems for monitoring financial performance of NHS bodies.	This is principally a matter for SEHD to take forward, and NHS Tayside will be keen to play a full part in strengthening arrangements.	SEHD and NHS Boards	To be determined

NO.	PARA REF	PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS	COMMENTS	RESPONSIBLE PERSON(S)	AGREED COMPLETION DATE
13	49	We note that the Taskforce was established very late in the first financial year of the new trusts. We therefore believe that the Department's attitude was reactive and too dependent on information compiled by local health bodies. While we accept that it is for health areas to be managed on a local basis, there does not appear to have been robust and comprehensive information which would have allowed the Department to assess more quickly the pressures and problems which were behind the routine monitoring figures. Without full information, the Department would be unable to judge whether early intervention was necessary in cases of severe financial problems.	Again NHS Tayside will be keen to co-operate with SEHD in securing any changes that are needed.	SEHD and NHS Boards	To be determined
14	53	We support the move to strengthen financial and performance reporting at the level of the unified health board, but it will be essential to ensure comprehensive and transparent reporting on the financial and service delivery performance of individual trusts within the unified board. We expect the audit process to report independently on this performance information.	As noted under item 12, NHS Tayside is committing to a further review of reporting mechanisms. It is additionally recommended that the Board' and Trust Audit Committees consider extending the coverage of Internal Audit plans to include the audit of performance information, in addition to that of financial reporting processes.	Directors of Finance Board and Trust Audit Committees.	October 2001 To be considered at next meetings.
15	57	Working with Audit Scotland, the Audit Committee will continue to monitor the financial management and financial	NHS Tayside will be pleased to assist in this process.	To be determined	To be determined

		position in Tayside through a review process involving the Department and NHS Tayside.			
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