

NHS Tayside

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

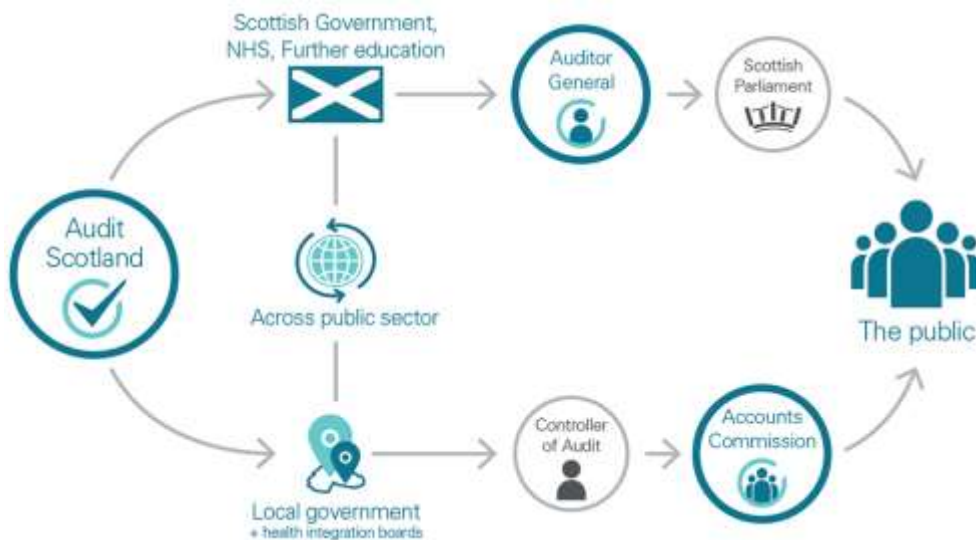
Prepared for by NHS Tayside
January 2020



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

Risks and planned work	4
Audit scope and timing	13

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual report and accounts and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.


Adding value


3. We aim to add value to NHS Tayside through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help NHS Tayside promote improved standards of governance, better management and decision making and more effective use of resources.


Audit risks


4. Based on discussions with staff, attendance at committee meetings and a review of supporting information, we have identified the significant audit risks for NHS Tayside. We have categorised these risks into financial statements risks and wider dimension risks and these are detailed in [Exhibit 1](#).


Exhibit 1 2019/20 Significant audit risks


 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>Auditing standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements and disclosures in the annual report and accounts.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business. • Substantive testing of transactions after the year end to confirm expenditure and income have been accounted for in the correct financial year.


 Audit Risk	Source of assurance	Planned audit work
<p>2 Risk of material misstatement caused by fraud in income recognition</p> <p>As set out in ISA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, there is a presumed risk of fraud in the recognition of income.</p> <p>NHS Tayside receives a significant amount of income from several sources other than Scottish Government funding. There is a risk that income may be misstated resulting in a material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> Budget monitoring by management. Internal control processes built into systems utilised by the board. Fraud reports are regularly monitored and information across Scotland is routinely shared. There are a range of measures in place to prevent and detect fraud, including Standing Financial Instructions, Standing Orders and a Code of Conduct for Staff which incorporates both whistleblowing and fraud policies. 	<ul style="list-style-type: none"> Analytical procedures on income streams. Detailed testing of revenue transactions focusing on the areas of greatest risk.
<p>3 Risk of material misstatement caused by fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, therefore the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>NHS Tayside incurs significant expenditure, including expenditure on family health services, which require audit procedures to be undertaken.</p>	<ul style="list-style-type: none"> Budget monitoring by management. Internal control processes built into systems utilised by the board. Fraud reports are regularly monitored and information across Scotland is routinely shared. There are a range of measures in place to prevent and detect fraud, including Standing Financial Instructions, Standing Orders and a Code of Conduct for Staff which incorporates both whistleblowing and fraud policies. The board has a formal partnership agreement with NHS Scotland Counter Fraud Services and an agreed protocol covering a programme of regular payment verification checks on family health service contractor payments. The board participates in the National Fraud Initiative. Completion of the Counter Fraud Services procurement risk self-assessment. 	<ul style="list-style-type: none"> Walk-through of controls over family health services expenditure. Detailed testing of transactions focusing on the areas of greatest risk. Audit work on the National Fraud Initiative matches. Obtain assurances from the Counter Fraud Service reports. Review the Counter Fraud Services procurement risk self-assessment.
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement, estimation and valuation of the material account areas including: non-current assets; provisions;</p>	<ul style="list-style-type: none"> Non-current asset base is reviewed on a rolling programme by the board's independent valuers. Information is received from the Office of National Statistics, HM Treasury, the 	<ul style="list-style-type: none"> Completion of 'review of the work of an expert' for the professional valuer. Review of information provided by the Office of National Statistics, HM Treasury, the Scottish

	Audit Risk	Source of assurance	Planned audit work
	trades payables (including family health services); trades receivables; and large hospital services set aside. This subjectivity represents an increased risk of material misstatement in the financial statements.	Scottish Public Pension Agency and the Central Legal Office which form the basis of the provisions calculations.	Public Pension Agency and the Central Legal Office. <ul style="list-style-type: none"> • Focused substantive testing of non-current assets; provisions; trade payables balances; trade receivables balances; and large hospital services set aside.
5	<p>Deferred income – research and development contracts</p> <p>An error in the accounting treatment of income received from research and development contracts (£1.152 million) was not adjusted for in the 2018/19 financial statements. The income was treated as deferred to future years but should have been included as 2018/19 operating income. Adjustment would have increased the board's underspend against its RRL (Revenue Resource Limit).</p>	<ul style="list-style-type: none"> • The accounting treatment for the 2018/19 accounts was reviewed by the Director of Finance and Deputy Director of Finance. • Accounting treatment will be re-evaluated against updated guidance issued in 2019/20. 	<ul style="list-style-type: none"> • Review 2019/20 accounting treatment against accounting requirements and updated guidance.
6	<p>Remuneration report disclosures</p> <p>The remuneration report should include senior employees' remuneration (including advisory and non-executive members). Although not board members, in our opinion senior officers e.g. Director of Workforce, have the power to influence the decisions of the entity (in an advisory capacity) and should be included.</p>	<ul style="list-style-type: none"> • The remuneration statement disclosures were considered for the 2018/19 accounts by the Chief Executive who considered them to represent those who have significant influence over decisions. The Chief Executive will review the disclosures for 2019/20. 	<ul style="list-style-type: none"> • Review the 2019/20 remuneration report disclosures against issued Guidance.
7	<p>Submission of annual report and accounts for audit</p> <p>Although the 2018/19 Annual Report and Accounts were received in stages, by the agreed dates, including the group accounts, initially there were some gaps in the information provided which impacted on the audit process. Further improvements in the reporting and auditing timeline have been agreed with officers for 2019/20.</p>	<ul style="list-style-type: none"> • Further discussions between finance officers and external audit will be held in 2020 to seek further improvement in the financial statements process. • Senior leadership commitment to annual report and accounts preparation. • Board finance officers are liaising with their IJB colleagues regarding the timetable for IJB draft accounts. • The board plans to provide annual report and accounts and relevant working papers by agreed timescales. 	<ul style="list-style-type: none"> • Continue to meet with finance officers throughout the year to ensure the timetable for receipt of the unaudited annual report and accounts and working papers is met to allow the audit to be progressed in a timely manner.

	Audit Risk	Source of assurance	Planned audit work
Wider dimension risks			
8	Transformation - achieving financial sustainability The amount of recurring savings realised by the board needs to increase if the board is to breakeven by 2021/22. The three year financial plan presented to the Board in April 2019 included target recurring savings of 50% of the total 2019/20 funding gap of £35.7 million. The focus of projected savings shifts over the course of the 2019-22 financial plan, with a move from productivity gains to savings arising from the Transforming Tayside programme. Much work has yet to be done to formalise the Transforming Tayside savings proposals and business cases are to be considered by the Board.	<ul style="list-style-type: none"> The financial plans will be kept under review to ensure that they remain robust and risk-assessed savings plans and increase the level recurrent level of savings achieved. 	<ul style="list-style-type: none"> Monitor progress with the development of transformation and savings plans. Report on the final deficit incurred for 2019/20, compared to the forecast deficit of £11.2 million. Report on the level of recurring savings achieved in 2019/20 against the board's target.
9	Financial planning With the introduction of the Scottish Government's five-year Medium-Term Financial Strategy (MTFS), there is an opportunity to look beyond the three-year cycle to a 5-10 year financial planning cycle, reflecting the corporate priorities and transformation programme within Transforming Tayside and incorporating scenario planning and financial modelling.	<ul style="list-style-type: none"> The Board approved a three-year finance plan in April 2019 and a Transforming Tayside programme in May 2019. The development of more detailed actions to support the savings required from Transforming Tayside will be taken forward during 2019/20. 	<ul style="list-style-type: none"> Monitor the board's development of its financial planning arrangements.
10	Asset management NHS Tayside does not yet have a comprehensive or complete understanding of its asset base and consequently, it does not have comprehensive estimates of the costs to maintain or develop its asset base, aligned to its clinical strategy. Work to address this is ongoing. The Property Asset Management System is under review and will see a shift to a Regional Asset Management Plan (RAMP) covering all NHS Boards in the North region. The RAMP is planned to be presented to the NHS Tayside Board in December 2019.	<ul style="list-style-type: none"> The Regional Asset Management Plan will be presented to the Board for approval in December 2019. 	<ul style="list-style-type: none"> Monitor developments with the Regional Asset Management Plan.

 Audit Risk	Source of assurance	Planned audit work
<p>11 Impact of EU withdrawal</p> <p>NHS Tayside made plans during 2018/19 to address the risks associated with EU withdrawal, however progress with preparations for EU withdrawal was not reported to the Board.</p> <p>In 2019/20 EU withdrawal has been highlighted as an overarching corporate risk and the Board approved an EU Exit Readiness Plan at its August 2019 meeting.</p>	<ul style="list-style-type: none"> • The EU Exit Readiness Group will continue to meet fortnightly to consider the board's ongoing preparations for EU withdrawal. • Ongoing engagement on EU withdrawal preparations with the Health and Social Care Partnerships. • Risk assurance reports on EU – Exit presented to each Board meeting. 	<ul style="list-style-type: none"> • Monitor EU withdrawal readiness reporting to the Board.
<p>12 Board Member training</p> <p>All Board Members have received induction training, but further training planned for 2018/19 had not yet been delivered at the time of our Annual Audit Report in June 2019.</p> <p>A report to the November 2019 Audit and Risk Committee noted that Non-Executive Members' training and development needs were to be reviewed through one-to-one meetings with the Chair during September /October 2019.</p> <p>In addition, the NHS Scotland Corporate Governance Steering Group is overseeing the development of new Board Development resources, which includes the development of a new Board Development site on Turas Learn. Once available Board members will be signposted to the new Turas Learn site to facilitate their learning and development.</p>	<ul style="list-style-type: none"> • Progress will be reported to the Staff Governance Committee. 	<ul style="list-style-type: none"> • Review progress with the Board Member training.
<p>13 Leadership and culture</p> <p>An implementation plan was developed in 2018/19 for the board's Leadership Programme. The Staff Governance Committee was tasked with providing scrutiny and reporting progress to the Board at regular intervals. A mid-year update report was presented to the September 2019 Area Partnership Forum and the October 2019 meetings of the Staff Governance Committee and the Board.</p> <p>Significant work remains to implement the Leadership</p>	<ul style="list-style-type: none"> • Progress with the programme is reported to the Staff Governance Committee and the Board in 2019/20. 	<ul style="list-style-type: none"> • Review Leadership Programme reporting to the Staff Governance Committee and the Board. • Consider any assessment by the board of achievements against the Leadership Programme's stated objectives.

 Audit Risk	Source of assurance	Planned audit work
<p>Programme's identified priorities and we would expect regular reporting on progress to include an assessment of the impact of the programme to the date of reporting.</p>		
<p>14 Leadership and culture</p> <p>A revised leadership and management structure was introduced in 2019. Appointments to the new structure is critical to ensure there is adequate leadership and direction in delivering the board's clinical objectives and Transforming Tayside. Some key posts are currently vacant.</p>	<ul style="list-style-type: none"> The implementation of the new management structure is being progressed and the board expects to appoint to the new posts during 2019/20. 	<ul style="list-style-type: none"> Monitor developments with appointments to the leadership and management structure.
<p>15 eHealth</p> <p>An eHealth delivery plan update was presented to the Performance and Resources Committee in April 2019 and set out the significant scale of the eHealth programme. The delivery plan will need to be aligned to the board's transformation programme. In 2019, the board also identified two new strategic risks for eHealth: eHealth cyber-attack and eHealth technical infrastructure and modernisation programme.</p> <p>Further capacity and capability risks remain within eHealth, including the management of regular day to day activities against the delivery of the eHealth ambitions within Transforming Tayside. The appointment of the new Director of Digital Technology, who is set to take up his post in January 2020, is critical to addressing the eHealth risks.</p>	<ul style="list-style-type: none"> An eHealth Delivery Plan is being developed and will be presented for review and approval in line with Transforming Tayside. eHealth risk, including cyber-attack and the technical infrastructure and modernisation programme, are monitored by the Audit and Risk Committee. A new Director of Digital Technology has been appointed. 	<ul style="list-style-type: none"> Monitor delivery of the eHealth Delivery Plan including linkages with Transforming Tayside. Monitor reporting of eHealth Risks to the Audit and Risk Committee.
<p>16 Best Value (BV)</p> <p>NHS Tayside did not carry out a review of its BV arrangements for 2018/19. Management were of the view that the review of governance arrangements covered this. In our opinion this does not provide explicit and comprehensive assurance on the BV arrangements.</p>	<ul style="list-style-type: none"> A review of the BV framework will be carried out in 2019/20. 	<ul style="list-style-type: none"> Monitor developments in the review of the board's Best Value framework. Review the Best Value disclosures within the 2019/20 Governance Statement.

 Audit Risk	Source of assurance	Planned audit work
<p>17 Financial capacity</p> <p>There has been significant change in the finance directorate in recent years including the departure of the Director of Finance in July 2019. Pressure on finance officers continues to be high, with the need to provide financial support for the transformation programme alongside delivery of the ongoing finance function duties. The filling of the vacant Director of Finance role and completion of the review of the finance structure will be essential to ensuring that the board has sufficient financial capacity to support the delivery of the board's objectives.</p>	<ul style="list-style-type: none"> • A Director of Finance appointment will be made in late 2019/early 2020. A role profile will be agreed for the position. • The review of the finance directorate structure will be progressed during 2020. • An assurance report on the capacity and capability of the finance directorate will be provided to the Audit and Risk Committee on completion of the service review. 	<ul style="list-style-type: none"> • Monitor developments within the finance directorate. • Review the assurance report on the capacity and capability of the finance directorate. • Continue to meet with key finance officers throughout the year to ensure the statutory audit deadline is met.
<p>18 Integrated joint boards</p> <p>We have been reporting for a number of years that the governance assurance arrangements pertaining to the health board and the three IJBs require to be further developed. This includes risk management arrangements and clinical and care governance arrangements. Action in progressing these issues has been slow.</p> <p>In June 2019 the Board considered a report on the outcome of the 'Ministerial Strategic Group (MSG) for Health and Community Care-Self-Evaluation for the Review of Progress with Integration of Health and Social Care'. The self-evaluation concluded that further work and actions are required to improve partnership working across a number of areas.</p>	<ul style="list-style-type: none"> • The risk registers of each IJB are a standing agenda item at the Strategic Risk Management Group. • The board is working with the IJBs to review the IJB risk management policy and strategy. The Dundee City IJB Chief Finance Officer is the lead officer for this review. Meeting dates for the review have been confirmed. • Progress with the implementation of the MSG actions will be reported to the Board on a six-monthly basis 	<ul style="list-style-type: none"> • Review the board's progress with IJB assurance arrangements. • Monitor MSG action plan reporting to the Board.

Source: Audit Scotland

Clinical governance

5. Clinical governance is the system through which the NHS works to monitor and improve the quality of the care and services they deliver. Health Improvement Scotland works to ensure that NHS boards have a clear and consistent approach to clinical governance in healthcare across Scotland. Audit Scotland's audit role is restricted to reporting on whether the board has governance arrangements that are appropriate and operating effectively, which includes the clinical governance arrangements.

6. The Sharing Intelligence Group is a partnership involving Healthcare Improvement Scotland, NHS Education for Scotland, the Care Inspectorate, the Scottish Public Services Ombudsman, the Mental Welfare Commission for Scotland, Public Health and Intelligence and Audit Scotland. The group meets periodically to discuss emerging issues at individual health boards as identified by the group members. The discussions of this group have been considered in planning our audit approach described in this plan.

Reporting arrangements

7. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

8. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

9. We will provide an independent auditor's report to NHS Tayside, Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

10. Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Government to be presented to Parliament within nine months of the financial year – end, i.e. 31 December. Management are required to submit their audited financial statements by 30 June to meet the consolidation timetable.

Exhibit 2 2019/20 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date (Board date)
Annual Audit Plan	16 January 2020	23 January 2020
Management Report	30 April 2020	21 May 2020
Proposed Annual Audit Report *	16 June 2020	23 June 2020
Independent Auditor's Report	26 June 2020	26 June 2020 * (Board date)

* The final Annual Audit Report cannot be submitted until after the independent auditor's report is signed.

Source: Audit Scotland

Audit fee

11. The agreed audit fee for the 2019/20 audit of NHS Tayside is £211,738 (2018/19 £208,104). In determining the audit fee we have taken account of the risk exposure of NHS Tayside, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual report and accounts, with a complete working papers package on 4 May 2020.

12. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual report and accounts or slippage in the agreed timetable, a supplementary fee may be levied. An additional fee may also be required in

relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit and Risk Committee and Accountable Officer

13. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

14. The audit of the annual report and accounts does not relieve management or the Audit and Risk Committee as those charged with governance, of their responsibilities.

Appointed auditor

15. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

16. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual report and accounts

17. The annual report and accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of NHS Tayside and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how NHS Tayside will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

18. We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of affairs of the board and its group as at 31 March 2020 and of the net expenditure for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the 2019/20 Financial Reporting Manual (FRoM)
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Statutory other information in the annual report and accounts

19. We also review and report on statutory other information published within the annual report and accounts including the performance report, governance statement, and remuneration report and staff report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

20. We also review the content of the annual report and accounts for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

Materiality

21. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any



characteristics



responsibilities



principal activities



risks



governance arrangements

uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

22. We calculate materiality at different levels as described below. The calculated materiality values for NHS Tayside are set out in [Exhibit 3](#).

Exhibit 3 Materiality values



Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2019 based on the latest audited annual report and accounts for 2019.	£10.69 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of planning materiality.	£5.34 million
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1% of planning materiality (rounded).	£110,000
Cumulative errors and impact on financial targets – We will consider all monetary errors identified through the audit process (including those below the reporting threshold) and the impact they have on the board's reported results against its financial targets. If the cumulative errors were to result in the board failing to meet its financial targets, this could impact on our audit testing and could result in a comment in the independent auditor's report.	n/a



Source: Audit Scotland

Timetable

23. To support the efficient use of resources it is critical that the annual report and accounts timetable is agreed with us to produce the unaudited annual report and accounts. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4 Annual report and accounts timetable

 Key stage	 Date
Latest submission date of unaudited annual report and accounts (Board only) with complete working papers package	4 May 2020
Latest date of consolidated (Board and Group) unaudited annual report and accounts	18 May 2020
Latest date for final clearance meeting with Director of Finance	10 June 2020
Issue of Letter of Representation and proposed independent auditor's report	16 June 2020
Agreement of audited unsigned annual report and accounts	16 June 2020

 Key stage	 Date
Issue of Proposed Annual Audit Report to those charged with governance	16 June 2020
Independent auditor's report signed	26 June 2020 (Board date)

Internal audit

24. FTF Audit and Management Services (FTF) provides internal audit services to a number of health boards, including NHS Tayside. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS).

25. Following an external assessment by the Institute of Internal Auditors in 2018, an internal audit improvement action plan was presented to management in June 2018 containing 9 improvement actions. Seven of the actions are now complete and 2 are partly complete: the clearer alignment of the internal audit plan with the Board's strategic objectives and the development of an FTF website to increase the profile of internal audit in the organisation. Work in these two areas is ongoing. Subject to completion of the improvement action plan we have concluded that internal audit satisfies the requirements of PSIAS.

26. We reported on slippage in the delivery of the overall internal audit plan in 2018/19. The carry forward of audits from the prior year plan has been a significant factor in the internal audit plan slippage for a number of years. Consequently, FTF has reviewed its approach to reassess the need for the carry forward of audits. This has resulted in audits not yet started for 2018/19 being risk assessed for inclusion in the 2019/20 internal audit plan. Audits that are no longer considered to be of significant risk are not carried forward. This should enable FTF to establish realistic and achievable annual plans going forward. Progress against the plan is monitored by the Audit and Risk Committee.

Using the work of internal audit

27. From our initial review of internal audit plans, we do not plan to place formal reliance on FTF work to support our financial statements audit opinion this year, however we do plan to use the work of internal audit where relevant in respect of our wider dimension audit responsibilities.

Audit dimensions

Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5 Audit dimensions



Financial sustainability

28. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

29. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether arrangements are in place to ensure systems of internal control are operating effectively
- the effectiveness of budgetary control system in communicating accurate and timely financial performance can be demonstrated
- how NHS Tayside has assured itself that its financial capacity and skills are appropriate
- whether NHS Tayside has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

30. 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. We will review, conclude and report on:

- whether NHS Tayside can demonstrate that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with, others)
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Value for money

31. Value for money refers to using resources effectively and continually improving services. We will review the results of the work done on the wider dimension audit risks, including the work done as prescribed in paragraphs 28 -30 above, for evidence on whether NHS Tayside can demonstrate:

- value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered
- that outcomes are improving
- there is sufficient focus on improvement and the pace of it.

32. The Chief Executive, as the Accountable Officer of NHS Tayside, has a duty to ensure arrangements are in place to secure best value (BV). We will review and report on the Board's review of the BV framework planned for 2019/20. We will

look for the Board's review to provide evidence on how it provides value for money in the areas noted above.

33. During 2020 Audit Scotland will undertake, on behalf of the Auditor General and Accounts Commission, a national performance audit in relation to children and young people's mental health. The local audit team will support our Performance Audit and Best Value (PABV) colleagues throughout the audit as appropriate.

Independence and objectivity

34. Auditors appointed by the Auditor General or Accounts Commission must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

35. The engagement lead (i.e. appointed auditor) for NHS Tayside is Fiona Mitchell-Knight, Audit Director. Auditing and ethical standards require the appointed auditor Fiona Mitchell-Knight to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of NHS Tayside.

Quality control

36. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

37. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

38. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

NHS Tayside

Annual Audit Plan 2019/20

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