

NHS Shetland

2022/23 Annual Audit Report



Prepared for the Board of NHS Shetland and the Auditor General for Scotland
June 2023

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Key messages

2022/23 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.

Financial management and sustainability

- 2 NHS Shetland operated within its revised Revenue Resource Limit despite core revenue funding decreasing in real terms by 11.8 per cent to £78.5 million from last year.
- 3 NHS Shetland has prepared a medium-term financial forecast, which identifies a recurrent financial gap of £3.1 million for 2023/24. Detailed plans to bridge this have not been identified.
- 4 Transformational plans exist to increase service provision on the islands, but significant staffing challenges remain.

Vision, leadership and governance

- 5 Overall governance arrangements are appropriate and effective, but the IT strategy and disaster recovery plan are out of date and control over policy documents is inadequate.

Use of resources to improve outcomes

- 6 Waiting times have got worse, but in other areas NHS Shetland has maintained performance above the Scottish average.
- 7 NHS Shetland has remobilisation plans in place and is achieving a key measure to minimise off-islands travel.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of NHS Shetland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.
2. The scope of the audit was set out in an Annual Audit Plan presented to the 28 March 2023 meeting of the Audit Committee. This annual audit report comprises significant matters arising from the audit of NHS Shetland's annual report and accounts and conclusions on the wider scope areas, as set out in the [Code of Audit Practice 2021](#).
3. We would like to thank directors and staff, particularly those in finance, for their cooperation and assistance and we look forward to continue to work together constructively over the course of the five-year appointment.

Responsibilities and reporting

4. NHS Shetland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing the annual report and accounts in accordance with the accounts direction from Scottish Ministers. NHS Shetland is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.
5. The responsibilities of the independent appointed auditor are established by the Public Finance and Accountability (Scotland) Act 2000; the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK.
6. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. Weaknesses or risks identified in this report are only those which have come to our attention during our audit work and may not be all that exist. Communicating these does not absolve management of its responsibility to address the issues we raise and from maintaining adequate systems of control.

Auditor Independence

7. We confirm that we comply with the Financial Reporting Council's Ethical Standard and that we have not undertaken any non-audit related services. We are not aware of any relationships that could compromise our objectivity or our independence.

1. 2022/23 annual report and accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Audit opinions on the annual report and accounts are unmodified

Audit opinions on the annual report and accounts are unmodified

8. The board approved the annual report and accounts for NHS Shetland and its group for the year ended 31 March 2023 on 22 June 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report was prepared in accordance with the financial reporting framework
- the performance report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The unaudited annual report and accounts were submitted for audit on 16 May 2023

9. The unaudited annual report and accounts were received in line with our agreed audit timetable. The spreadsheet accounts template was received for audit on 9 May 2023. These were complete including consolidated group figures. The narrative section of the accounts was not received until 16 May 2023.

Our audit approach was based on the overall materiality level of £2.5 million

10. The concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements and impact the opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

11. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. On receipt of the unaudited annual report and accounts we reviewed our planning materiality levels and concluded that they remained appropriate as summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£2.5 million
Performance materiality	£1.625 million
Reporting threshold	£0.125 million

Source: Audit Scotland

12. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 65% of overall materiality, reflecting the scale of previous year's adjustments, the extent of estimation in the accounts and the planned testing in proportion to the scale of the organisation.

Our audit identified and addressed the risks of material misstatement

13. [Exhibit 2](#) sets out the significant and non-significant risks of material misstatement to the financial statements. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Significant and non-significant risks of material misstatement

Audit risk	Audit Response	Conclusion
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Assessed the design and implementation of controls over journal entry processing. • Detailed testing of transactions and journals with a focus on significant risk areas, including year-end and post-close down entries. • Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments • Considered the need to test journal entries and other adjustments during the period. • Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Focussed testing of accruals and prepayments. • Evaluated significant transactions outside the normal course of business. 	<p>We undertook detailed control and substantive testing of journal entries, accruals and invoices. Our journal testing included a data analytics review to identify key risk factors. We also reviewed accounting estimates and transactions for appropriateness.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>
<p>2. Accruals recognition and completeness of expenditure</p> <p>Earlier this year we were made aware of major issues that health boards across Scotland were facing with the eFinancials system.</p> <p>We confirmed with the NHS Shetland Finance team that the impact will be significant with accounts payable</p>	<ul style="list-style-type: none"> • Focused testing of accruals balance • Increased testing of post-year end payments 	<p>We completed detailed testing of accruals and pre and post-year end payments.</p> <p>Conclusion: We did not identify any errors within our sample of accruals.</p>

Audit risk	Audit Response	Conclusion
<p>manual accrual expected to be much higher this year.</p> <p>Manual processing means there is a higher risk of error.</p>		

Note: There were no non-significant risks of material misstatement identified

Significant findings and key audit matters

14. Under International Standard on Auditing (UK) 260, we communicate significant findings from the audit including our view about the qualitative aspects of the body's accounting practices.

15. The significant findings and key audit matters are summarised in [Exhibit 3](#).

Exhibit 3

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. Capitalisation of expenditure items</p> <p>We identified an issue with a CT scanner capitalised in 2021/22 including £108,000 of expenditure which should not have been capitalised as it related to a rental of a temporary scanner. This occurred due to ineffective communication between the estates team and the finance team as a full breakdown on the capitalised elements was not provided to finance until after capitalisation had occurred.</p>	<p>Management has agreed to improve the communication between all departments and finance throughout the year to ensure finance teams have all the necessary information to capitalise assets correctly and in a timely manner.</p> <p>Recommendation 1 (refer Appendix 1, action plan)</p>
<p>2. Asset useful lives</p> <p>The useful lives on the RAM asset register system did not agree to the valuers report.</p> <p>This was caused as some prior year updates had not been processed by NHS Shetland alongside other miscommunications between the finance team and the valuer. There is no monetary impact in 2022/23. Depreciation will be incorrect in future years if not based on the valuation lives at 31 March 2023.</p>	<p>Management has agreed to make a change to the useful lives on RAM in 2023/24. They will consult with the valuer to ensure the useful lives in RAM reflect the valuers assessment.</p> <p>Recommendation 2 (refer Appendix 1, action plan)</p>
<p>3. Remuneration report disclosure</p> <p>NHS Shetland does not have the pension information for one director and is unable to</p>	<p>We considered whether this omission should prevent the conclusion of the audit and determined that it was not a significant issue and has been identified</p>

Issue	Resolution
disclose it in the remuneration report. NHS Grampian undertakes payroll services for NHS Shetland and has informed NHS Shetland on 29 May 2023 that they will chase it up with the SPPA, who provides the data, but it may take several weeks to receive the figures.	in the notes. NHS Shetland depends on other agencies to provide the information. If the information is available before accounts are signed then it will be included. No further action
<p>4. Length of report and accounts</p> <p>Although the report is very detailed it is considered too long. IAS 1 requires disclosures to be limited to those necessary to give a true and fair view. For example, we identified immaterial disclosures that should be removed relating to EU withdrawal as well as a note on intangible assets which are fully written down.</p>	<p>NHS Shetland should have a streamlining project going forward which will include cutting out lines and notes that are not relevant and reducing the narrative to the accounts.</p> <p>Recommendation 3 (refer Appendix 1, action plan)</p>

There were two misstatements identified and these have been corrected within the audited financial statements

16. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

17. Two misstatements totalling £1.1 million were identified in the unaudited accounts during our audit testing. Capital expenditure of £1 million on assets under construction was incorrectly recognised as assets brought into use at the year-end. Secondly an asset held for sale, valued at £0.1 million, was incorrectly recognised as an operational asset.

18. We considered whether further audit procedures were required and reviewed the nature and causes of these misstatements. We have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. Revised audit procedures were unnecessary.

19. All misstatements above our reporting threshold have been adjusted for in the audited accounts, along with a number of presentation and disclosure issues.

20. There were no unadjusted misstatements.

Reasonable progress was made on prior year recommendations

21. There were 9 audit recommendations identified by Deloitte, NHS Shetland's previous external auditor. Our follow-up review identified that 5 have been completed. For actions not yet implemented, revised responses and timescales have been agreed with management and are set out in [Appendix 1](#).

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

NHS Shetland operated within its revised Revenue Resource Limit

The IJB required additional year-end funding of £3.1 million to breakeven

NHS Shetland has effective budgeting and financial control arrangements in place however minor improvements could be made to strengthen key controls

NHS Shetland operated within its Revenue Resource Limit (RRL) of £81.26 million

22. The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements. In each year, NHS Boards have 1% flexibility on their annual resource budget to allow scope to marginally under or over-spend.

23. [Exhibit 4](#) shows that the NHS Shetland operated within its limits during 2022/23.

Exhibit 4 Performance against resource limits in 2022/23

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	78.45	78.38	0.07
Non-core revenue resource limit	2.8	2.8	0
Total revenue resource limit	81.26	81.19	0.07
Core capital resource limit	1.68	1.68	0
Non-core capital resource limit	0	0	0
Total capital resource limit	1.68	1.68	0
Cash requirement	89.71	89.71	0

Source: NHS Shetland Annual Report and Accounts 2022/23

The IJB required additional year-end funding of £3.1 million to breakeven

24. Shetland Integration Joint Board (IJB) required additional year-end funding from NHS Shetland of £3.1 million to breakeven. This was provided on a non-recurring basis.

Budget processes were appropriate

25. Budget monitoring processes were reviewed during our interim controls work. The monthly process is generally robust with a noted exception around frequency of meetings between some budget holders and finance staff, as documented in [Exhibit 5](#) of this report.

26. In July 2022 NHS Shetland reported forecast overspends of £ 2 million, this increased to £3.2 million during the remaining six months of the financial year, however the final outturn was a surplus of £300,000. This was achieved primarily through increased Scottish Government funding. This comprised increases of £1.9m in revenue resource limit and £0.8m in AME depreciation funding. The remainder was achieved through efficiency savings discussed below.

Efficiency savings of £ 4.1 million were achieved with £1.2 million (30 per cent) on a recurring basis.

27. The financial plan for 2022/23 was approved by the Board on 15 February 2022 and identified an overall savings target of £ 3.1 million. The plans for achieving this level of savings were not defined until October 2022. NHS Shetland reported delivery of £2.6 million savings by the end of February 2023 and a further £1.5 million by the end of March 2023. Of this total, £ 1.2 million were of a recurring nature (30 per cent) and £ 2.9 million non-recurring.

Capital investment reduced by 50 per cent in 2022/23

28. Within the Accounts, Note 7c shows that capital expenditure has fallen from the prior year with gross capital expenditure in 2022/23 of £1.6 million compared to £3.2 million in 2021/22.

29. The level of capital investment in 2022/23 represents 4.3 per cent of the value of property plant and equipment and other right of use and intangible assets at 31 March 2023 (of £36.9 million)

NHS Shetland has financial control arrangements however minor improvements could be made to strengthen controls

30. Audit Scotland's Code of Audit Practice requires us to assess the systems of internal financial control put in place by management.

31. Our work identified weaknesses in the identified controls as listed in [Exhibit 5](#). We have summarised the impact on our audit process and in [Appendix 1](#) we request management responses to address the identified weaknesses.

32. Overall, we conclude NHS Shetland has financial control arrangements in place however improvements could be made to strengthen controls.

33. We did not identify any internal control weaknesses which affected NHS Shetland's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

Exhibit 5

Key findings from review of key controls

Audit finding	Additional audit procedures and recommendation
<p>1. Capital – single user dependency</p> <p>There is currently only one user on the RAM system for capital, with experience in its use, which leads to a single person dependency.</p> <p>There is a risk that if the individual were absent from work for any period of time there would be no-one with access to update the asset register.</p>	<p>There should be additional users added to RAM and trained to provide contingency cover.</p> <p>Recommendation 4 (refer Appendix 1, action plan)</p> <p>Additional audit procedures were not considered necessary to address this weakness</p>
<p>2. Capital validation checks</p> <p>Variance sense checks are completed on land and building valuations, and across similar assets to validate any significant movements, but this is not evidenced.</p> <p>There is a risk that officers are unable to demonstrate they have investigated any significant variances.</p>	<p>A checklist should be put in place to evidence the checks completed.</p> <p>Recommendation 5 (refer Appendix 1, action plan)</p> <p>We performed a review of the valuer and compared the information in their report against NHS Shetland's systems to confirm the information matched.</p>
<p>3. PoP Accruals – exception reporting checks</p> <p>Current checks and investigation evidence for accounts payables (three-way mismatch between invoice, Purchase Order and Goods Received Note) are incomplete.</p>	<p>Exception reporting over POP accruals listings should be completed and a review evidenced.</p> <p>Recommendation 6 (refer Appendix 1, action plan)</p>

There is a risk that accruals based on unmatched deliveries becomes incorrect due to aged balances which have been paid.

We reviewed a sample of POP accruals listings at the year end to ensure that these were valid: that the goods/ services had been received by 31 March 2023 and a payment had not been made until after the year end. We identified two accruals of £113,426 from sample of £436,471 (26 per cent) that were 9-12 months old, with goods and services received in the first quarter of 2022/23 but remaining un-invoiced at 31 March 2023. We considered these to be valid, but believe that a regular review of POP accruals should be introduced

4. Minuting of estates budget review meetings

The estate budget monitoring meeting (Revenue and capital planning group) is due to meet around 6 times per year. Officers noted that 6 meetings were held during 2022/23, however the latter 2 meetings were not formally minuted, as business was limited to order of reviews. A lack of formal meeting minutes limits NHS Shetland's ability to demonstrate appropriate scrutiny of budget performance with this department.

It is recommended that formal minutes are produced for all meetings, to ensure that NHS Shetland can demonstrate adequate scrutiny of budgets.

Recommendation 7

(refer [Appendix 1](#), action plan)

Additional audit procedures were not considered necessary to address this weakness.

Source: Audit Scotland

There were control assurance issues with providers of key financial systems

34. A part of our overall audit approach we rely on assurances from key service providers. This includes:

- NHS National Services Scotland (NSS) provision of primary care payments and the national IT contract; and
- NHS Ayrshire & Arran provision of the National Single Instance eFinancials service.
- NHS Tayside uprating of annual pay awards in the E-payroll system hosted by NHS National Services Scotland

35. We considered the evidence from service auditor's assurance reports and other auditor assurances for 2022/23 and identified three issues which are detailed below.

- **The National Single Instance eFinancials service report.** The service auditor reported that “the eFinancials system was updated from version 5 to version 6 between Friday 20th and Monday 23rd January 2023, issues have emerged when the system went live and multiple users were accessing the system concurrently. Following the migration to eFin v6, the system became unstable when a number of users access DBCapture concurrently... (with).. significant disruption to accounts payable service and as a result there had been delays in paying suppliers and document images are not saved into the Finance System when invoices are paid through this method. The level of disruption experienced has varied across Boards, partly due to when the decision was taken locally to revert to paying invoices manually”. **At NHS Shetland this did cause issues as reported in the Governance Statement. As it represented a risk of material misstatement, we planned and performed additional audit procedures to review creditors to ensure these were valid.**
- **The National Single Instance eFinancials service report.** The service auditor acknowledged a gap in the current service audit arrangements at the body. “Atos provides national IT services to the NHS in Scotland and hosts the servers upon which the financial ledger sits. Therefore, IT general controls, controls over the server, backup of financial ledger data and disaster recovery arrangements are outside the scope of the service report”. NHS NSS confirmed that specific assurance for general IT controls relates to payroll and practitioner services and not to the general ledger. **This issue did not lead to an audit risk for the 2022/23 accounts, however we view this as a Scotland-wide governance issue which the wider NHS is seeking to resolve.**
- **NHS Grampian payroll services.** These are provided to NHS Shetland under a service level agreement (SLA), which has not been reviewed for a number of years. Under the SLA, NHS Grampian should provide an annual assurance report on performance against the SLA, however this has not been produced since 2019. This has limited NHS Shetland’s oversight of the SLA delivery. **We undertook additional audit work to establish local controls over payroll expenditure and adopted an approach to substantively testing staff costs. No significant issues were identified.**

Recommendation 8

The annual assurance arrangements for the payroll services provided by NHS Grampian should be re-introduced.

Standards of conduct for prevention and detection of fraud and error are appropriate

36. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

37. Our conclusion is that NHS Shetland has adequate arrangements in place to prevent and detect fraud or other irregularities. This is based on our review of:

- control arrangements
- overall policies and procedures
- Counter Fraud Service Reports
- post payment verification reporting
- the national fraud initiative; and
- internal audit reports.

38. Throughout the year NHS Shetland has been involved in the National Fraud Initiative (NFI) process. To date, they have reviewed all matches in line with the agreed timetable with no instances of fraud identified. Two processing errors were identified which resulted in overpayments of £4,634, which NHS Shetland is seeking to recover.

3. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Core revenue funding to NHS Shetland has decreased from last year in real terms by 11.8 per cent to £78.5 million.

NHS Shetland has prepared a medium-term financial forecast, which identifies a recurrent financial gap of £3.1 million for 2023/24. Detailed plans to bridge this have not been identified.

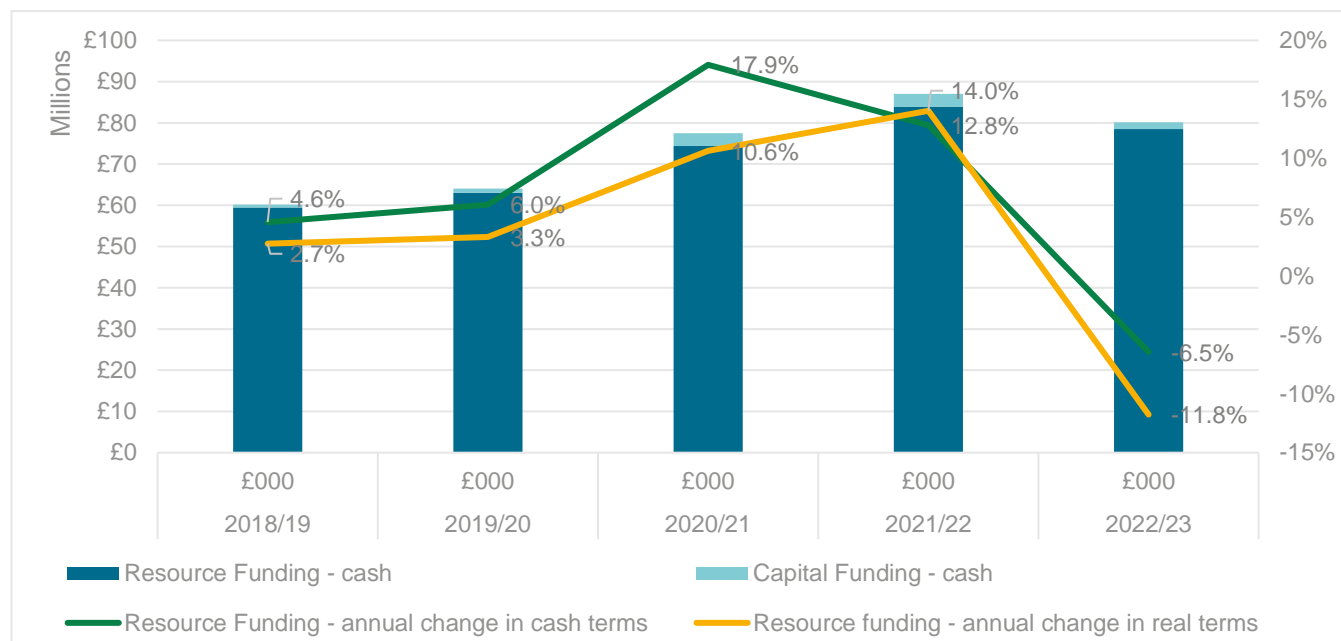
Transformational plans exist to increase service provision on the islands, but significant staffing challenges remain.

Core revenue funding to NHS Shetland has decreased from last year in real terms by 11.8 per cent

39. As highlighted in Audit Scotland's [NHS in Scotland 2022](#) report, the financial position is concerning across the health sector. Revenue funding to NHS Shetland (£78.5 million) reduced in cash terms by 6.5 per cent and in real terms by 11.8 per cent as shown in [Exhibit 5](#), compared to last year. The previous two years (2020/21 and 2021/22) included significant amounts of Covid-19 funding. The real terms funding in 2022/23 is 11.3 per cent higher than 3 years ago (pre-Covid).

Exhibit 5

Core revenue funding to NHS Shetland has decreased from last year in real terms by 11.8 per cent



Source: NHS Shetland accounts/ [GDP deflator at March 2023](#)

40. A range of financial pressures are presenting a significant challenge for all health boards. These include inflation, rising energy costs and pay pressures.

Staff recruitment difficulties are leading to higher agency/locum costs

41. NHS Shetland has identified issues with staff recruitment and retention which has contributed to a reduction in core staff costs of £2.5 million between 2021/22 and 2022/23. However, this is requiring NHS Shetland to use agency and locum staff to maintain services. In 2022/23 they spent £8.1 million on agency staff (£9.5 million in 2021/22). This point is discussed further in paragraph 45.

NHS Shetland has prepared a medium-term financial forecast

42. NHS Shetland's 2023/24-2025/26 financial plan was presented to the Board in March 2023, and is set to be approved in June 2023. The forecast includes an estimation of inflationary uplifts including pay, utilities and external provider costs. It also considers the impact of known commitments made by NHS Shetland over the three-year period.

43. This has been used to estimate the additional financial gap which must be addressed each year. The financial plan forms part of NHS Shetland's reporting requirement to Scottish Government and is updated annually. The Scottish Government has acknowledged receipt of the initial plan and has requested

additional review of proposed recurrent savings and a new sustainable workforce plan prior to final submission 30 June 2023.

The current forecast identifies a recurrent financial gap of £3.1 million for 2023/24. Detailed plans to bridge this have not been identified

44. Based on the current allocations announced by the Scottish Government, NHS Shetland is forecasting to overspend in 2023/24. NHS Shetland has yet to identify planned actions to address these budget pressures, with limited progress made on detailed savings plans.

45. NHS Shetland is struggling to identify and deliver on recurring savings, which poses a risk to future financial sustainability. This may require brokerage or financial flexibility to balance the budget in the medium term.

Transformational plans exist to increase service provision on the islands, but significant staffing challenges remain

46. NHS Shetland is working to increase the capacity for service provision on the islands. This will reduce the need for patients being sent to the mainland for specialist testing and treatment and the travel cost associated with this. This has included installation of an upgraded CT scanner in 2021/22 and the planned future installation of an MRI scanner to replace the existing mobile scanner service, which will provide year-round service on the islands.

47. NHS Shetland has identified sustainable recruitment and retention of staff as a key risk to services. Staff turnover has almost doubled and is now close to the average across Scotland. Difficulties in recruiting staff is causing a continued reliance on locum and agency staff to provide routine services. This is causing excessive costs and must be addressed as part of transformational planning.

48. Some plans are in place to address staff recruitment, including continued presence on online recruitment portals and implementation of a new GP bank staff service, which is shared by 7 health boards in Scotland. However, nationwide recruitment issues are faced by NHS bodies in Scotland.

4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Overall governance arrangements are appropriate and effective, but the IT strategy and disaster recovery plan are out of date and control over policy documents is inadequate

Climate change arrangements are progressing to reach net zero

Overall governance arrangements are appropriate and effective

49. NHS Shetland's governance arrangements have been set out in the Governance Statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate and effective.

50. Papers and minutes for Boards and Audit Committee meetings, including financial and performance information are available on NHS Shetland's website. Scrutiny arrangements are working well in NHS Shetland and all members of committees participate.

51. The new Financial and Performance Committee which has been set up is a positive step forward to address several financial sustainability issues identified by the predecessor auditor and will give good oversight on financial and non-financial targets.

The IT strategy and disaster recovery plan are out of date

52. NHS Shetland has not updated its IT strategic plan since 2013. A new IT strategy is in production and external consultants are providing a review of potential efficiency savings projects. NHS Shetland's disaster recovery plan has not been updated and was raised as an issue as part of the prior year's internal audit work.

Recommendation 9

The IT strategy and disaster recovery plan should be updated.

NHS Shetland policies are not adequately controlled/ reviewed

53. A policy register exists however it has not been fully maintained and refreshed by NHS Shetland. There is no clear programme for updating policies. This has led to some policies not being reassessed within their review timescales. We understand work has started to address this issue.

Recommendation 10

NHS Shetland should ensure more robust management of the policies register to ensure review are conducted on a timely basis.

Climate change arrangements are progressing to reach net zero

54. The Scottish Government has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

55. NHS Shetland was one of three NHS bodies selected as part of an NHS Scotland pilot to produce a roadmap for net zero emissions by 2045, which was produced in March 2021. NHS Shetland is now redesigning some aspects, however the general approach and plan in this roadmap is to reach net zero. The main focus of activity is around:

- £110 million investment in the Gilbert Bain to address major emission sources in existing building and plant
- Replacement of fossil fuel heating systems across properties
- Divestment in use of heavy oil fuel in district heating to ensure zero carbon network
- Introduction of low carbon fleet vehicles
- Collaborative working with Shetland Islands Council on an EV strategy for other grey fleet.

56. The source data of reported carbon emissions is readily available online on the NHS Shetland website. The Board regularly discusses performance and actions.

57. NHS Shetland has included all required disclosures regarding sustainability within the financial statements.

5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

NHS Shetland has appropriate arrangements for performance monitoring and for performance reporting, with over one third of measures on target

Waiting times have got worse, but in other areas NHS Shetland has maintained performance above the Scottish average.

NHS Shetland has remobilisation plans and is achieving a key measure to minimise off-islands travel

There is an appropriate and effective best value framework, but an annual report on Best Value should be completed

NHS Shetland has appropriate arrangements for performance monitoring and for performance reporting

58. Performance reports have been considered by the Board on a quarterly basis throughout 2022/23. They provide a good level of detail giving both monthly and quarterly figures along-side the target for the year. Prior year comparators are also available to show the progress made on each measure.

Service performance reporting identifies over one third of targets met

59. The 2022/23 annual report and accounts includes a summary of performance against eight key indicators Audit Scotland reported upon before the Covid-19 pandemic in their Annual NHS Scotland report. The Board met three out of eight of these targets and further details are disclosed in the analysis of the clinical key performance statistics in the Performance Report.

60. NHS Shetland notes that there was unusual additional challenges that impacted on performance that were external, including major emergency events such as:

- Internet cable connecting Shetland to the world was damaged affecting services;
- Two significant snow storms, one in December and other in March; and
- Industrial action closing Sumburgh Airport.

Waiting times have got worse, but in other areas NHS Shetland has maintained performance above the Scottish average.

61. [Exhibit 6](#) demonstrates how activity and waiting times have been impacted by Covid-19 and [Exhibit 7](#) provides a comparison of current waiting times compared to prior years.

62. The percentage number of patients waiting is significantly less in NHS Shetland than compared to the Scottish average. Activity data shows a mixed picture, with improvements in numbers scheduled for elective surgery, but with admissions falling over the year and outpatient activity falling in line with the national average. The length of wait data has deteriorated on average across Scotland with NHS Shetland deterioration worse than the average.

63. On the key waiting time standards, cancer treatment waiting times for treatment have got worse and are below the national average with other waiting times improving and better than the national average. However once the decision to treat cancer patients has been made, NHS Shetland has maintained very good performance (100 per cent) against the 31 day target.

64. A&E discharge or treatment times have got worse but remained relatively high and above the Scottish average. So too did Drug and alcohol treatment times. For A&E, NHS Shetland notes that the local performance was the second best in Scotland and that 2022/23 activity is now back to preCovid-19 levels. A&E attendance activity is now 1.1% above 2018/19 levels, the last full year where activity was unaffected by Covid-19.

Exhibit 6

Trends in demand, activity and length of waits

Demand		% change	
		NHS Shetland	NHS Scotland
Number waiting for diagnostic tests	<p>Monthly December 2019 to March 2023</p> <p>195 198</p>	2%	74%
Number of patients waiting for an inpatient or day case admission	<p>Quarterly December 2019 to March 2023</p> <p>256 308</p>	20%	84%
Number of patients waiting for a new outpatient appointment	<p>Quarterly December 2019 to March 2023</p> <p>705 1,126</p>	60%	70%
Activity		% change	
		NHS Shetland	NHS Scotland
Number of scheduled elective operations in theatre system	<p>Monthly December 2019 to March 2023</p> <p>119 191</p>	61%	-11%
Number of inpatient and day case admissions	<p>Quarterly December 2019 to March 2023</p> <p>275 191</p>	-31%	-17%
Number of new outpatient appointments	<p>Quarterly December 2019 to March 2023</p> <p>1,286 1,122</p>	-13%	-13%
Length of waits		% change	
		NHS Shetland	NHS Scotland
Number waiting longer than 6 weeks for diagnostic tests	<p>Monthly December 2019 to March 2023</p> <p>8 32</p>	300%	308%
Number of patients waiting longer than 12 weeks for an inpatient or day case admission	<p>Quarterly December 2019 to March 2023</p> <p>23 117</p>	409%	284%
Number of patients waiting longer than 12 weeks for a new outpatient appointment	<p>Quarterly December 2019 to March 2023</p> <p>61 358</p>	487%	235%

Source: [Public Health Scotland](#)

Exhibit 7**Performance against key waiting time standards**

Target/standard	2020/21	2021/22	2022/23	NHS Scotland March 2023
Cancer 62 Day RTT Proportion of patients that started treatment within 62 days of referral	94.9%	86.5%	68.1%	71.7% ¹
Cancer 31 Days RTT Proportion of patients starting treatment in 31 days of decision to treat.	100%	100%	100%	94.7% ¹
18 Weeks RTT Proportion of patients that started treatment in 18 weeks of referral	83.6%	82.6%	87.3%	67.1%
Patient Treatment Time Guarantee Proportion of inpatients/ day case that were seen within 12 weeks	58.8%	62.9%	76.4%	57.7%
Outpatients waiting less than 12 weeks Proportion of patients on the waiting list who have been waiting less than 12 weeks since referral	78.9%	81.0%	77.2%	66.3%
A & E attendees Proportion of A & E attendees who were admitted, transferred, or discharged within 4 hrs	98.1%	97.6%	91.8%	62.7%
Drug and Alcohol 21 days Proportion of drug and alcohol patients that started treatment within 21 days	100%	91.7%	95.6%	81.1% ¹

Note. 1: As the validated March 2023 data is not yet available for these measures, the December 2022 validated data has been used.

Source: [Public Health Scotland](#)

NHS Shetland has remobilisation plans and is achieving a key measure to minimise off-islands travel

65. The Scottish Government requested NHS boards to produce and regularly revise plans outlining plans for the delivery of health services. The latest plan

for NHS Shetland was formally approved by the Scottish Government on 22 September 2022.

66. NHS Shetland has focussed on addressing the significant continuing issues arising from the Covid-19 pandemic. These key objectives are to:

- Continue to improve and protect the health of the people of Shetland;
- Provide quality, effective and safe services, delivered in the most appropriate setting for the patient;
- Redesign services where appropriate, in partnership, to ensure a modern sustainable local health service;
- Provide best value for resources and deliver financial balance; and
- Ensure sufficient organisational capacity and resilience.

67. The re-mobilisation and re-design of services has been undertaken and one key measure is to minimise the need for travelling off the islands for healthcare services. A mobile MRI scanner is in place and is planned to be replaced by a permanent public funded MRI scanner at the Gilbert Bain. The opening date for the service will be in 2024.

There is an appropriate and effective best value framework, but an annual report on Best Value should be completed

68. [*Ministerial guidance to Accountable Officers*](#) for public bodies and the [*Scottish Public Finance Manual*](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

69. NHS Shetland has a clear framework for Best Value which shows the sources of evidence being presented to board members to provide assurance over how they are achieving Best Value. Work is also being performed by the new finance and performance committee to improve this framework. However, at present the information provided is often only implicitly linked to Best Value, and due to the number of different sources being received throughout the year, this may make it difficult for Board members to have sufficient oversight on how the Board is performing against its requirements as a whole.

Recommendation 11

Implement an annual Best Value report to allow the Board to make informed conclusions on Best Value.

Appendix 1. Action plan

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Capitalisation of expenditure items</p> <p>We identified an issue with a CT scanner capitalised in 2021/22 including £108,000 of expenditure which should not have been capitalised as it related to a rental of a temporary scanner. This occurred due to ineffective communication between the estates team and the finance team as a full breakdown on the capitalised elements was not provided to finance until after capitalisation had occurred.</p> <p>Risk – There is a risk that expenditure is being incorrectly capitalised due to ineffective communication between estates and finance teams.</p>	<p>All asset addition forms should be provided to finance by year end, with clear and complete information. If necessary, finance should consult with the submitting departments to clarify the nature of expenditure. This will ensure only allowable expenditure is capitalised.</p> <p>Paragraph 15.</p>	<p>Capital orders to be routed to Head of Finance for review and pre-approval.</p> <p>With greater oversight Finance can ensure Asset Addition Forms are received in a timely manner.</p> <p>Procedure for Asset Addition Forms will be reviewed with clear deadlines set for the relevant officers to submit.</p> <p>Register held on dedicated share Teams channel for capital will allow identification transparently in respect of outstanding addition forms.</p> <p>Responsible officer Director of Finance</p> <p>Agreed date March 2024</p>
<p>2. Asset useful lives</p> <p>The valuers report and the RAM system recorded differing useful asset lives. This was caused as some prior year updates had not been processed by NHS Shetland alongside other miscommunications between the finance team and the valuer. There is no monetary impact in 2022/23. This issue should be rectified for future</p>	<p>The useful lives should be reviewed and updated in line with the valuers report.</p> <p>Paragraph 15.</p>	<p>RAM to be updated by August 2023.</p> <p>Asset Lives will be reviewed and updated at each valuation report</p> <p>Responsible officer Director of Finance</p> <p>Agreed date August 2023</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>years, particularly as depreciation will be incorrect going forward.</p> <p>Risk – The useful lives are incorrectly recorded and therefore incorrect depreciation is charged.</p>		
<p>3. Streamlining project</p> <p>NHS Shetland’s annual report and accounts is considered too long and included immaterial disclosures.</p>	<p>NHS Shetland should have a streamlining project going forward which will include cutting out lines and notes that are not relevant and reducing the narrative to the accounts.</p> <p>Paragraph 15.</p>	<p>A short life working group for internal review of this year’s report and will consider the feedback received from Board members. After other Boards’ accounts for 2022-23 are available short life working group can review these for comparison.</p> <p>The out-put of this review will be reflected in the next report issued in May 2024.</p> <p>Responsible officer Director of Finance</p> <p>Agreed date May 2024</p>
<p>4. Capital – single user dependency</p> <p>There is currently only one user on the RAM system for capital, which leads to a single person dependency.</p> <p>Risk - RAM may be left for periods of time without being updated should the individual be absent from work for any period of time there would be no-one with access to update the asset register.</p>	<p>There should be additional users added to RAM and trained to provide contingency cover.</p> <p>Paragraph 31.</p>	<p>Additional user will be identified and undertake the appropriate training for the system with the aim of this individual becoming the primary user and the Head of Finance being the cover.</p> <p>Responsible officer Director of Finance</p> <p>Agreed date August 2023</p>
<p>5. Capital validation checks</p> <p>Variance sense checks are completed on land and buildings, and across similar assets to validate any significant movements.</p>	<p>A checklist should be put in place to evidence the checks completed on capital revaluations.</p> <p>Paragraph 31.</p>	<p>Documented procedure to be implemented for all future valuation reports.</p> <p>Responsible officer Director of Finance</p> <p>Agreed date August 2023</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Although completed on a regular basis, this is not evidenced.</p> <p>6. PoP Accruals – exception reporting checks</p> <p>Current exception checks for accounts payables (3 way mismatch between invoice, Purchase Order and Goods Received Note) are incomplete.</p> <p>There is a risk that exceptions are not being followed up in a timely manner.</p>	<p>Exception reporting over POP accruals listings should be completed and a review evidenced.</p> <p>Paragraph 31.</p>	<p>POP accrual is currently reviewed monthly. Process will be put in place to complete the loop to allow the evidencing of the close-off of items that are removed from the PoP accrual. Implementation may require further PECOS training for users.</p> <p>Responsible officer Director of Finance</p> <p>Agreed date 30 September 2023</p>
<p>7. Minuting of estates budget review meetings</p> <p>The estate budget monitoring meeting (Revenue and capital planning group) is due to meet around 6 times per year. Officers noted that 6 meetings were held during 2022/23, however the latter 2 meetings were not formally minuted, as business was limited to order of reviews. A lack of formal meeting minutes limits NHS Shetland's ability to demonstrate appropriate scrutiny of budget performance with this department.</p>	<p>It is recommended that formal minutes are produced for all budget review meetings to ensure that NHS Shetland can demonstrate adequate scrutiny of budgets.</p> <p>Paragraph 31.</p>	<p>Summaries of action points and plans will be created by Management Accounts and shared with budget holders to evidence key issues and actions to be completed.</p> <p>Responsible officer Director of Finance</p> <p>Agreed date 30 September 2023</p>
<p>8. Payroll services provided by NHS Grampian</p> <p>These are provided to NHS Shetland under a service level agreement (SLA), which has not been reviewed for a number of years. Under the SLA, NHS Grampian should provide an annual assurance report on performance</p>	<p>The annual assurance arrangements for the payroll services provided by NHS Grampian should be re-introduced.</p> <p>Paragraph 31.</p>	<p>Review meetings will be re-established with NHS Grampian to manage issues during the year. In April 2024 an annual assurance report will be obtained from NHS Grampian.</p> <p>Responsible officer Director of Finance</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>against the SLA, however this has not been produced since 2019. This has limited NHS Shetland's oversight of the SLA delivery.</p>		<p>Agreed date April 2024</p>
<p>9. IT strategy and disaster recovery plan NHS Shetland has not updated its IT strategic plan since 2013. A new IT strategy is in production and external consultants are providing a review of potential efficiency savings projects. NHS Shetland's disaster recovery plan has not been updated and was raised as an issue as part of the prior year's internal audit work.</p>	<p>The IT strategy and disaster recovery plans should be updated. Paragraph 31.</p>	<p>NHS Shetland IT strategy and disaster recovery plans will follow the appropriate review and committee cycles to ensure proper scrutiny with the target that the Board's Finance and Performance Committee is asked to review and approve this at the November 2023 meeting.</p> <p>Responsible officer Director of Human Resources</p> <p>Agreed date 30 November 2023</p>
<p>10. Review of policies A policy register exists however it has not been fully maintained and refreshed by NHS Shetland. There is no clear programme for updating policies. This has led to some policies not being reassessed within their review timescales. We understand work has started to address this issue.</p>	<p>NHS Shetland should ensure more robust management of the policies register to ensure reviews are conducted on a timely basis. Paragraph 31.</p>	<p>The Board's position in respect of policy status will be made more transparent and will be included within the information governance update to the Finance and Performance Committee (FPC) from September 2023. Executive Directors will be responsible for ensuring their direct reports are managing timely and effective review of policies, to ensure they are kept up to date to reflect all relevant guidance and issues. The outstanding list will require to be prioritised and individual time frames set on a policy-by-policy basis.</p> <p>Responsible officer Chief Executive</p> <p>Agreed date 30 September 2023</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>11. Best Value framework</p> <p>NHS Shetland has a clear framework for Best Value which shows the sources of evidence being presented to board members to provide assurance over how they are achieving Best Value. However, at present the information provided is often implicitly linked to Best Value, and due to the number of different sources being received throughout the year, may make it difficult for Board members to have sufficient oversight on how the Board is performing against its requirements as a whole.</p>	<p>NHS Shetland should implement an annual Best Value report to allow the Board to make informed conclusions on the performance of their duties under the requirements of Best Value</p> <p>Paragraph 31.</p>	<p>Review the elements of Best Value and discussion with lead officers to develop a plan with the aim of annual report going to the April Board meeting or agreed Governance Committee each year for review and sign off.</p> <p>The current best value source guide will be updated to reflect revised Governance committees and any other changes that are required.</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: 30 April 2024</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Management expert</p>	<p>Management should introduce a process to challenge information provided by Management's experts to ensure that it meets their requirements and is compliant with the FReM</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: March 2023</p>	<p>Complete</p> <p>External management consultants are normally engaged by EMT and report reviewed and considered by them before use. Head of Finance also sense check the valuation report from Gerald Eve and request amendments as appropriate.</p> <p>Based on our audit work, we suggested an improvement to this process – see Exhibit 5 and recommendation no.5 above.</p>
<p>b/f 2. Review of accruals</p>	<p>Management should review the accruals that date back a number of years to determine that they remain ongoing liabilities and settle the final payments.</p>	<p>Complete</p> <p>Previous auditors were advised the standard liability to a claim under the two issues would expire in 2022/23. No claim was lodged in respect of either issue and the relevant accrual and provisions in relation to these two issues were reversed back out of</p>

Issue/risk	Recommendation	Agreed management action/timing
	<p>Responsible officer: Director of Finance</p> <p>Agreed date: December 2022</p>	<p>the balance sheet and in to the I&E in 2022/23.</p> <p>The review of both debtors and creditors occurs as part of the business cycle and annual account working paper checked.</p> <p>Through our audit work we confirmed the old accruals were written off and included in the non-recurring savings in 2022/23.</p>
<p>b/f 3. Financial sustainability budget setting</p>	<p>Board members should have earlier input into the budget setting process (for example, discussion and challenge on proposed savings and links between the proposals and the Board's priorities).</p> <p>Responsible officer: Director of Workforce</p> <p>Agreed date: March 2023</p>	<p>Complete</p> <p>The Board during 2022-23 created a Finance and Performance Committee, (FPC). That committee terms of reference on behalf of the Board has oversight and assurance remit in respect of all aspects of planning including the Financial Plan and the Annual Operating Plan.</p> <p>The Board's Financial plan for 2023-24 went to the Board in February and April for review and comment. The FPC reviewed the Board's Financial plan for 2023-24 in February and May. The Annual Operating Plan (AOP) is out of sync in 2023-24 with the financial plan. The AOP though was at the May meeting of FPC.</p> <p>Through our audit work we confirmed the FPC was established and reviewed the committee's papers as part of our ongoing review – no issues were identified.</p>
<p>b/f 4 Financial sustainability - medium term planning</p>	<p>The Board should incorporate scenario planning into its medium term planning to highlight the impact on changes in assumptions to allow the Board see a "best case" and "worst case" scenarios to allow it to then plan accordingly.</p> <p>Responsible officer: Board Secretary</p> <p>Agreed date: March 2023</p>	<p>Complete</p> <p>As NHS Scotland has moved back to a three year planning cycle, the financial plan for 2023-24 to 2025-26 that went to the Board in February and April and FPC in February has two model. Traditional and minimum growth. At the April 2023 Board meeting decision was made to progress only the minimum growth model for consideration at June 2023.</p> <p>Through our audit work we confirmed the traditional and minimum growth models were presented to FPC.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 5. Financial Sustainability: Transformational change</p>	<p>NHS Shetland needs to put appropriate infrastructure in place to deliver the required transformational change. This needs to include a dedicated officer who is primarily responsible for driving transformational change and ensuring a consistent approach is taken across the organisation. The Transformational Change Board needs to work with wider stakeholders to identify areas of real transformational change which can be progressed, including consideration of alternative service delivery models. It is imperative that transformational change is driven from the top, with the Chair and the Chief Executive giving it the clear priority and associated resources that it deserves.</p>	<p>In Progress</p> <p>The PMO role and remit is under review following staff changes in the team during 2022/23. The review is following the principles of quality management review to learn lessons and adapt our approach to taking forward transformational change forward in partnership with the IJB, the local community and other stakeholders.</p> <p>Revised action</p> <p>Taking account of the recommendations from the CGI and local discussions held with Executive Management Team and Senior Management Team, a solution that meets local needs on a sustainable basis will be created through either a PMO or alternate local solution. This will focus on delivering the actions required in a timely manner to redesign services and ensure best value in use of resources.</p> <p>Responsible officer: Chief Executive Revised date: 30 September 2023</p>
<p>b/f 6. Financial sustainability savings plans</p>	<p>NHS Shetland needs to develop detailed savings plans to address identified funding gaps. The approach to savings needs to be made more robust, as opposed to the 'salami slice' approach currently adopted, with additional efforts made to move away from reliance on non recurring savings. Where savings cannot be identified, management and the Board need to work together to identify alternative methods of</p>	<p>In Progress</p> <p>The Board has never used a "salami slice" approach as budgets were never unilaterally top sliced.</p> <p>Instead of allocating a share of the savings targets to individual directorates to take forward with local schemes, the savings target has been held centrally for the last two years.</p> <p>Work has been on going in respect of developing schemes to derive best value and sustainable services that release funds to address the resource gap.</p> <p>There is a revised governance and process beneath FPC to tackle £4.3m in recurring savings required in the financial plan for</p>

Issue/risk	Recommendation	Agreed management action/timing
	<p>service delivery or changes to service provision which would be required to ensure NHS Shetland can achieve financial balance, accepting that there is a need to balance finances with performance and service delivery.</p>	<p>2023-24 to 2025-26. when including 2022-23 roll forward target of £1.9m the total to identify is £6.1m to be addressed in period. Draft savings plan for 2023-24 identifies 90% of the £2.9m target but only £1.0m of that is currently classified as recurrent.</p> <p>Responsible officer Director of Finance</p> <p>Revised date 31 March 2024</p>
<p>b/f 7. Financial sustainability: Medium term financial planning</p>	<p>NHS Shetland needs to ensure that its Five Year Financial Plan outlines how anticipated spend over the medium term aligns with the key themes on public service reform (prevention, performance, partnership, people) and demonstrates a focus on improving outcomes.</p>	<p>In Progress</p> <p>The Director of Public Health produced annual reports. Has also produced reports on specific issues such as Child Poverty Action plan The public service reforms are part of the AOP and 3 year medium term plans that the planning function sits within Director of Public Health directorate.</p> <p>NHSS reverted to a 3 year financial planning. The 3 year financial plan sets out the overall resource envelope based upon planning assumptions that the Board's resources are constrained to derive a financial over view of the organisation position. Plans to develop and change services arising out of the clinical strategy, Shetland Partnership Plan or Public Health 10 Year strategy would be fed into the development prioritisation process in the budget setting process to determine future direction of expenditure. However the underlying gap at present assumes a minimum growth strategy for the next three years. The Board will consider any development or change to that on a case by case basis. It should also be noted that all developments in public health or change in social attitude are not necessary contingent upon additional expenditure and slight change of focus can produce positive changes.</p> <p>Revised action</p> <p>In respect of 2024/25 planning cycle during 2023-24 the financial planning process for developing the immediate plan and 3 year</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>financial plan will ensure that issues arising from both local and national plans or policies are considered as part of the cycle and prioritise as appropriate within our decisions for allocating resources to meet the multitude of competing prioritise</p> <p>Responsible officer Director of Finance</p> <p>Revised date 31 March 2024</p>
<p>b/f 8. Financial sustainability scenario planning</p>	<p>NHS Shetland needs to prepare clear delivery plans aligned to the Strategic Commissioning Plan and the targets laid out within it, with sufficient resource and infrastructure in place to deliver the plans. As these plans are developed, Board members should be more involved, taking ownership of specific plans to act as 'lead member' of the Board on each plan, helping to provide strategic direction in line with the Strategic Commissioning Plan and keep the Board up to date on progress.</p>	<p>Complete</p> <p>The FPC was established by the Board in June 2022 and began its business cycle in November 2022.</p> <p>Through our audit work we confirmed the FPC was established and reviewed the committee's papers as part of our ongoing review – no issues were identified.</p>
<p>b/f 9. Financial sustainability workforce planning</p>	<p>NHS Shetland needs to further develop its Workforce Planning, ensuring it is future focused, projecting the workforce against estimated changes in demographics and health factors. Accompanying this high level analysis should be detailed plans which outline the expected workforce required, supported by analysis of workforce</p>	<p>In Progress</p> <p>Work force plan published in 2022-23</p> <p>Our workforce plan was submitted to the Scottish Government and published on our website. This though is an on-going issue as sustainable staffing model is crucial to the Board's financial sustainability and a key corporate risk that is being managed to ensure safe service delivery is in place.</p> <p>Revised action:</p> <p>Executive management team will review their own specific sustainable workforce</p>

Issue/risk	Recommendation	Agreed management action/timing
	<p>supply and demand trends. In doing this, NHS Shetland needs to cost the workforce changes needed and improve the accuracy of budgeting for agency spending.</p>	<p>challenges to identify service specific plans to address recruitment and retention issues. Solutions will be subject to internal scrutiny and as appropriate built in to the Board's business planning cycle for prioritisation in Annual Operating Plan and financial plans.</p> <p>Responsible officer Chief Executive</p> <p>Revised date 31 December 2023</p>

NHS Shetland

2022/23 Annual Audit Report

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