

NHS Forth Valley

2017/18 Annual Audit Report



 AUDIT SCOTLAND

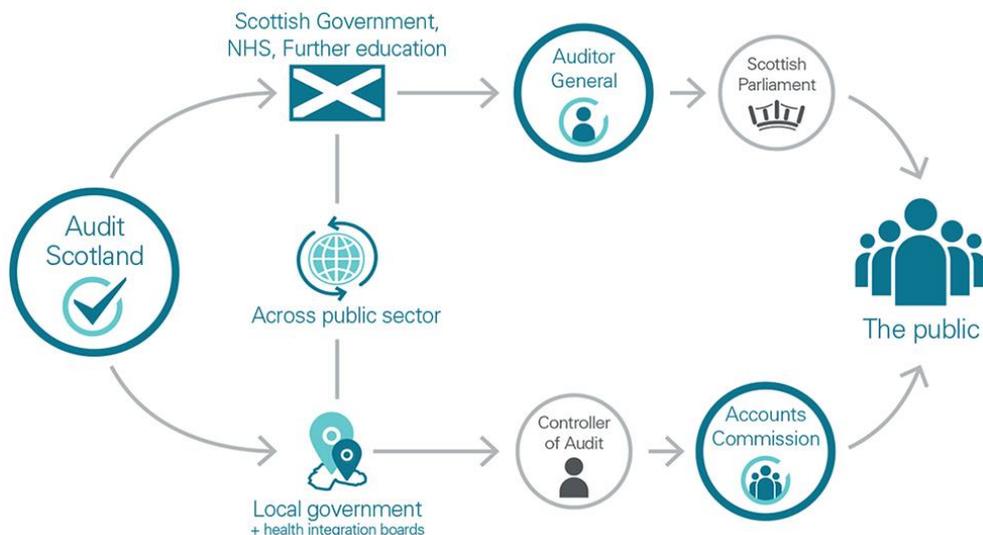
Prepared for the Board of NHS Forth Valley and the Auditor General for Scotland

15 June 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages	4
Introduction	5
Part 1 Audit of 2017/18 annual report and accounts	7
Part 2 Financial management	11
Part 3 Financial sustainability	14
Part 4 Governance and transparency	20
Part 5 Value for money	26
Appendix 1 Action plan 2017/18	31
Appendix 2 Significant audit risks identified during planning	34
Appendix 3 Summary of national performance reports 2017/18	39

Key messages

2017/18 annual report and accounts

- 1 In our opinion: NHS Forth Valley's financial statements give a true and fair view and were properly prepared; expenditure and income was in accordance with applicable enactments and guidance; and the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.

Financial management

- 2 NHS Forth Valley has effective arrangements in place for managing its finances and the use of resources. NHS Forth Valley met all of its financial targets for 2017/18 and achieved an underspend of £1.358 million against its revenue resource limit.

Financial sustainability

- 3 We concluded that NHS Forth Valley has adequate financial management arrangements in place. While the board achieved financial balance in 2017/18 it is facing an extremely challenging position in future. For 2018/19 alone, the financial plan is projecting a funding gap of £1.9 million.
- 4 Efficiency savings will be crucial to maintaining financial balance over the medium term. Savings required in 2018/19 currently stand at £18.4 or 3.7% of non fixed RRL costs. There was substantial reliance on non-recurring savings in 2017/18 and £3.5 million of savings required in 2018/19 have yet to be identified. This would not be not sustainable over the longer term.
- 5 The board have assessed that some £8 to £10 million of the savings plans required to deliver a balanced financial position in 2018/19 are at risk of not being achieved, which could impact on its ability to deliver a balanced financial position.

Governance and transparency

- 6 NHS Forth Valley has appropriate governance arrangements in place that support scrutiny of decisions made by the board. Transparency could be improved by holding all committee meetings in public although recognising that sensitive or confidential items could be dealt with in a private session.

Value for money

- 7 NHS Forth Valley has an effective performance management framework in place which supports continuous improvement. However, the board continues to struggle to meet key national performance targets. Priority has been given to protecting and maintaining services while operating within the board's financial settlement, whose level is not certain in future years.

Introduction

1. This report summarises the findings from our 2017/18 audit of Forth Valley Health Board, commonly known as NHS Forth Valley.

2. The scope of our audit was set out in our Annual Audit Plan presented to the 19 January 2018 meeting of the Audit Committee. This report comprises the findings from:

- an audit of the board's annual report and accounts
- consideration of the wider dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2017/18 have been:

- a review the board's main financial systems
- an audit of the board's 2017/18 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- consideration of the four audit dimensions

4. NHS Forth Valley has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. The board's annual report and accounts includes the following:

- Performance Report
- Accountability Report (which includes the Directors' Report, Governance Statement and Remuneration and Staff Report)
- Financial statements and supporting notes.

5. The board is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

6. Our responsibilities as independent auditor is established by the Public Finance and Accountability (Scotland) Act 2000 and [the Code of Audit Practice \(2016\)](#), and guided by the auditing profession's ethical guidance.

7. As public sector auditors we give independent opinions on the annual report and accounts. We also review and provide conclusions on the effectiveness of the board's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. In doing this, we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

8. This report raises matters from the audit of the annual report and accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

9. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £0.145 million, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

11. Our aim is to add value to NHS Forth Valley by providing insight and foresight on financial sustainability, risk and performance and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the board promote improved standards of governance, better management and decision making and more effective use of resources.

12. This report is addressed to the board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

13. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2017/18 annual report and accounts



Main judgements

NHS Forth Valley's financial statements give a true and fair view and were properly prepared.

Expenditure and income were in accordance with applicable enactments and guidance.

The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.

Audit opinions on the annual report and accounts

14. The annual report and accounts for the year ended 31 March 2018 were approved by the board on 15 June 2018. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- an unqualified opinion on regularity of expenditure and income
- the audited part of the remuneration and staff report performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction
- we have nothing to report in respect of those matters which we are required by the Auditor General to report by exception.

The board's annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Submission of annual report and accounts for audit

15. We received most of the unaudited annual report and accounts on 30 April 2018, in line with our agreed audit timetable. The narrative sections of the annual accounts, such as the accountability report and the performance report were received later than planned although this did not impact on the timely conclusion of the audit.

16. The board's group accounts included the financial results of the Endowment Fund and Integration Joint Board(s) (IJB) within its area. The IJBs annual accounts have yet to be audited, however, we are satisfied that the board had good arrangements in place to agree year end balances between itself and its partners, although these were agreed later than the 30 April statutory deadline. Our audit testing confirmed that the board properly identifies transactions that relate to work commissioned by its IJBs.

17. The working papers provided were of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risks of material misstatement

18. [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed. Also included within the appendix are wider dimension risks.

Materiality

19. Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

20. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). With regards to the annual report and accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

21. On receipt of the annual report and accounts we reviewed our planning materiality calculations. Minor changes were made to the materiality levels we reported in our annual audit plan as reported in [Exhibit 2](#). This had no impact on our audit approach.

Exhibit 2

Materiality values

Materiality level	As stated in our annual audit plan	Amount finally determined
Overall materiality	£6.463 million	£6.585 million
Performance materiality	£3.878 million	£3.951 million
Reporting threshold	£0.065 million	£0.065 million

Source: NHS Forth Valley Annual Audit Plan 2017/18

How we evaluate misstatements

22. It is our responsibility to request that all misstatements in excess of the clearly trivial reporting threshold are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality.

23. There was one significant adjustment to the unaudited financial statements which had an impact on the Board's performance in relation to its core revenue resource limit target. This was in connection with the over accrual set aside for future costs in connection with the bus contract that serves patients travelling to Forth Valley Royal Hospital. This is explained at [exhibit 3](#) below. This had an impact of increasing the reported underspend/saving by £1.021 million.

24. There are no unadjusted errors in excess of the clearly trivial reporting threshold.

Significant findings from the audit in accordance with ISA 260

25. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

26. The findings include our views about significant qualitative aspects of the board's accounting practices including:

- | | |
|---|---|
| • Accounting policies | • Accounting estimates and judgements |
| • Significant financial statements disclosures | • Timing of transactions and the period in which they are recorded |
| • The impact on the financial statements of any uncertainties | • The effect of any unusual transactions on the financial statements |
| • Misstatements in the annual report and accounts | • Disagreement over any accounting treatment or financial statements disclosure |

Exhibit 3

Significant findings from the audit of the financial statements

Finding	Resolution
<p>1. Deferred income overstated</p> <p>Trade and other payables recorded in the Consolidated Statement of Financial Position include a deferred income balance of £1.021 million which is overstated. This relates to the bus service that NHS Forth Valley provides to enable patients to attend Forth Valley Royal Hospital. The board's operating costs are partly offset by core RRL funding and bus ticket sales. However, we noted that while the core Revenue Resource Limit (RRL) funding is correctly credited to income, an element of the bus ticket sales income has been credited to the deferred income account for a number of years. As this expenditure and income should be accounted for in the year it is incurred/received, the deferred income should be written down to £NIL. This means that the reported savings against core RRL for 2017/18 has been understated by £1.021 million.</p>	<p>The accounts have been adjusted to recognise this income in 2017/18 and remove it from the deferred income balance. The core RRL savings have therefore increased by £1.021 million to £1.358 million.</p>
<p>2. General fund deficit</p> <p>The general fund balance, as disclosed in the Consolidated Statement of Changes in Taxpayers Equity, continues to be in debit and increased from £18.894 million at 31 March 2017 to £24.848 million at 31 March 2018. This is due to the increase in non cash expenditure during the year such the CNORIS provision. A significant factor in the board's accumulated deficit is the required accounting treatment for PPP/PFI contracts.</p>	<p>The board have received assurance from the Scottish Government that they are aware of and are content with this position.</p>

Good practice in financial reporting

27. The annual report and accounts reflect good practice as set out in Audit Scotland good practice notes.

Follow up of prior year recommendations

28. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

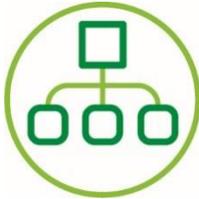
29. In total, four agreed actions were raised in 2016/17. Of these:

- two have been fully implemented
- two are being monitored on an ongoing basis and continue to be relevant.

30. Overall the board has made satisfactory progress in implementing these actions. For those actions not yet implemented, revised responses and timescales have been agreed with management in [Appendix 1](#)

Part 2

Financial management



Main judgements

NHS Forth Valley has effective financial management arrangements in place, including budgetary control, that help Board members scrutinise the board's finances and achieve its financial targets.

NHS Forth Valley had adequate systems of internal control in place during 2017/18 and our testing of the key controls confirmed that they operated effectively.

The board had good arrangements in place to identify and monitor efficiency savings. However, the Board required to rely on a greater than planned level of non-recurring savings in 2017/18 to enable it to break even.

Financial performance in 2017/18

31. NHS Forth Valley, as required by statute, must work within the resource limits and cash requirements set by the Scottish Government Health and Social Care Directorates (SGHSCD) annually. As illustrated in [Exhibit 4](#), the board operated within all limits during 2017/18.

Exhibit 4

Performance against resource limits in 2017/18

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	548.487	547.129	1.358
Non-core revenue resource limit	20.157	20.157	0
Total revenue resource limit	568.644	567.286	1.358
Core capital resource limit	6.324	6.324	0
Non-core capital resource limit	26.215	26.215	0
Total capital resource limit	32.539	32.539	0
Cash requirement	589.010	589.010	0

Source: NHS Forth Valley Annual Report and Accounts 2017/18

Underspend against Revenue Resource Limit (RRL)

32. NHS Forth Valley achieved an underspend of £1.358 million against its 2017/18 total revenue resource limit of £568.644 million. This incorporates £1.380 million and £0.577 million released from the Board's ringfenced budgets to Falkirk IJB and Clackmannanshire & Stirling IJB respectively to enable them to deliver a break-even position. This contribution to residual year end overspends across both Health and Social Care Partnerships is a transitional arrangement for one year only.

Efficiency savings

33. NHS Forth Valley required to make efficiency savings of 5% of non-fixed costs in 2017/18. This is equivalent to a savings target of £24.000 million. This follows a similar levels of savings target requirements to 2016/17, but represents a large increase from the savings requirements in the years prior to 2016/17.

34. 71.8% of savings were achieved on a recurring basis with the remainder on a non-recurring basis (£6.800 million: 28.2%). Recurring savings are savings, that once achieved, recur year-on-year from that date. Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years.

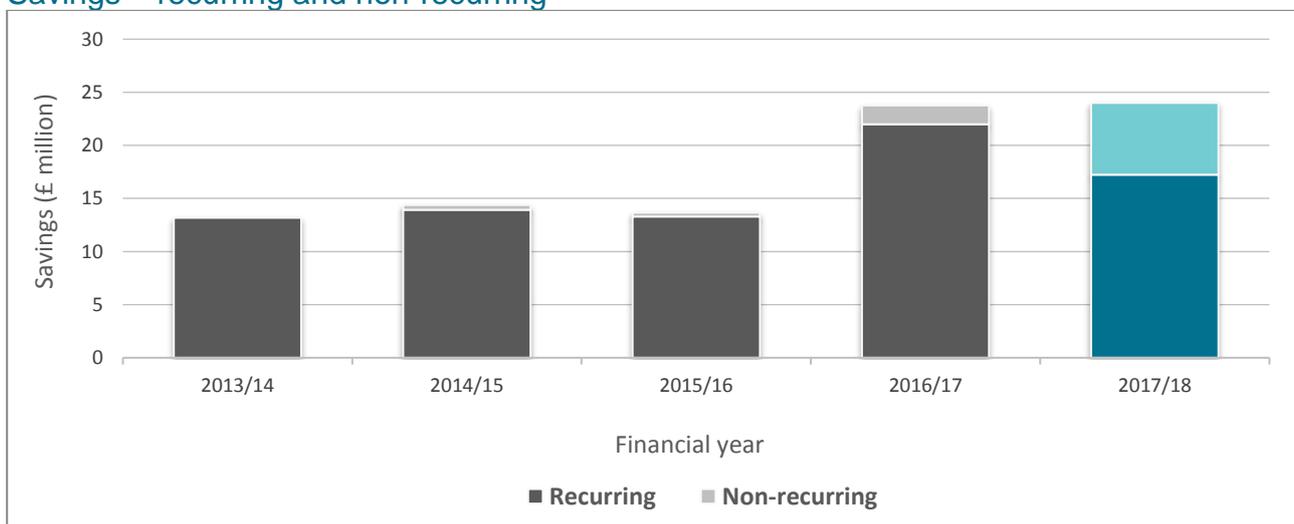
35. This is the second year in succession that NHS Forth Valley has relied on non-recurring savings to achieve its savings target. The proportion of non-recurring savings attained in 2017/18 were higher than any preceding year. This is not sustainable over the longer term and increases the amount of recurring savings required in each future year to enable a break-even position. [Exhibit 5](#) illustrates the extent to which the health board has become reliant on non-recurrent savings in recent years.

36. While progress on the overall efficiency savings is reported in monthly finance reports, these do not provide sufficient detail of progress in relation to each saving agreed when the budget was set. Members have requested that more detailed information regarding the progress of each budgeted savings action is provided. It is intended that more detailed reports of savings are presented to each Performance & Resources Committee from June 2018.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Exhibit 5

Savings – recurring and non-recurring



Capital Allocation

37. NHS Forth Valley received a total capital allocation of £32.539 million in 2017/18. This included £26.215 million of non-core funding for the planned asset capitalisation for costs incurred to 31 March 2018 on Stirling Care Village. An additional £2.316 million of cash was generated from the surplus on sale of assets to give an overall £34.855 million available for capital expenditure. This was fully utilised.

Budgetary processes

38. We reviewed NHS Forth Valley's budgetary processes and budget monitoring arrangements. From our review of budget monitoring reports, review of committee papers and attendance at committees we observed that senior management and members receive regular, timely and up to date financial information on the board's financial position.

39. We concluded that NHS Forth Valley has appropriate budgetary monitoring and control arrangements that allow both members and officers to carry out scrutiny of the board's finances. The proposed increase to the level of detail regarding efficiencies progress should enhance this.

Systems of internal control

40. As part of our audit we identify and inspect the key internal controls in the accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that NHS Forth Valley has sound systems of recording and processing transactions which provide the basis for the preparation of the financial statements.

41. Our findings were included in a management audit report presented to the Audit Committee on 23 March 2018. We concluded that the controls put in place by management are appropriate and operating effectively. No significant internal control weaknesses were identified during the audit which could affect NHS Forth Valley's ability to record, process, summarise and report financial and other relevant data which would result in a material misstatement in the financial statements.

Financial capacity

42. The Director of Finance retired in January 2018, having held this post for over 20 years. The Assistant Director of Finance was appointed to the Director of Finance post from May 2018.

43. Overall, we consider that the Board has suitably qualified and experienced officials leading the board's finance team, and there are sufficient financial skills, capacity and capability within the finance section.

Good practice

44. Finance reports are presented every month to either the Board or the Performance and Resources Committee. These provide an executive summary of financial performance for the period to date, together with a more detailed review of financial performance for each directorate and corporate function for the period to date, together with the projected outturn for the year.

Part 3

Financial sustainability



Main judgements

NHS Forth Valley has appropriate and effective financial planning arrangements in place based on the Local Delivery Plan (and, from 2018/19, the Annual Delivery Plan).

NHS Forth Valley achieved its savings target but required to rely on a high proportion of non-recurring savings. This will increase the risk of not achieving savings targets and maintain financial balance in the medium term.

In the medium to longer term there is considerable uncertainty on the board's financial position due to EU withdrawal and the impact of New Financial Powers on budgets. In the absence of scenario planning or longer term financial modelling the board will find it difficult to manage its finances effectively.

Financial planning

45. The Board approved its first Annual Delivery Plan (for 2018/19) in March 2018. It replaces the Local Delivery Plan (LDP), and has been developed in line with guidance received from the Scottish Government. The Plan is the performance contract between NHS Forth Valley and the Scottish Government and reaffirms the Board's commitment to best health, best care and best value.

46. This links to the priority areas within the Board's health care strategy - 'Shaping the Future' NHS Forth Valley Healthcare Strategy 2016-2021, and The Forth Valley Health Improvement Strategy 2017-2021: A Thriving Forth Valley which was published in 2017. These set out the vision and shape of healthcare services over the next few years.

47. The 2017/18 LDP set out the forecast savings requirement for a three year period, whereas the Annual Delivery Plan sets out the savings requirement for just 2018/19. The Scottish Government will shortly produce its medium term financial framework. The Board aim to produce its medium term financial plans and savings requirements once the national framework is produced. Until then, the Board has financial plans covering one year only but continues to identify potential areas for further savings and efficiency through horizon scanning as it develops its longer term financial plan.

48. It is expected that demand in future years, due to inflationary pressures, demographic change, new technology and new drugs costs will continue to exceed available resources. Strategic financial modelling over a five year basis has been progressed on a West of Scotland basis with regional partners and this aims to identify regional solutions to ensure there is ongoing service provision that is financially sustainable.

49. NHS Forth Valley has forecast that it requires to make efficiency savings of £18.400 million in 2018/19. This is less than the £24.000 million forecast when the 2017/18 LDP was approved which assumed a flat cash budget settlement in

Financial sustainability looks forward to the medium and long term to consider whether the board is planning effectively to continue to deliver its services or the way in which they should be delivered.

2018/19. The 1.5% uplift that all territorial boards subsequently received in 2018/19 (partly offset by amounts required to finance the public sector pay policy) together with additional NRAC funding, contributed to the reduction in the efficiency savings required from that previously reported in the 2017/18 LDP.

50. Challenges remain regarding the board's delivery of several targets outlined within the Annual Delivery Plan. Additional resources are required to meet the aim of returning to waiting times achieved at Mach 2017 by March 2019. The cost of achieving this has been estimated at £7.200 million and is included in the financial plan as both an anticipated funding stream and a cost commitment in 2018/19. However, there has been no formal agreement to cover all of this funding requirement.

New Financial Powers

51. Proposals have been made to amend the Scottish Budget process likely to be introduced for the 2019/20 budget. As the Scottish Government provides NHS Forth Valley with nearly all its annual funding it is dependent on the outcome of these proposals and has little scope to increase its funding from other means.

52. Overall, we concluded that the board is facing an extremely difficult situation in the short term. Rising costs, ending the public sector pay cap combined with small increases in funding and dependency on efficiency savings will make it difficult to achieve financial balance. The 2018/19 budget reflects this and is projecting a deficit of £1.900 million in 2018/19.

Efficiency savings in 2018/19

53. As previously noted, NHS Forth Valley achieved its efficiency savings target in 2017/18, albeit with £6.8 million coming from non-recurring sources. The board requires to achieve efficiency savings £18.400 million in 2018/19, which is equivalent of 3.7% of recurring baseline RRL in 2018/19. To date, savings options of £14.9 million have been identified and are currently being assessed. These are categorised as red, amber, or green in accordance with the risk or additional work required to achieve the projected savings. The remaining £3.5 million (19.0%) still require to be identified. Based on the current status of the assessed savings plans, it is estimated that there is a financial risk of between £8 million and £10 million for 2018/19.



Recommendation 1

The board should ensure that savings plans are developed identifying how the £3.5 million of unidentified savings in 2018/19 will be achieved, and determining the extent to which those assessed as amber or red can be attained.

54. The Annual Delivery Plan does not set out the savings requirement beyond 2018/19. The medium to longer term financial position is difficult to predict given the uncertainty around EU withdrawal and new financial powers. The board needs to do more to plan for these events including scenario planning or modelling, together with identifying the necessary efficiency savings required to break even over the medium to longer term.



Recommendation 2

The Board should prepare medium to longer term efficiency savings requirements based on its key financial assumptions about future funding and costs.

Asset management

55. NHS Forth Valley is required to manage its hospitals, community buildings and other assets, such as medical equipment, effectively to ensure patients receive high quality care. The board's annual Property and Asset Management Strategy (PAMS) provides information on the condition of the board's estate (i.e. buildings), together with an assessment of the current condition and performance of the estate. The PAMS 2017 was approved by the Performance and Resources Committee (P&RC) in June 2017.

56. The Scottish Government PAMS 2017 review meeting in September 2017 covered the Board's ongoing asset management arrangements and strategic investment plans, and focussed on property and asset performance compared to the previous year, and national benchmarking. This noted that, while the quality score of most boards had fallen after the introduction of new guidance, NHS Forth Valley performance is favourable compared with other Boards' average in several areas including condition, quality and backlog maintenance, but is less favourable on its Statutory Compliance Audit and Reporting Tool (SCART) desktop reviews scoring'

57. The PAMS references the work being undertaken towards integration and notes both the Stirling Care Village development, and proposed future requirements for intermediate care provision at Falkirk Community Hospital. It acknowledges that challenges faced in implementation will depend on continuing to support opportunities for further integration of health and social care service provision between NHS Forth Valley, partners, and independent contractor services.

58. The accountability and performance arrangements for the delivery of the PAMS are monitored via the annual update to the Performance & Resources Committee, who also monitor the progress of the capital plan. However, we note that internal audit highlighted that there is no governance mechanism for monitoring PAMS KPIs or the PAMS action plan. It was also highlighted by internal audit that the Asset Management Group, who will have a key role in supporting delivery of the PAMS, was not currently in operation. It was agreed by management that the proposed governance structure will be reviewed/refreshed for approval in line with Board governance structures. This has still to be implemented and will continue to be monitored by internal audit.

Workforce planning

59. In July 2017 the Auditor General for Scotland published a data briefing on Scotland's NHS Workforce Planning. It highlighted that NHS staff numbers are at their highest ever level, but there are key issues relating to the workforce. These include an ageing workforce, vacancy rates, increased spending on agency staff and sickness absence levels.

60. NHS Forth Valley is facing a number of workforce challenges. The annual plan for 2018/19 recognises that there is an ageing and predominantly female workforce across NHS Forth Valley. The demographic of staff and local communities requires that the health board delivers innovative, proactive workforce solutions. It notes key workforce actions for NHS Forth Valley to address including:

- Supporting staff to take on new or extended roles and work in a more integrated way across community, hospital and social care services and, where appropriate, in partnership with voluntary organisations, community groups and independent providers.
- Reviewing the workforce requirements to ensure the health board continue to have the right staff, with the right skills, working in the right locations.
- Adopting more flexible working patterns to enhance community services during evenings and weekends, and move towards more seven day working.

61. The Board's most recent workforce plan related to 2016/17. This is linked to ensuring the workforce has the skills and competencies to deliver the ten key priorities contained in the board's vision "Shaping the Future", NHS Forth Valley's Healthcare Strategy 2016-21. However, this has not been updated to reflect any changes to priorities since then, such as the Forth Valley Health Improvement Strategy 2017-2021 and the Annual Delivery Plan 2018/19, or the impact of budgets approved since 2016/17, or deteriorations in KPIs.



Recommendation 3

The board should update its workforce plan on a regular basis and ensure it reflects its strategic priorities and is consistent with financial plans over the medium term.

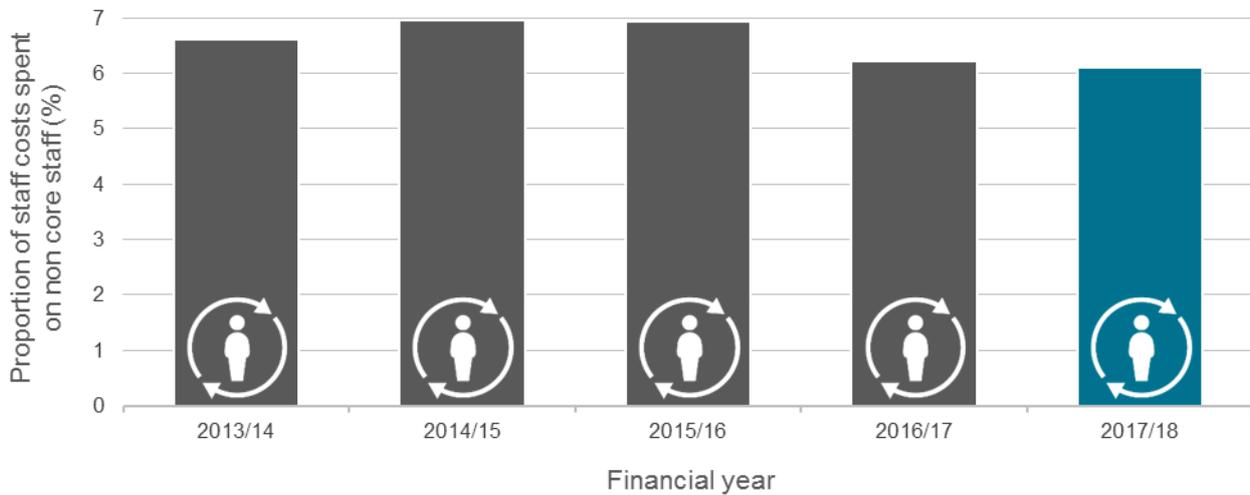
62. We are advised that projections for workforce requirements are currently being carried out and that a revised workforce plan will flow from this. This is expected to emphasise the importance of regional solutions to workforce requirements.

63. The Board's corporate risk register (CRR) identifies the sustainability of GP services as one of the highest risks facing the board due to difficulties in recruitment and retention. The board monitors the situation closely through the GP Sustainability Group chaired by the Medical Director. The Director of Finance also provides regular reports to the board on primary care workforce challenges and the actions being taken to address them. Mitigating actions being taken include recruiting and training other healthcare professionals to support practices. The inability to maintain the medical workforce across a number of specialities is also highlighted as a high risk in the CRR, and this is having an impact on NHS Forth Valley's KPIs.

64. NHS Forth Valley continues to have challenges in recruiting and retaining staff. Temporary staff provide flexibility in the short term by providing cover for sickness absence and vacancies but that comes at a cost. [Exhibit 7](#) summarises the proportion of payroll costs that have been incurred on non-core staff (e.g. nurse bank and medical agency) over the last five years.

Exhibit 7

Temporary staff costs



Source: Annual Audit Reports 2013/14 to 2015/16; Reports to Performance and Resources Committee 2016/17 and 2017/18.

65. The cost of temporary staff peaked in 2014/15 and 2015/16 at around 7% of total staff costs. The reduction in the two years since then to 6.11% is noteworthy and has been achieved by introducing more stringent authorisation controls, regular monitoring of the costs incurred and through the filling of a few key vacancies

66. NHS Forth Valley like most NHS boards is continuing to find it difficult to achieve the national performance standard of 4% for sickness absence despite measures to maximise attendance at work. The annual sickness absence rate for the year to March 2018 was 5.54%. This is marginally above the Scotland average of 5.43% and has deteriorated from the NHS Forth Valley figure for 2016/17 of 5.11%. The Board's aim is to be below 5% and the Scottish average each month and to work towards achieving the national 4% target. Absence management is reviewed in detail on a regular basis by the Staff Governance Committee.

Ending of public sector pay cap

67. The ending of the public sector pay target will make it more challenging to maintain financial balance. The payroll costs within the 2018/19 budget are based on the public sector pay policy, with a forecast increase of 2% or 3% to most staff. The national settlement has not yet been agreed. The board has forecast that every 1% increase from the public sector pay policy will increase the board's annual pay cost by around £3 million.

EU withdrawal

68. There remains significant uncertainty about the detailed implications of EU withdrawal (i.e. Brexit). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce - the extent to which changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.
- Funding – the extent to which potential changes to funding flows are likely to affect the finances of the organisation and the activity that such funding supports.

- Regulation – the extent to which potential changes to regulation across a broad range of areas overseen at an EU level are likely to affect the activities of the organisation.

69. The Board has acknowledged that there is a great deal of uncertainty around Brexit and this makes it difficult to quantify the impact or outline the actions that need to be taken.

70. Several key themes have been identified and agreed by the NHS Directors of Finance as a whole. These include: workforce and staffing issues if staff need to leave or cannot be recruited from outside the UK; the price impact on medicine if health boards lose out on European procurement benefits; and the impact if expatriates decide to return to the UK which could have a disproportionate increase in demand as they tend to be older people who rely on the NHS more. While NHS Forth Valley is fully aware of these issues, the uncertainties surrounding them means that there are no fixed plans or cost impacts in place at this stage.

Good practice

71. Savings achieved during the year to date are monitored through regular directorate meetings, ensuring that a structured approach to achievement of savings targets has been clearly defined and communicated to the relevant stakeholders. It is good practice that the Board has included the staff body in this by inviting anonymous proposals from staff members which have been categorised and assigned as part of the formal savings program. The Area Partnership Forum has also considered the area wide savings programme. This level of communication promotes consistency of understanding of the importance of the savings programs.

Part 4

Governance and transparency



Main judgements

NHS Forth Valley has appropriate governance arrangements in place that support scrutiny of decisions made by the board

NHS Forth Valley is open and transparent in the way it conducts its business but with some scope for improvement.

The board provides information and assistance to help the two IJBs fulfil their financial and performance reporting requirements.

Governance arrangements

72. The Board and accountable officer are responsible for establishing arrangements for ensuring the proper conduct of affairs of NHS Forth Valley and for monitoring the adequacy of these arrangements.

73. The Board receives standing reports at each meeting under the headings of Quality and Safety, Health Improvement, Strategic Planning, Governance, and Core Performance including Executive Performance Report, Financial Monitoring Report and Waiting Times Report.

74. We concluded that the board has appropriate governance arrangements in place and they provide a framework for effective decision making. This includes a good level of scrutiny and challenge by members and a good working relationship between members and officers. Senior offices attend and present reports to all Boards and committee meetings.

75. We attend all Audit Committee meetings and we consider these operate effectively. In 2016/17 we reported that council appointed representatives of the Audit Committee did not attend meetings and this increased the risk of a quorum not being reached. Following this, the Chairman wrote to all members to remind them of their responsibilities. As a result, there was better attendance in 2017/18 at all Audit Committee meetings.

76. It was noted at the March 2018 Audit Committee that the new members had not received training for their role. It was agreed that training would be sourced for them which would focus on NHS finance, their role as committee members, and their role regarding the reports produced by internal audit and external audit.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Transparency

77. Transparency means that the public, in particular local residents, have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources such as money, people and assets.

78. There is evidence to demonstrate the Board's commitment to transparency including the annual accountability review (where members of the public can attend). Also, Board meetings are open to the public.

79. While non-Board committee meetings are held in private, the minutes of these meetings are publicly available on the board's website. The Board should consider holding committee meetings in public with sensitive or confidential items held in private session. Alternatively, the Board could enhance transparency by making public non confidential papers submitted to standing committees.

80. The Board's response to dealing with complaints showed a slight improvement in 2017/18 with 83.9% being addressed within 20 days, despite the increase in complaints. This was achieved due to the new two stage process introduced in April 2017; with many of the complaints being resolved at the stage one process within 5 days (i.e. face to face); with stage two of the process dealing with the more complex complaints. Performance regarding complaints is included in the performance reports to the Board and Performance & Resources Committee.

81. Overall, we concluded that the Board conducts its business in an open and transparent manner but that there are some areas where the board could improve current arrangements.

Risk management

82. The corporate risk register is updated and reviewed by the CMT on a quarterly basis. It is reported to the Performance & Resources Committee (PRC) twice a year. If there are any significant risks identified out with the reporting timescales then these are shared with the PRC as they are identified.

83. Towards the end of 2017 the Board agreed that there should be more dedicated time on reviewing the corporate risk register to ensure it informs decision making and is clearly linked to organisational priorities being established. As a result, some of the more static risks are currently under review since it is not clear what recent actions have been taken to address them.

84. We noted that the corporate risk register records the current mitigating factors in place to manage the risk, together with the further steps that are planned, or currently in progress to help further mitigate the risk identified. However, this does not record the timescales regarding when the actions or sub actions towards further mitigating the risk will be complete. We also consider it could more fully describe the further steps that have been taken to mitigate risks



Recommendation 4

The risk register should be updated to more clearly demonstrate the timescales and actions being taken to mitigate risks.

Internal audit

85. The internal audit function is carried out by Fife, Tayside and Forth Valley Internal Audit Services. We carried out a review of the adequacy of the internal audit function and concluded that it generally operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has appropriate documentation standards and reporting procedures in place. We are advised that an external review of the internal audit service is currently underway by the Midlothian Council internal audit service in accordance with PSIAS requirements to have an external review carried out every five years. The outcome of this will be reported to the Audit Committee.

86. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2017/18 we took cognisance of aspects of internal audit's review of the health board's financial process compliance within a range of systems and reviewed internal audit's arrangements for supporting the annual governance statement reported in the annual accounts. For the purposes of our wider

dimension audit work we placed reliance on internal audit report findings on areas including their review of the board's savings programme, information security, and data quality.

87. The internal audit progress report submitted to the Audit Committee in March 2018 identified assignments carried forward to 2018/19. This was due to circumstances out with the internal auditor's control. In addition, the internal audit review of workforce planning has also been postponed until 2018/19 due to the board's delay in producing its workforce plan. Following discussions with internal audit we concluded that the assignments carried forward did not impact the Chief Internal Auditor's ability to sign off the annual internal audit report for 2017/18. The situation should be monitored to ensure that work carried forward does not impact on the delivery of the 2018/19 audit plan.

Governance statement

88. Our review of the governance statement assessed the assurances which are provided to the Chief Executive as Accountable Officer regarding the adequacy and effectiveness of the board's system of internal control which operated in the financial year.

89. Several risks are set out in the governance statement. These include issues such as financial sustainability risk, delivering waiting time standards, challenges in meeting waiting times in Psychology Services, and delayed discharges performance. The statement also summarises internal audit findings and key reports issued in the year, with the overall conclusion in internal audit's annual report noted as that the Board has adequate and effective controls in place.

90. Overall we concluded that the Board has adequate arrangements in place to support good governance and accountability. Board members provide adequate scrutiny and challenge at regular bi-monthly meetings to ensure the Board's performance is effectively reviewed. We are satisfied that the information in the governance statement is consistent with information gathered during our audit work.

Quality of financial and performance reporting

91. A finance report, executive performance report, and waiting times report is presented every month to either the Board or the Performance & Resources Committee. Our attendance at these meetings confirms that these are fully discussed and scrutinised.

92. The finance report provides information on the financial performance to date and forecast outturn. Reports are transparent, timely and clear; and support effective scrutiny of the financial management process. We are satisfied that this provides sufficient, but not excessive information, and that figures reported are consistent with the year end position.

93. The executive performance report to the board includes the balanced scorecard which provides good context for each performance measure, including commentary and graphs to depict the trajectory of the measure. A high-level summary is provided of key issues and highlights where targets are not being achieved. From April 2018 there is a new layout of performance reports following feedback from members. The aim is to be more concise and to reformat how key information is presented. Further changes also being considered include the need to highlight the eight key targets recently highlighted by the Scottish Government.

National Fraud Initiative

94. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different

financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

95. NFI activity is summarised in [Exhibit 8](#). We submitted a follow up questionnaire to Audit Scotland in February 2018. This provided an update to the previous questionnaire, and summarised our views on the board's arrangements for complying with the NFI exercise. We concluded that NHS Forth Valley is pro-active in investigating matches. NHS Forth Valley completed nearly all the 250 recommended matches together with an additional random sample.

Exhibit 8

NFI activity



2287

Matches



250

**Recommended
for investigation**



248

**Completed/closed
investigations**

Source: NFI secure website: www.nfi.gov.uk

96. No fraud or errors were identified and periodic reports regarding the NFI approach and progress are reported to the Audit Committee.

Standards of conduct for prevention and detection of fraud and error

97. The board has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

98. We concluded that the board has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention

Cyber security

99. The Scottish Government issued a Public Sector Action Plan on Cyber Resilience in November 2017 which requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate. A Cyber Resilience working group was set up to take forward the work the board is doing in response to the Scottish Government's cyber resilience requirements. This group is chaired by the Director of Information Management and Technology.

100. We concluded that NHS Forth Valley is actively strengthening its cyber resilience arrangements. The board completed its Cyber Essentials pre-assessment and obtained Cyber Essentials accreditation. The accreditation covers the period to May 2019.

General Data Protection Regulation

101. The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. This replaced the UK Data Protection Act 1998. All EU member states

have to implement the Regulation in the same way. GDPR has introduced new and significantly changed data protection concepts.

102. GDPR introduces a wide range of new rights for individuals in respect of their personal data. These include the right to be forgotten, the right to object to certain processing activities and decisions taken by automated processes. Failure to comply with new GDPR data handling arrangements could result in the board incurring significant fines.

103. NHS Forth Valley's Information Governance Group set up a short life working group to progress work on GDPR. An action plan was created which was based on the 12 step guide issued by the Information Commissioner's Office. The action plan sets out tasks, owners, and ranks the tasks based on risk and priority.

104. We concluded that NHS Forth Valley have arrangements in place to ensure that GDPR requirements are addressed in time for implementation. Some of the steps in the action plan have still to be fully completed. Once this is done, the working group intend to review their procedures to ensure they continue to comply with GDPR.

Health and social care

105. There are two Integration Joint Boards (IJBs) within NHS Forth Valley's catchment area and they both became fully operational on 1 April 2016. The board and its partners have continued to assist the IJBs to develop their governance arrangements. A protocol still requires to be put in place to clarify which IJB reports by internal audit relating to governance issues require to be presented to the board or committees and which reports require to be presented to the IJBs as there is currently an element of duplication. This double reporting could confuse who is responsible for the issue being covered.

106. The board has good arrangements in place to identify all financial transactions that relate to both IJBs. There are also proper arrangements in place to agree the board's share of the IJB budgets and to provide each of them with appropriate financial information to enable each of the IJBs to monitor their financial budget. The board advised and agreed the IJB budget in good time for 2017/18, and have done so again in 2018/19. The 2018/19 IJB budgets have been approved and formal directions have been passed back to NHS Forth Valley from both IJBs.

107. The 2017/18 NHS Forth Valley accounts reflect their contribution to residual year end overspends across both Health and Social Care partnerships. This totalled £1.957 million. NHS Forth Valley met their share of the Falkirk Health and Social Care Partnership overspend; whereas in Clackmannanshire & Stirling Health and Social Care Partnership, the board financed 50% of the total overspend based on voting share. These are transitional arrangements for one year only. This highlights the risk that if these overspends persist, then the services delivered by the IJBs to NHS Forth Valley may not be sustainable.

108. Health Boards and Integration Authorities were, like last year, required to agree a figure for the sum "set aside" to be included in their respective 2017/18 annual accounts. There is no mandated mechanism for reaching agreement, however national data is available to prepare the appropriate accounting estimates. The set aside budgets were agreed with and allocated between the two partnerships using Integrated Resource Framework (IRF) statistics produced by ISD. The board are reviewing this model in 2018/19.

109. Delegation of management responsibility to the IJB commenced in February 2017 with the initial delegation relating to the Integrated Mental Health and Learning Disability teams. Since then, there has been liaison between senior staff to agree the next group of in scope functions to be delegated to each of the Partnerships. This has resulted in proposals to delegate District Nursing, ReACH (community rehabilitation), ReACH (specialist and speech and language therapy/neurology rehabilitation, Community Mental Health for Older People,

Community Hospital (inpatient services), and Community Learning Disability Residential Resources from September 2018.

110. The board has set up an Unscheduled Care Group, which determines targets and baselines for IJB related services. This is chaired by the medical director and looks at the 6 key areas advised as priorities by the Scottish Government in January 2017 – with the overall aim of delivering better unscheduled care.

111. It is difficult to point to any shifts in spending (away from hospital care, toward the community) or improvements in performance resulting from the new structures; or to clearly identify particular actions that have led to improvements as there are many initiatives ongoing. Also, the Board only run one acute site, which covers the two IJBs so there is an inherent need for the two IJBs and the board to work together. However, the Board carry out fortnightly “days of care” audits. These highlight those who do not require to be at an acute site. Over the last two years this has reduced from 32% to 14%.

2020 Vision

112. In 2011 the Scottish Government set out an ambitious vision for health and social care that by 2020 everyone can live longer, healthier lives at home or in a homely setting. In August 2015 the Cabinet Secretary for Health, Well-being and Sport opened a national conversation on creating a healthier Scotland which aimed to increase the pace of progress towards the 2020 Vision.

113. The board’s local delivery plan (and from 2018/19 the annual delivery plan) reflect the outcomes of the 2020 vision. These incorporate standards which are intended to provide assurance on sustaining delivery which are in line with the 2020 Vision and the health and social care delivery plan.

114. The local healthcare strategy 2016-21 also reflects how the 2020 Vision will be taken forward. This highlights the transformational service changes over the next five years to meet population demographic changes, expected financial constraints, and the need to provide more joined up services including more care at home and in communities. It emphasises that this will be implemented with a range of other strategic partners.

115. The board’s performance management framework is reviewed and updated on a biannual basis. This takes cognisance of the changing health and social care environment and the requirements of the 2020 Vision. As national requirements develop, the performance framework is kept under review.

116. The board’s regular performance monitoring arrangements are core to the board’s principle that performance management is integral to the delivery of quality improvement and core to sound management, prioritisation and decision making. This also helps to demonstrate that the objectives within the Scottish Government’s 2020 Vision are being met. The board appears well sighted on the 2020 Vision and the challenges it presents.

Part 5

Value for money



Main judgements

NHS Forth Valley has an effective performance management framework in place that supports the board in its drive to achieve value for money and continually improve how it delivers services.

The Board continues to struggle to meet key national performance targets. Priority has been given to protecting and maintaining services while operating within the board's financial settlement whose level is not certain in future years.

Performance management

117. The Scottish Government monitors how NHS Forth Valley performs against the targets it set in its national performance framework. These include targets and their trajectories (plans) as set out in the board's LDP. Examples include waiting times for accessing treatment such as the proportion of patients that were seen within 12 weeks, otherwise known as the Treatment Time Guarantee.

118. The board is kept well informed of performance across all areas. Performance reports are reported alternatively on a bimonthly basis to either the board or the Performance and Resources Committee. The detailed review and scrutiny of performance has been delegated to the Performance and Resources Committee which meets every two months. We regularly attend committee meetings and review papers received by members to find out how well the committee is scrutinising performance

119. Members are provided with an integrated core performance report and balanced scorecard. This reflects both the LDP and local Annual Plan measures and targets. Performance is reported using 76 key indicators (including the 19 LDP Standards for 2017/18). Performance reports contain detailed information for each performance target including trend analysis, specific performance issues and actions being taken to improve performance.

120. Monthly performance reports are presented to the Corporate Management Team. These provide more detail on steps being taken to address performance issues. In addition, weekly performance reports are provided to the Strategic Leadership Team which is represented by each directorate. These provide a more detailed breakdown of the figures behind some of the performance outcomes such as the number of theatre cancellations in each of the specialities and the breakdown of A&E waiting time over target timeframes.

121. The regular finance reporting arrangements provide members with reports on performance information against budget analysed by directorate and analysed by major costs such as employee costs and drug costs. The reports also provide summary details of savings and whether these and the year end budgeted outturn are on track to be delivered. However, they do not provide sufficient detail of individual savings and the degree to which each of these have been achieved.

Value for money is concerned with using resources effectively and continually improving services.

Members have requested that from 2018/19 more detailed reports are provided on progress against each of the budgeted savings plans approved.

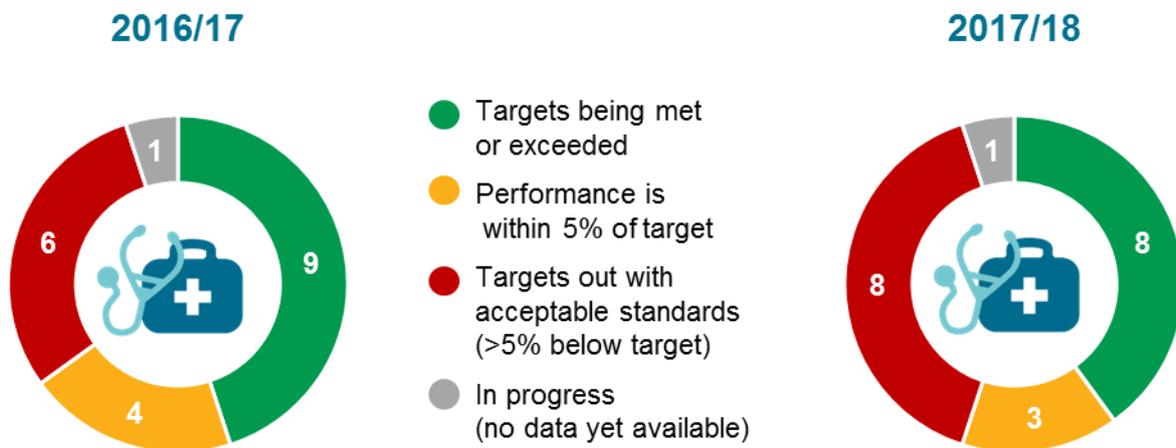
122. We concluded that the NHS Forth Valley has an effective performance management framework in place helping the board achieve value for money and continually improve how it delivers services.

Overview of service performance

123. The board's performance against its 20 LDP Standards as reported in the 2017/18 annual accounts, and based on the most up-to-date position at the end of March 2018 is summarised in [Exhibit 9](#).

Exhibit 9

Overall performance against LDP standards



Source: Annual Report and Accounts; Performance Report to Performance & Resources Committee 24 April 2018

124. NHS Forth Valley performance has slipped in 2017/18, with three standards slipping from green or amber into the red category. These were Child & Adolescent Mental Health Services (green to red), 4 hour A & E waits (amber to red); and cancer 62 day target (amber to red). These were offset by the 18 week referral to treatment target which improved from red to amber in 2017/18.

125. The Scottish Government has indicated that in 2018/19 NHS Boards are expected to focus on the eight key standards that are most important to patients. It is expected that NHS Forth Valley will achieve as a minimum the March 2017 outturn position by March 2019. The eight key standards are:

- 62-day Cancer Wait
- 31-day Cancer Wait
- 12 week Outpatients Wait
- Diagnostics 42 day wait
- Treatment Time Guarantee
- Child & Adolescent Mental Health Services (CAMHS) within 18 weeks of referral
- Psychological Therapies within 18 weeks of referral

- Accident & Emergency Waiting Times within 4 hours

126. Performance at March 2018 in relation to the eight key standards advised by the Scottish Government is provided in [Exhibit 10](#), together with action being taken by the board to address standards where NHSFV is not meeting the national target

Exhibit 10

Performance against eight key standards

Target/standard		NHSFV Performance at March 2018 (March 2017); and Scottish average	Action being taken by Board
62 Day Cancer Wait Patients with a suspicion of cancer treated within 62 days	95%	● 77.6% (84.8%) Scottish average March 2018: 89.1%	Escalation triggers for pathways are being developed to enable earlier service intervention to support, where possible, minimising the number of patients who wait longer than the target.
31 Day Cancer Wait Patients diagnosed with cancer who begin treatment within 31 days	95%	● 98.2% (95.1%) Scottish average March 2018: 94.8%	n/a
12 Week Outpatients Wait Patients wait time from referral to first outpatient appointment within 12 weeks	95%	● 83.9% (82.9%) Scottish average March 2018: 60%	Additional capacity has been agreed to the end of June 2018
Diagnostics Diagnostic 42 day wait for a range of endoscopy and radiology treatments	100%	● 99.4% (100%) Scottish average March 2018 (not available)	n/a
Treatment Time Guarantee (TTG) Proportion of patients that were seen within 12 weeks TTG	100%	● 56% (63%) Scottish average March 2018: 80.4%	Additional theatre capacity is planned during weekends and on alternate Fridays to June 2018
Child & Adolescent Mental Health Services (CAMHS) Proportion of patients that were seen within 18 weeks of referral	90%	● 45.5% (100%) Scottish average March 2018: 73.1%	Service delivery models have been revised with changes implemented and further redesign is ongoing. Links have been re-established with wider primary care and universal services to provide support through early advice in support of preventing referrals

Target/standard		NHSFV Performance at March 2018 (March 2017); and Scottish average	Action being taken by Board
Psychological Therapies Proportion of patients that were seen within 18 weeks of referral	90%	● 50% (39%) Scottish average March 2018: 80.1%	Recruitment to some key posts is improving. Work continues to maximise capacity within the service and the options available through differing staffing configuration and reviewing skill mix.
Accident & Emergency Waiting Times Proportion of patients waiting less than 4 hours from arrival to admission	90%	● 83.4% (97.2%) Scottish average March 2018: 90.3%	Work continues to focus on all aspects of unscheduled care to support improvement in performance. A number of actions are being taken locally in respect of working to improve the position as a whole system. Thrice daily monitoring is ongoing.

Source: Performance Report to Performance & Resources Committee 24 April 2018

127. Six of the eight key targets are not being met. The March 2018 performance for five of the eight key standards was lower than at March 2017 while performance in three have improved. Of the eight key targets, performance in five is below the Scottish average (62 day cancer wait; 12 week treatment time guarantee; CAMHS within 18 weeks of referral; Psychological Therapies within 18 weeks of referral; and 4 hour A&E waiting times); and two (31 day cancer wait; and 12 week outpatients wait) are above the Scottish standard. The Scottish average for the 42 day diagnostic wait is not known.

128. It is a challenge for the board to meet all LDP targets while operating within very challenging financial settlements. We have concluded that the board's arrangements for monitoring targeted performance issues are reasonable and are geared towards addressing the 'red' risks. In some cases, though, maintaining rather than improving primary care services is a priority and meeting waiting time targets is a significant challenge.



Recommendation 5

The Board should review its current measures for achieving the key waiting time targets, with particular emphasis on getting closer to the target and national averages for TTG, CAMHS, Psychological Therapies, 62 day Cancer Wait, and A & E Waiting Times.

Shared services

129. The financial challenges facing the health service in Scotland are well documented. The speed at which substantial changes are needed within the NHS means that greater sharing of services between health boards is vital if the Scottish Government is to achieve the overall ambitions of the 2020 Vision. In 2015, the Scottish Government established a transformational programme board including

senior representatives from NHS boards to try to provide greater coordination across boards and various healthcare programme and initiatives.

130. There are no significant examples of shared services at NHS Forth Valley. However, to improve performance there is joint working with NHS Lanarkshire on ENT and with NHS Lanarkshire/ NHS Lothian on Breast Radiology. Plans are underway for joint working with the Golden Jubilee in aspects of vascular, orthopaedics, and ophthalmology.

National performance audit reports

131. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2017/18 several reports were published which are of direct interest to the board and are highlighted in [Appendix 4](#).

132. As reported in previous years, NHS Forth Valley has processes in place to ensure that all national performance reports and their impact on the board are considered by the Audit Committee and other governance committees as appropriate. Also, part of the Audit Committee's remit is to monitor management action taken in response to all audit recommendations including performance audit studies following consideration by the relevant committee.

Good practice

133. The monthly performance reports and waiting times reports to the Board and Performance & Resources Committee are of a good standard. They provide members with an instant snapshot of performance, together with the main reasons contributing to improvements or deteriorations in performance. Members are considering ways to make further improvements to the layout of these reports.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Efficiency savings</p> <p>For 2018/19 the board is required to deliver savings of £18.4 million. This includes the £6.7 million of non-recurring savings carried forward from 2017/18. The board has yet to identify £3.5 million of the savings required for next year. Of those savings identified to date, some £8 to £10 million are considered high risk and may not materialise.</p> <p>Risk</p> <p>The board may not be able to deliver the targeted savings in 2018/19.</p>	<p>The board should ensure that savings plans are developed identifying how the £3.5 million of unidentified savings in 2018/19 will be achieved, and determining the extent to which those assessed as amber or red can be attained</p> <p>Paragraph 53</p>	<p>Plans continue to be developed and assessed towards meeting Board savings requirements with a focus on recurring opportunities.</p> <p>Responsible officer: Director of Finance.</p> <p>Agreed date: 30 September 2018.</p>
2	<p>Efficiency Savings</p> <p>The Annual Delivery Plan does not set out the savings requirement beyond 2018/19.</p> <p>Risk</p> <p>Savings requirements for the medium to longer term may not be identified or strategically based</p>	<p>The Board should prepare medium to longer term efficiency savings requirements based on its key financial assumptions about future funding and costs</p> <p>Paragraph 54</p>	<p>A longer-term savings plan will be prepared during 2018.</p> <p>Responsible officer: Director of Finance.</p> <p>Agreed date: 30 September 2018.</p>
3	<p>Workforce planning</p> <p>The workforce plan has not been formally updated since 2016/17.</p> <p>Risk</p> <p>The workforce may not reflect the impact and challenges of changes to NHS Forth Valley priorities/ requirements, or changes in the available workforce.</p>	<p>The board should update its workforce plan on a regular basis and ensure it reflects its strategic priorities and is consistent with financial plans over the medium term.</p> <p>Paragraph 61</p>	<p>The workforce plan is in the process of being updated.</p> <p>Responsible officer: Director of Human Resources</p> <p>Agreed date: 31 August 2018.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
4	<p>Risk Management</p> <p>The corporate risk register does not record the timescales regarding when the actions or sub actions to address a risk need to be taken, nor does it fully describe the further steps that have been taken towards mitigating a risk.</p> <p>Risk</p> <p>Actions taken to address risks may not be carried out as directed, or in a timely manner or may not be fully captured in the risk register</p>	<p>The risk register should be updated to more clearly demonstrate the timescales and actions being taken to mitigate risks.</p> <p>Paragraph 84</p>	<p>The risk register will be updated.</p> <p>Responsible officer: Head of Performance.</p> <p>Agreed date: 31 October 2018.</p>
5	<p>Overview of Service Performance</p> <p>There was a deterioration in performance during the year relating to a number of performance standards that impact significantly on patients which the Scottish Government expects NHS Boards to focus on in 2018/19.</p> <p>Risk</p> <p>Performance could fail to improve or continue to deteriorate if not addressed.</p>	<p>The Board should review its current measures for achieving the key waiting time targets, with emphasis on getting closer to the target and national averages for TTG, CAMHS, Psychological Therapies, 62 day Cancer Wait, and A & E Waiting Times.</p> <p>Paragraph 128</p>	<p>The board will continue to focus on measures to improve key waiting time targets during 2018/19, in line with agreed funding.</p> <p>Responsible officer: Executive Leads.</p> <p>Agreed date: Throughout 2018.</p>

Follow up of prior year recommendations

b/f	<p>1. PFI Contract</p> <p>The PFI model for Forth Valley Hospital has been set up for a period that is longer than that which is stated in the agreement.</p> <p>Risk</p> <p>Annual charges are incorrectly allocated between repayment of the lease creditor and interest.</p>	<p>The PFI model for Forth Valley Hospital should be reviewed to ensure it fully aligns with the agreement.</p>	<p>Updated response: The 2017/18 PFI transactions for Forth Valley Hospital are now based on the revised calculations and are stated correctly in the accounts.</p> <p>Responsible officer: Director of Finance</p> <p>Revised date: n/a - implemented</p>
b/f	<p>2. Efficiency savings</p> <p>The board requires to deliver 5% (£24.000 million) savings in 2017/18. The board has yet</p>	<p>The board should ensure that savings plans are developed which identify how the remainder of the required £24 million of savings in 2017/18</p>	<p>Updated response: The Board delivered the £24 million savings necessary to achieve its break even in 2017/18, albeit £6.726 million were non-</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>to identify £3.735 million of the savings required. Of those savings identified to date, some £10 to £12 million are considered at risk of not being achieved. Savings requirements of £24.445 million and £24.382 million for 2018/19 and 2019/20 respectively have still to be identified</p> <p>Risk</p> <p>The board may not be able to deliver the targeted savings in 2017/18 and future years.</p>	<p>will be made, together with the savings requirements for 2018/19 and 2019/20 of £24.445 million and £24.382 million respectively.</p>	<p>recurring savings from central budgets. The majority of the £18.4 million savings required for 2018/19 have been identified, however, it continues to be necessary to use an element of non-recurring savings.</p> <p>Revised action: Refer to 2017/18 recommendation 1 above.</p> <p>Responsible officer: Director of Finance</p>
b/f	<p>3. Attendance at Audit Committee Meetings</p> <p>The council appointed representative members of the audit committee did not attend any meetings during the year.</p> <p>Risk</p> <p>Meetings were at a higher risk of not being quorate. This may also inhibit the level of discussion and scrutiny being carried out</p>	<p>Steps should be taken to encourage all members to attend audit committee meetings.</p>	<p>Updated response: The Board Chairman contacted all new council appointed members following the May 2017 council elections. There was satisfactory attendance at audit committee meetings throughout 2017/18.</p> <p>Responsible officer: Head of Performance & Governance</p> <p>Revised date: n/a implemented</p>
b/f	<p>4. Local Delivery Plan (LDP) targets</p> <p>There was a deterioration in performance during the year relating to the LDP targets in connection with meeting the 12 week treatment time guarantee (TTG), and relating to the target to deliver 18 weeks referral to treatment for Psychological Therapies</p> <p>Risk</p> <p>Performance could continue to deteriorate if not addressed.</p>	<p>The board should review its current measures for achieving the 12 week treatment time guarantee and the target to deliver 18 weeks referral to treatment for Psychological Therapies.</p>	<p>Updated response: The position regarding the RTT and Psychological Therapies is regularly monitored by the Board.</p> <p>Revised action: see issue 5 above</p> <p>Responsible officer: Head of Performance & Governance</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> <p>Substantive testing of transactions around the year end to confirm expenditure and income are accounted for in the correct financial year.</p>	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing of accruals and prepayments identified a deferred income balance that has been incorrectly carried on the Statement of Financial Position. However, there is no suggestion this was due to a management override of controls as this was discussed with the previous auditor.</p> <p>Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.</p> <p>Substantive testing of transactions around the year end identified controls were operating effectively.</p> <p>Conclusion: no evidence of management override of controls.</p>
<p>2 Risk of fraud over income</p> <p>NHS Forth Valley receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA 240, there is an inherent risk of fraud.</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p> <p>Obtain assurance from the NHS Counter Fraud Service.</p>	<p>Analytical procedures were carried out over all income streams and satisfactory responses were provided for all significant variances.</p> <p>Detailed testing of revenue transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p>

Audit risk	Assurance procedure	Results and conclusions
		<p>No significant frauds specific to NHS Forth Valley were identified by the NHS Counter Fraud Service.</p> <p>Conclusion: no evidence of fraud over income.</p>
<p>3 Risk of fraud over expenditure</p> <p>The Code of Audit Practice requires consideration of risk of fraud over expenditure. NHS Forth Valley incurs significant expenditure on a range of activities which will require audit coverage.</p>	<p>Complete NFI audit questionnaire to assess progress and action taken by the board to investigate matches.</p> <p>Obtain assurance from the NHS Scotland Counter Fraud Service.</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk</p>	<p>Completion of the NFI audit questionnaire identified good progress had been made by NHS Forth Valley for recommended matches.</p> <p>A review of the Internal Audit Annual Report provided assurance on fraud over expenditure.</p> <p>Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Conclusion: no evidence of fraud over expenditure.</p>
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets and provisions.</p> <p>The board is required to hold NHS Estate property assets (land and building) at Fair Value or, for specialised buildings, a proxy to fair value. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value. The board held £470.846 million of property assets at 31 March 2017.</p> <p>At 31 March 2017 the board held a provision for the clinical and medical legal claims for settlement awards, legal claims and third party costs against the board of £16.253 million; and the board's share of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) provision of £30.070 million. These provisions are based on the assessed likelihood and settlement value of claims against the board.</p>	<p>Completion of 'review of the work of an expert' for the professional valuer.</p> <p>Review the external revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals.</p> <p>Review the information provided to the valuer and assess whether this was complete and included all board property assets relevant to the revaluation in 2017/18.</p> <p>Completion of 'review of the work of an expert' for the Central Legal Office.</p> <p>Review of information provided by the Central Legal Office in support of the provision by the board for the clinical and medical legal claims; and for CNORIS.</p> <p>For any other areas of estimation and judgement we will carry out focussed substantive testing of provisions and accruals.</p>	<p>'Review of the work of an expert' was completed for the professional valuer and the Central Legal Office which confirmed that assurances can be taken from their work.</p> <p>A review of the revaluations performed by the valuer identified these had been performed in a reasonable manner and had been correctly reflected in the financial statements.</p> <p>A review of the information provided by the Central Legal Office to support the provision clinical and medical legal claims and for CNORIS did not identify any issues and these had been correctly reflected in the financial statements.</p> <p>A review of other estimates and judgements did not show any evidence of bias and accounting policies were appropriate.</p> <p>Conclusion: estimations and judgements included in the financial statements are supported by evidence.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>This subjectivity represents an increased risk of misstatement in the financial statements.</p>		
<p>5 Road Traffic Accident (RTA) debtor</p> <p>During 2016/17 new guidance was issued in relation to how RTA income should be reflected within the financial statements. The board did not accrue any income or apply a related bad debt provision within the financial statements in relation to the Injury Recovery Scheme as required by the revised guidance. Instead recognition was only at the point of receipt of income.</p> <p>The board should ensure that an appropriate process is in place for the recording of details processed in relation to the Injury Recovery Scheme, otherwise there is a risk that income is mis-stated within the financial statements.</p>	<p>Early discussion with finance officers to determine what processes have been put in place to appropriately record claims pursued on the board's behalf.</p> <p>Review of established process.</p> <p>Substantive testing of the board's RTA income and debtor figures and associated provisions.</p> <p>Review the financial monitoring reports to the board and the performance & resources committee.</p>	<p>Discussions with finance officers and substantive testing on the RTA income and debtor balance identified the process to calculate the value of claims is now appropriate.</p> <p>Substantive testing identified this had been accounted for correctly in the Statement of Comprehensive Net Expenditure and Statement of Financial Position.</p> <p>A review of finance monitoring reports identified this has been classified as a non-recurring benefit for the 17/18 savings target.</p> <p>Conclusion: the basis for calculating the RTA debtor and income is appropriate and this has been correctly reflected in the financial statements.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>6 Financial position and financial sustainability</p> <p>The board's three year financial plan for 2017/18 to 2019/20 outlines the need to achieve recurring efficiency savings of around £24-£25 million per annum (5% of baseline RRL excluding fixed costs) to achieve break even.</p> <p>This is proving difficult to achieve. The finance report to 30 September 2017 presented to the P&R Committee on 31 October forecasts that between £6 million and £8 million of non-recurring measures will be required to ensure financial balance in 2017/18. Delivering recurring efficiency savings while striving to sustain primary care services and meet national waiting time targets is increasingly challenging.</p> <p>Any recurring efficiency savings not achieved in the current financial year will increase</p>	<p>Review financial monitoring reports and delivery of savings plans.</p> <p>Attendance at committee meetings and review of papers to assess progress and impact in delivering savings planned to date.</p>	<p>The financial statements and a review of finance monitoring reports identify the savings target of £24 million for 17/18 had been achieved.</p> <p>Non-recurring savings of £6.8 million were required to achieve the savings target. The proportion of non-recurring savings required to achieve the savings target has been increasing in recent years.</p> <p>The Financial Plan for 2018/19 identified a savings target of £18.4 million. Savings of £14.9 million have been identified and work is required to identify the remaining £3.5 million. The 2018/19 requirement includes the £6.8 million of savings that were achieved non-recurrently in 2017/18.</p> <p>Conclusion: in our judgement NHS Forth Valley will find it extremely challenging to deliver the efficiency savings it requires to achieve over the coming years while continuing</p>
--	---	--

Audit risk	Assurance procedure	Results and conclusions
<p>savings requirements for future years and will present a risk to the board's financial sustainability.</p>		<p>to sustain the existing levels of service.</p>
<p>7 Financial management – impact of Health & Social Care Partnerships (HSCPs)</p> <p>The finance report to 30 November 2017 presented to the P&R Committee on 19 December forecasts a break even for services not delegated to the HSCPs. However, the combined forecast year end outturn for both HSCPs is an overspend of £4.371 million.</p> <p>To the extent that the projected overspend cannot be fully mitigated there is a risk that the NHS Board will require to meet a share of the year end financial pressures on IJB services</p>	<p>Review position for agreeing year end balances between partner bodies.</p> <p>Monitor the IJB financial position against target and ensure that the year end position reported in NHS Forth Valley accounts properly reflects the balances approved and agreed between the partner bodies.</p>	<p>Discussions with finance officers identified the process for sharing the HSCP's overspends differed for each HSCP. Agreeing the year end position was difficult due to late transactions being processed by the HSCPs.</p> <p>Substantive testing on income and expenditure transactions confirmed these were correctly allocated to the HSCPs.</p> <p>Substantive testing of allocations across the HSCPs confirmed the allocations were in line with the integration scheme.</p> <p>The year end HSCP figures were correctly incorporated and reported within the financial statements following agreement with partners. Following recovery measures to reduce the overspend, NHS Forth Valley contributed £1.957 million towards the two HSCPs overspends.</p> <p>Conclusion: transactions and balances of the HSCPs were correctly classified within the NHS Forth Valley ledger. Balances between the board and its partners were agreed, and the board was able to provide full financial details to audit within the required timescale. However, the IJB overspends present a financial risk to the health board.</p>
<p>8 Performance Targets</p> <p>In common with most other NHS boards, performance in relation to the eight key waiting time targets and the target to minimise delayed discharges are proving difficult to achieve alongside ongoing financial challenges.</p> <p>The board is close to meeting some of these targets but, as at September 2017, is not yet meeting targets for 12 week treatment guarantee waiting times; 12 week outpatient waiting times; Child &</p>	<p>Review core performance reports to assess progress in achieving standards and targets, and actions being taken to improve performance.</p> <p>Attendance at committee meetings and review of papers to assess progress.</p>	<p>A review of core performance reports over the year identified performance had deteriorated for a number of key indicators. Performance for a number of indicators was now below the Scottish average, having previously been better than average.</p> <p>As at March 2018, 6 out of 8 key targets are showing red performance with the other 2 showing green performance. The 12 week treatment guarantee waiting times, Child & Adolescent Mental Health Services waiting</p>

Audit risk	Assurance procedure	Results and conclusions
<p>Adolescent Mental Health Services waiting times; 62 day waiting time target for cancer treatment from date of referral; and Psychological Therapy based treatment waiting times.</p> <p>There is a continued risk that performance standards and key targets are not being achieved and the delivery of quality affordable services is not sustained</p>		<p>times, and Psychological Therapy based treatment waiting times targets are showing significantly poor performance.</p> <p>Information in the core performance reports is of a good standard and provides details on performance, issues impacting on performance, and actions being taken to address poor performance.</p> <p>Conclusion: NHS Forth Valley has good arrangements for reporting and monitoring performance targets. As performance in some of the key targets declined in 2017/18, there continues to be a risk that performance standards and key targets are not being achieved and the delivery of quality affordable services is not sustained.</p>

Appendix 3

Summary of national performance reports 2017/18



		2017/18 Reports	
		Apr	
		May	
Common Agricultural Policy Futures programme: further update		Jun	Scotland's colleges 2017
		Jul	NHS workforce planning
Self-directed support: 2017 progress report		Aug	
Equal pay in Scottish councils		Sept	
Transport Scotland's ferry services		Oct	NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov	
		Dec	
		Jan	
Early learning and childcare		Feb	
Managing the implementation of the Scotland Acts		Mar	

NHS relevant reports

[NHS workforce planning](#) – July 2017

[Self-directed support: 2017 progress report](#) – August 2017

[NHS in Scotland 2017](#) – October 2017

NHS Forth Valley

2017/18 Annual Audit Report

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk