

NHS Fife

2019/20 Annual Audit Report

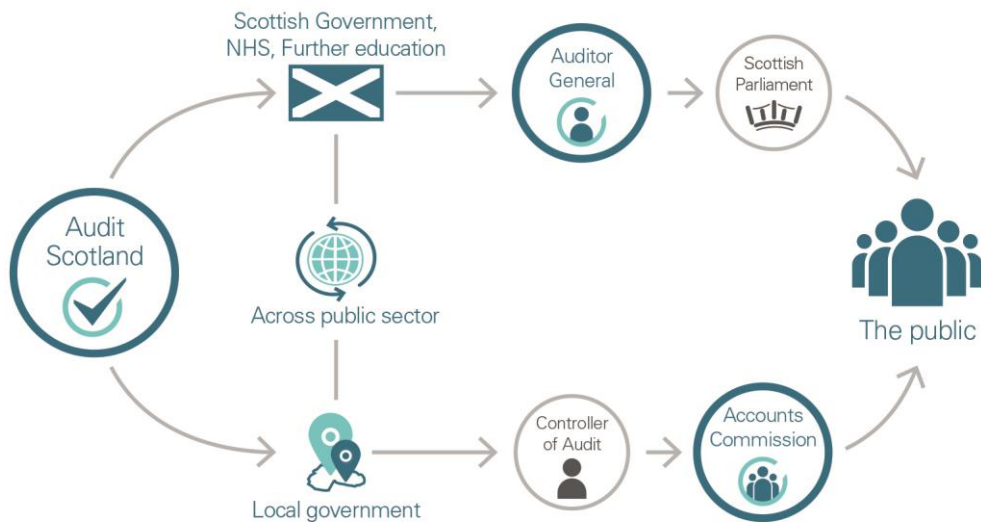


Prepared for the Board of NHS Fife and the Auditor General for Scotland
November 2020

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.

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Key messages

2019/20 annual report and accounts

- 1 Our audit opinions on the annual accounts are unmodified.
- 2 An 'Emphasis of Matter' paragraph is included in the independent auditor's report to draw attention to the material valuation uncertainty for land and building valuations, caused by the Covid-19 pandemic.
- 3 The audit was delayed due to COVID-19 and capacity issues.

Financial management & sustainability

- 4 NHS Fife operated within its Revenue Resource Limit. Additional funding of £3.4 million was received for COVID-19 costs in 2019/20.
- 5 Efficiency savings of £10 million were achieved against a target of £17 million (58 per cent).
- 6 In the short-term, NHS Fife is focussed on responding to the COVID-19 pandemic and remobilisation of services. Costs of Covid-19 in 2020/21 are estimated as £47 million, and Scottish Government has confirmed additional funding covering 70% of additional costs.
- 7 NHS Fife is developing a new medium-term financial plan, which will need to consider the impact of COVID-19.

Governance, transparency and value for money

- 8 NHS Fife has appropriate and effective governance and transparency arrangements. These were revised during the COVID-19 pandemic.
- 9 NHS Fife has an appropriate best value framework in place.
- 10 Performance in A&E waiting time standards has fallen, it is likely that Covid-19 will further affect performance.

Introduction

1. This report summarises the findings from our 2019/20 audit of NHS Fife. The scope of our audit was set out in our Annual Audit Plan presented to the 9 January 2020 meeting of the Audit and Risk Committee. This report includes findings from:

- an audit of the body's annual report and accounts
- consideration of the wider dimensions that frame the 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*

2. The main elements of our audit work in 2019/20 have been:

- an audit of NHS Fife 2019/20 annual report and accounts including the issue of an independent auditor's report setting out my opinions
- a review of NHS Fife key financial systems
- consideration of the four audit dimensions.

3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, NHS Fife has had to respond to the global coronavirus pandemic. This impacted on the end of 2019/20 and will continue to have significant impact into financial year 2020/21. This has had significant implications not least for the services it delivers, the costs of healthcare provision, sickness absence levels, and the suspension of non-essential activities. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

Adding value through the audit

4. We add value to NHS Fife through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides.

5. We aim to help NHS Fife promote improved standards of governance, better management and decision-making and more effective use of resources.

Responsibilities and reporting

6. NHS Fife has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers.

7. The body is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity.

8. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#) and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

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

10. 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 any outstanding actions from last year and progress against these.

Auditor Independence

11. Auditors appointed by the Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

12. 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 2019/20 audit fee of £157,600, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

13. 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. 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



Main judgements

Our audit opinions on the annual accounts are unmodified.

An 'Emphasis of Matter' paragraph is included in the independent auditor's report to draw attention to the material valuation uncertainty for land and building valuations, caused by the Covid-19 pandemic.

The audit was delayed due to COVID-19 and capacity issues.

The annual report and accounts are the principal means of accounting for the stewardship of resources and performance.

Our audit opinions on the annual accounts are unmodified

14. The board approved the annual report and accounts for the year ended 31 March 2020 on 25 November 2020. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were regular and 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 relevant legislation and directions made by Scottish Ministers.

NHS Fife identifies uncertainty in property valuations due to COVID-19

15. An 'Emphasis of Matter' paragraph has been included in our independent auditor's report which refers to the impact of Covid-19 on the valuation of land and buildings. An 'Emphasis of Matter' paragraph is not a qualification of the opinion but is added where the auditor considers it necessary to draw users' attention to matters which are fundamental to the understanding of the accounts. Further information is provided in Exhibit 2 below. The audit opinion is not modified in respect of this matter.

There were significant delays in preparing and auditing the financial statements due to Covid-19 and capacity issues

16. The unaudited annual report and accounts were originally to be submitted in line with our agreed audit timetable on 11 May 2020. However, due to the challenging circumstances presented by the Covid-19 pandemic, we agreed a revised date of 1 July based on the Scottish Government allowing a three-month extension for the audited accounts, to 30 September 2020.

17. However, due to capacity issues in the NHS Fife finance team, we did not receive a full set of accounts and working papers until 17 August 2020, by this time we had taken the difficult decision to postpone the audit and the revised 30

September deadline was not met. Following postponement of the audit, NHS Fife secured additional financial staff from NHS Lothian and internally to support the audit and we started the audit in October 2020.



Recommendation 1

Financial capacity issues should be addressed as a priority. NHS Fife should ensure that the agreed timetable for presenting the unaudited annual report and accounts for audit is met, and that working papers are available to support these.

Overall materiality is £13 million

18. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in Exhibit 2.

Exhibit 2 Materiality values

Overall materiality	£13 million
Performance materiality	£8 million
Reporting threshold	£200,000

Audit work addressed the main risks of material misstatement

19. Our Annual Audit plan provides our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

We have significant findings to report from the audit

20. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The significant findings are summarised in [Exhibit 3](#).

Exhibit 3 Significant findings from the audit of the financial statements

1. Material uncertainty in respect of the valuation of land and buildings	NHS Fife has provided a disclosure on the valuer's opinion in audited financial
In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global	

Standards ('Red Book'), the District Valuer included a 'material uncertainty' disclosure in the valuation of the board's land and buildings at 31 March 2020. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as, "where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted." The District Valuer confirmed that the valuation of land and buildings was based on the best information available and while it can be relied upon, a higher degree of caution should be attached to the valuation than would normally be the case.

statements: Note 1 (Accounting Policies)

An 'Emphasis of Matter' paragraph has been included in the Independent Auditor's Report. This is not a modification to our opinion but is intended to draw attention to the market uncertainty, as a result of Covid-19, on the valuation of land and buildings at 31 March 2020.

2. Holiday pay accrual

The holiday pay accrual, included in the financial statements, is £1.5 million and medical and dental staff account for £0.7 million of this. NHS Fife's systems still do not identify and collate outstanding holiday leave centrally for individual medical and dental staff.

We consider the estimate is reasonable, but again we recommend that a process is put in place to assist management in determining this estimate, which would make it less susceptible to bias.

In 2019/20 the estimate has been increased due to Covid-19, which impacted on outstanding leave in the last month of the financial year. NHS Fife estimated additional costs to be £0.8 million and received additional funding from Scottish Government for this element of the accrual. We considered the estimate included in the financial statements in accordance with ISA540 and have expressed concern in previous years about the process and basis for making this estimate.

[Exhibit 3 Recommendation 2](#)

Holiday Pay Accrual	2019/20	2018/19	2017/18	2016/17
Qualitative audit assessment	2	6	2	1
	£m	£m	£m	£m
Value included in accounts (medical and dental)	0.7	0.15	0.8	
Value in accounts (other staff)	0.8	0.4	0.4	
Total Holiday pay accrual	1.5	0.55	1.2	1.24



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There were no identified misstatements

21. There were no significant (by value) adjustments made to the unaudited financial statements that exceeded our reporting threshold.

NHS Fife has begun to implement our prior year recommendations

22. NHS Fife has begun to implement our prior year recommendations. A new Strategic Planning and Resource Allocation Process is being implemented and medium term financial plans are being progressed. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2

Financial management



Main judgements

NHS Fife operated within its Revenue Resource Limit.

Budget process were appropriate, and NHS Fife received £3.4 million of funding to meet Covid-19 costs in 2019/20.

Efficiency savings of £10 million were achieved against a target of £17 million (58 per cent).

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

NHS Fife operated within its Revenue Resource Limit (RRL)

23. The Scottish Government Health and Social Care Directorate (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within. As illustrated in [Exhibit 4](#), the board operated within all limits during 2019/20.

Exhibit 4 Performance against resource limits in 2019/20

Core revenue resource limit	752.33	752.27	0.06
Non-core revenue resource limit	28.20	28.20	0
Total revenue resource limit	780.53	780.47	0.06
Core capital resource limit	8.26	8.26	0
Non-core capital resource limit	0	0	0
Total capital resource limit	8.26	8.26	0
Cash requirement	811.64	811.64	0

Source: NHS Fife Annual Report and Accounts 2019/20

24. The financial year 2019/20 provided the first opportunity for NHS boards to exercise annual flexibility within one per cent of their budget. This removes the requirement for boards to achieve financial balance annually and instead boards

are required to achieve a break-even position over a rolling three-year period. In this first year, NHS Fife achieved an underspend of £60,000 against its resource limits.

25. This underspend takes into account the financial flexibility provided by the Scottish Government from the previous year. Without this, the Board's outturn would have been an overspend on Revenue Resource Limit of £200,000 (equivalent to 0.03%).

The IJB partnership overspent by £6.6 million in 2019/20

26. Overall, the IJB partnership overspent by £6.6 million net of the health delegated savings underspend in 2019/20. NHS Fife funded £4.8 million of the overspend in accordance with the integration scheme. The remaining £1.86 million was funded by Fife council. The agreed level of overspend reflected an agreement between the Council, NHS Fife and the Partnership to balance the IJB budget over a 3-year period given the need for significant change to deliver a balanced budget.

Budget process were appropriate, and NHS Fife received £3.4 million of funding to meet Covid-19 costs in 2019/20

27. NHS Fife has appropriate budget setting and monitoring arrangements. We observed that senior management and members receive regular and accurate financial information on the board's financial position.

28. Finance reports until February 2020 projected a year end overspend. This was due to a failure to deliver required savings in the Acute Services Division, an additional contribution to the IJB through the risk-share agreement and increasing costs of non-Fife based services. This was offset by final allocation changes including an agreed transfer of capital to revenue of £1 million and identification of qualifying ADEL expenditure of £5.8 million.

29. As a result of the COVID-19 pandemic in March 2020, NHS Fife experienced:

- a significant increase in community prescribing costs of £1.2 million
- an increase in costs of supplies
- increased staff costs due to absences and supplementary staffing.

30. In total NHS Fife received £3.4 million of additional funding in 2019/20 to meet these Covid-19 costs.

Efficiency savings of £10 million were achieved against a target of £17 million (58 per cent)

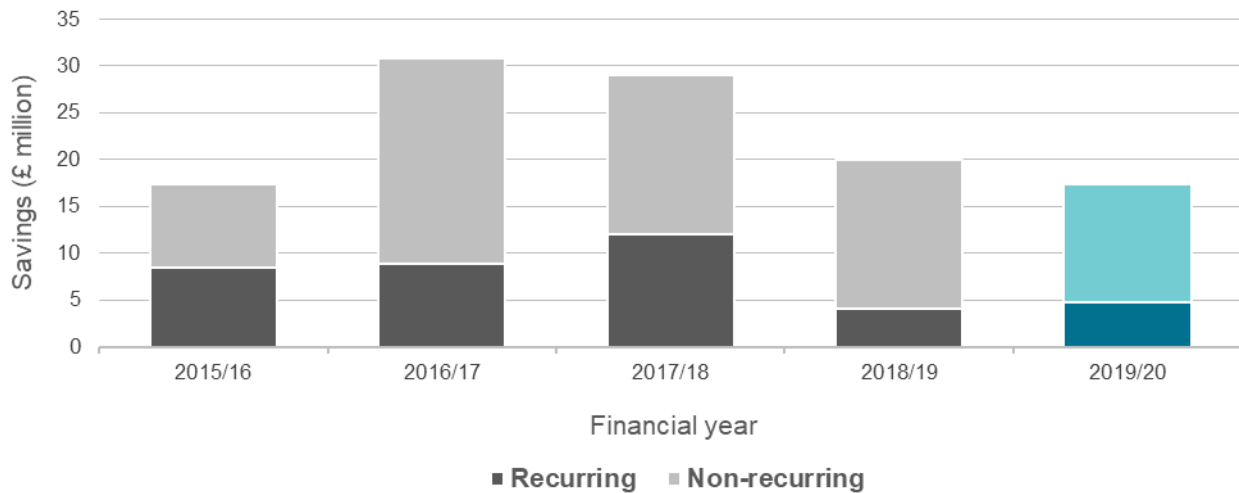
31. The Financial Plan approved by the Board in March 2019 highlighted the requirement for £17.3 million of cash efficiency savings to support financial balance in 2019/20, year one of a three-year cycle. The plan was predicated on an ambitious savings programme across Acute Services and the IJB. This was supported by ongoing grip and control of day-to-day expenditure and existing cost pressures and early identification of non-recurring financial flexibility.

32. We have reported for a number of years that NHS Fife continues to rely on non-recurrent savings (as illustrated in [Exhibit 5](#)), including internal financial flexibility of unspent allocations, to deliver against its financial targets. This continued in 2019/20, however the size of the savings target reduced and the proportion and total value of non-recurrent savings has been reducing since 2016/17.

33. Total savings of £10.1 million were delivered in 2019/20; £4.7million recurring in nature, £5.4 million non-recurring in nature. The balance of £7.2 million was met

through non-recurring financial flexibility of unspent allocations. The underachievement of recurring savings and continued reliance on non-recurring financial flexibility means that NHS Fife will face ongoing financial pressures in 2020/21.

Exhibit 5 Savings – recurring and non-recurring (including financial flexibility)



Source: Audit Scotland Annual Audit Reports and NHS Fife records

Financial systems of internal control are operating effectively

34. Our management letter presented to the audit and risk committee on 18 June 2020 concluded that overall, the key controls are operating effectively. We identified some control weaknesses in relation to PECOS and ledger access, payroll and authorisation of journals. We revised our audit approach in response to the weaknesses identified to enable us to obtain sufficient assurance to conclude on the 2019/20 annual accounts.

Shared systems operated effectively during the year

35. The NHS in Scotland procures a number of service audits each year for shared systems: NHS National Services Scotland (NSS) procures service audits covering primary care payments and the national IT contract; and NHS Ayrshire & Arran procure a service audit of the National Single Instance e-Financials service.

36. The 2019/20 service auditor reports covering primary care payments and the national IT contract include qualified opinions. They relate to the design of operating effectiveness of controls in order to meet the stated control objectives rather than indicating that the underlying transactions are necessarily incorrectly processed. We have reviewed the qualifications contained within the service auditor reports and concluded that they did not have an adverse impact on our audit approach or audit opinion.

There are appropriate arrangements for the prevention and detection of fraud, error and irregularities and proper standards of conduct

37. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. NHS Fife took part in the 2018-19 NFI exercise and followed up their matches in a timely manner. No frauds or errors have been identified.

Part 3

Financial sustainability



Main judgements

Revenue funding has grown in real terms by 4.4 per cent.

In the short-term, NHS Fife is focussed on responding to the COVID-19 pandemic and remobilisation of services.

Costs of Covid-19 in 2020/21 (including IJB pressures) are estimated as £47 million, but there is uncertainty around the costs and funding. Savings of £4 million are unidentified in acute services.

NHS Fife is developing a new medium-term financial plan, which will need to consider the impact of COVID-19.

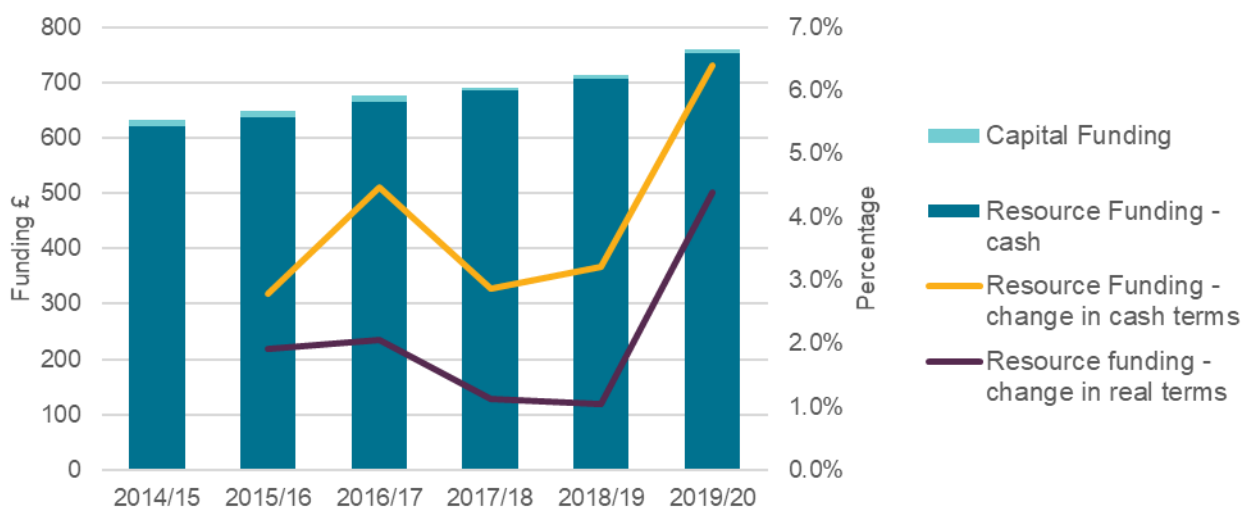
Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Revenue funding has grown in real terms by 4.4 per cent

38. Revenue funding to NHS Fife from the Scottish Government has grown by 6.4 per cent in cash terms and 4.4 per cent in real terms compared to 2018/19 ([Exhibit 7](#)). This includes additional funding for new developments and to cope with the COVID-19 outbreak.

Exhibit 7

Cash and real term core funding to NHS Fife has risen



Source: NHS Fife accounts/ Audit Scotland

In the short-term, NHS Fife is focussed on responding to the COVID-19 pandemic and remobilisation of services

39. The NHS in Scotland is under COVID-19 Emergency Planning Measures until 31 March 2021. This directs health boards to focus on the immediate Scottish Government priorities of delivering the Test and Protect service, the flu vaccination programme and winter plans, the redesign of urgent care services alongside the remobilisation of services.

40. The financial implications of the remobilisation of services and responding to the pandemic are still being identified. The Director of Finance of NHS Fife is a member of the Remobilisation Oversight Group.

An overspend is projected in 2020/21 but this may be offset by financial flexibility

A significant level of savings is still to be identified in 2020/21

41. NHS Fife identified at the beginning of 2020/21 that they needed to achieve £20 million of savings to achieve financial balance. NHS Fife has identified that £8.8 million of these savings cannot be delivered due to the impact of Covid-19, and is seeking additional funding to reduce the savings target for 2020/21 to £11.2 million.

42. At 30 September 2020, NHS Fife has identified and achieved £3.4 million (30%) of recurring savings and £3.4 million (30%) of non-recurring savings in acute services. The remaining £4.3 million (40%) of required savings are unidentified.



Recommendation 3

Detailed savings plans should be developed identifying how the remaining £4.3 million of savings in 2020/21 will be achieved.

Costs of Covid-19 in 2020/21 are estimated as £47 million, but there is uncertainty around the costs and funding

43. The impact of COVID-19 on 2020/21 remains unclear, however NHS Fife identified in their mobilisation plan in August 2020 expected costs of £47 million in 2020/21. This included £20 million in acute services and £27 million in community areas covered by the IJB.

44. In September 2020, Scottish Government confirmed an initial revenue allocation of £33.5 million to cover additional costs. Scottish Government recently confirmed funding covering 70% of Covid -19 additional costs.

45. The most recent Finance and Performance report presented to the board in September 2020 forecasts a core overspend of £2.3 million, at 31 March 2021, excluding the risk share element and prior to applying financial flexibility of unspent allocations.

NHS Fife is developing a new medium-term financial plan, which will need to consider the impact of COVID-19

46. As noted in paragraph 32, NHS Fife has had to manage significant financial pressures and relies on slippage in new development activity each year, as the associated funding provides internal non-recurring financial flexibility to meet ongoing costs and balance its financial position. This does not alleviate medium-term recurring pressures.

47. NHS Fife does not currently have a medium-term financial plan and the development of a new Strategic Planning and Resource Allocation process is in its early stages. This will incorporate a new medium-term financial plan, as well as plans for efficiency savings, workforce, digital and innovation and stakeholder engagement. Opportunities for investment and disinvestment will be considered. The Health and Social Care Partnership will also be involved in the process, which will cover a three-year period.



Recommendation 4

The new medium-term financial plan will need to consider the impact of COVID-19, which as well as affecting services, has had a significant impact on finances in 2019/20 and into 2020/21.

Part 4

Governance and transparency



Main judgements

NHS Fife has appropriate governance and transparency arrangements.

Governance arrangements were revised during the COVID-19 pandemic.

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.

Overall governance and transparency arrangements are appropriate

48. We commented on governance arrangements in our management letter presented to the Audit and Risk Committee in July 2020. Our previous year's conclusion is still relevant, that 'overall NHS Fife has appropriate governance arrangements', as there has been no significant change during 2019/20, with the exception of specific comments below on the response to the COVID-19 outbreak in March 2020.

The Board revised governance arrangements in response to the Covid-19 pandemic

49. The impact of Covid-19 from March 2020 has been set out in the Governance Statement in NHS Fife's annual accounts. The following steps were taken to allow NHS Fife to prioritise its response to the outbreak:

- The Board agreed to convene its meetings remotely during the pandemic, and this arrangement has continued. There was a short delay to the planned meeting of 25 March, with this instead held on 8 April by teleconference. At Board meetings held from May, local media were able to listen in to the video calls and papers continued to be published on the NHS Fife website.
- The committee meetings due to be held in May were cancelled, with urgent business being considered directly by the Board. Briefing sessions for each of the Committees related to Covid-19 were held in June and the full cycle of Committee meetings resumed from July.
- A new organisational command structure was established, led by Gold Command, a Scientific and Technical Advisory Cell (STAC) and the Ethics Committee. There were also weekly teleconferences between the Executive Directors and Chair and Vice Chair of the Board, with minutes of these meetings circulated to Board members.

50. The revised governance arrangements have allowed NHS Fife to focus on priority issues.

Part 5

Value for money



Main judgements

NHS Fife has an appropriate best value framework in place.

Performance in A&E waiting time standards has fallen, it is likely that Covid-19 will further affect performance.

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

NHS Fife has a Best Value framework

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

52. In NHS Fife, all Standing Committees are required to complete the Best Value Framework assessment alongside their Annual Statement of Assurance.

53. NHS Fife also produces monthly Integrated Performance & Quality Reports (IPQRs). The most recent IPQR is considered at each meeting of the Clinical Governance Committee, the Finance, Performance and Resources Committee and the Staff Governance Committee. An Executive Summary IPQR is then presented at the next NHS Fife Board meeting.









54. The IPQRs assess performance against LDP standards and local key performance indicators.

Performance in A&E waiting time standards has fallen, it is likely that Covid-19 will further affect performance

55. NHS Fife's performance against the key national waiting time standards is shown in [Exhibit 10](#). In our [NHS overview report](#) in 2018/19, we reported that none of the fourteen territorial health boards achieved all eight standards. In 2019/20, NHS Fife has achieved three standards. One is within 5% of target and the other four are out with acceptable standards. This is a deterioration from four last year with A&E attendee waiting times falling target (but within 5 per cent).

Exhibit 10

Performance against key national waiting time standards

Cancer 62 Day RTT <i>Proportion of patients that started treatment within 62 days of referral</i>	95%	 85.3%	Current improvement actions include the review of pathways and the establishment of Cancer Structure to develop a Cancer Strategy.
18 Weeks RTT <i>Proportion of patients that started treatment within 18 weeks of referral</i>	90%	 81.4%	Improvement in the 18 Weeks RTT patient pathway results from activities carried out in the Outpatients, Diagnostics and Treatment services, which centre round constant analysis of demand against capacity and new ways of working. This is especially relevant given the requirement for social distancing.
Patient Treatment Time Guarantee (TTG) <i>Proportion of inpatients or day case that were seen within 12 weeks</i>	100%	 81.6%	Currently developing transformation plan and undertaking waiting list validation.
Outpatients waiting less than 12 weeks <i>Proportion of patients on the waiting list at month end who have been waiting less than 12 weeks since referral at month end</i>	95%	 95.2%	Standard achieved.
A & E attendees <i>Proportion of A & E attendees who were admitted, transferred or discharged within 4 hours</i>	95%	 92.6%	Remodelling Outpatient services. Creation and refocusing of working groups.
Cancer 31 Days DTT <i>Proportion of patients who started treatment within 31 days of decision to treat</i>	95%	 95.7%	Standard achieved.
Drug and Alcohol 21 days <i>Proportion of drug and alcohol patients that started treatment within 21 days</i>	90%	 95.2%	Standard achieved.
CAMHS Waiting Times <i>Proportion of patients seen within 18 weeks of referral</i>	90%	 71.6%	Maintain level of activity and response time. Developing systems to maintain the centralised allocation process. Building a CAMHS Urgent Response Team.

Source: NHS Fife Annual Report and Consolidated Accounts for the year ended 31 March 2020 page 8; NHS Fife August 2020 IPQR.

56. We conclude that achieving LDP standards continues to be challenging for NHS Fife. It is likely the COVID-19 pandemic will further impact the achievement of standards in 2020/21.

National performance audit reports

57. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2019/20 a number of reports were published which are of direct interest to the board and are highlighted in [Appendix 4](#).

58. The NHS Overview Report on the 2019/20 audits will include a review of the response to the COVID-19 pandemic by the NHS in Scotland along with a report on financial and operational performance. This is due to be published early 2021.

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Financial capacity and working papers</p> <p>Due to capacity issues in the finance team, we did not receive a full set of accounts and working papers until 17 August 2020. The delay resulted in the postponement of the audit and the revised 30 September deadline was not met.</p> <p>Risk – NHS Fife may be unable to demonstrate financial governance through its accounts to stakeholders including the Scottish Government.</p>	<p>Financial capacity issues should be addressed as a priority. Going forward, NHS Fife should ensure that the agreed timetable for presenting the unaudited annual report and accounts for audit is met, and that working papers are available and provided as required.</p> <p>Paragraph 18</p>	<p>NHS Fife accept that capacity issues did result in the delay to the 2019/20 process. The onset of the pandemic added to this given the difficulties in recruiting to key posts at that time. NHS Fife will be interviewing for a new Head of Financial Services in early December. The internal team and NHS Lothian colleagues who latterly supported the audit process will prepare a lessons learned report which we will use to fully assess requirements going forward. NHS Fife will have the correct capacity and capability in place to ensure the 2020/21 annual accounts process progresses well.</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: 31 January 2021</p>
2	<p>Holiday pay accrual</p> <p>The holiday pay accrual, included in the financial statements, is £1.5 million and medical and dental staff account for £0.7 million of this. NHS Fife's systems still do not identify and collate outstanding holiday leave centrally for individual medical and dental staff.</p> <p>Risk – The estimate is not prepared on a consistent basis and there is a risk of bias in the estimate.</p>	<p>We recommend that a process is put in place to assist management in determining this estimate, which would make it less susceptible to bias.</p> <p>Paragraph 21</p>	<p>NHS Fife will put in place the process required.</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: 31 March 2021</p>
3	<p>Savings for 2020/210 still need to be identified</p>	<p>NHS Fife should ensure that detailed savings plans are</p>	<p>Plans are now in place to deliver the remaining £4.3</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>At 30 September 2020, NHS Fife have identified and achieved £3.4 million (30%) of recurring savings and £3.4 million (30%) of non-recurring savings. The remaining £4.3 million (40%) of required savings are unidentified</p> <p>Risk – unidentified savings are less likely to be achieved and could result in non-achievement of financial targets.</p>	<p>developed identifying how the remaining £4.3 million of savings in 2019/20 will be made on a recurring basis.</p> <p>Paragraph 43</p>	<p>million and progress will be monitored closely to the end of the financial year.</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: 31 March 2021</p>
4	<p>Medium term financial plans</p> <p>NHS Fife does not currently have a medium-term financial plan and the development of a new Strategic Planning and Resource Allocation process is in its early stages.</p> <p>Risk - there is a risk that financial plans are not in place to ensure financial, balance over the medium term.</p>	<p>The new medium-term financial plan will need to consider the impact of COVID-19, which as well as affecting services, has had a significant impact on finances in 2019/20 and into 2020/21.</p> <p>Paragraph 48</p>	<p>The Executive Management Team have considered and supported a new Strategic Planning and Resource Allocation Process. Information gathering from Directorates and Programmes has commenced and will inform the new medium-term financial and organisational strategy. This will include a full assessment of the impact of COVID-19.</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: 31 March 2021</p>

Follow up of prior year recommendations

4	<p>Timetable for unaudited accounts</p>	<p>NHS Fife should ensure that the agreed timetable for presenting the unaudited annual report and accounts for audit is met and a more complete set of working papers should be readily accessible. Consideration should also be given to addressing key person dependencies</p>	<p>Outstanding</p> <p>See point 1 above.</p> <p>This will be addressed as set out in point 1.</p>
5	<p>Holiday pay accrual</p>	<p>A method of collecting and collating a significant sample of individual balances should be introduced for medical and dental staff.</p>	<p>Outstanding</p> <p>See point 2 above</p> <p>This will be addressed as set out in point 2.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
6	Efficiency savings	Detailed savings plans should be developed to ensure that NHS Fife can deliver the required savings.	<p>In progress.</p> <p>This will be addressed through the new Strategic Planning and Resource Allocation process.</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 to our wider responsibility under the [Code of Audit Practice 2016](#).

Add in any audit risks arising from COVID-19 along with any new 'standard risks' identified in the revised 2019/20 Audit Planning Guidance

Risks of material misstatement in the financial statements

<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.</p>	<ul style="list-style-type: none"> Review of accounting estimates. Focused testing of accruals and prepayments including holiday pay accrual Evaluation of significant transactions that are outside the normal course of business. Data analytics risk assessment of ledger transactions (including journals) and testing of these. <p>Testing of transactions after the year end.</p>	<p>Results: We identified that, as in previous years, the holiday pay accrual included an estimate for medical and dental staff which did not have adequate supporting evidence.</p> <p>Conclusion: We consider the estimate is reasonable, but again we recommend that a process is put in place to assist management in determining this estimate, which would make it less susceptible to bias.</p>
<p>2 Risk of material misstatement caused by fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, 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>Significant expenditure items include payments for independent primary care services and prescribed drugs – primary care which are made by Practitioner Services Division (PSD) on behalf of NHS Fife. This includes claims made by practitioners after issuing medicines and medical items to the public. We</p>	<ul style="list-style-type: none"> Audit work on the National Fraud Initiative matches. Obtain assurances from the NHS Scotland Counter Fraud Service. Use of data analytics to identify high risk items and exceptions for substantive testing. 	<p>Results: We did not identify any significant concerns in our review of progress on the National Fraud Initiative matches.</p> <p>We reviewed the assurances from the NHS Counter Fraud Service and found no issues.</p> <p>There were no significant errors found through our data analytics work.</p> <p>Conclusion: We did not identify any fraud issues.</p>

therefore identify the risk of fraud over expenditure for payments made by PSD on behalf of NHS Fife.

<p>3 Risk of material misstatement caused by 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 and the note disclosures for commitments under Private Finance Initiative (PFI) contracts. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> • Review of reports from the District Valuer to confirm asset valuations. • Review the valuation process including engagement with the District Valuer. • Sample testing of indexation calculations. • Sample testing of CNORIS claims and associated reimbursements. • Verification of the CNORIS provision recognising the future liability from participating in the scheme with reference to the contribution rate provided by the CLO. <p>Review assessment of the two PFI contracts.</p>	<p>Results: The District Valuer included a 'material uncertainty' disclosure in the valuation of the board's land and buildings at 31 March 2020 due to market uncertainties caused by Covid-19.</p> <p>We did not identify any issues relating to accounting for CNORIS.</p> <p>We reviewed our assessment of the PFI contracts and did not identify any issues.</p> <p>We continue to identify issues with the process for estimating the holiday pay accrual, although this is not a material estimate</p> <p>Conclusion: An 'Emphasis of Matter' paragraph has been added to the audit opinion in respect of the valuation of land and buildings.</p>
<p>4. Risk of material presentation error in Note 3 – operating expenses</p> <p>The mapping of expenditure account codes in the ledger does not reflect the requirements of the Manual for the Annual Report and Accounts of NHS Boards. This is addressed by making several manual adjustments to the line entries in Note 3 – Operating Expenditure.</p> <p>We are satisfied the financial statements accurately reflect the expenditure transactions posted to the ledger but there is the risk of a material presentation error in Note 3.</p>	<ul style="list-style-type: none"> • Review of Manual for the Annual Report and Accounts of NHS Boards to ensure compliance with the disclosure requirements. • Sample testing of significant manual adjustments to confirm they are reasonable and consistent. 	<p>Results: We considered the manual adjustments made to Operating Expenditure entries and these were found to be reasonable and consistent with the previous year.</p> <p>Conclusion: No issues were found with presentation in Note 3.</p>

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

<p>5 Financial management</p> <p>NHS Fife's latest financial position to the end of October 2019 reflects an overspend of £7.6 million.</p> <p>The outturn position is forecast to be a deficit position of £5.8 million but there is potential for</p>	<ul style="list-style-type: none"> • Review financial budgeting and reporting including assumptions supporting the increase in annual budget; progress with the delivery of savings; agreement of changes to the risk share arrangement; and reliance on financial flexibility. 	<p>Results: We reported on Financial Management in our 2019/20 Management Report. We found that NHS Fife continued to rely on non-recurring savings and negotiations on the risk share agreement are still in progress.</p> <p>Conclusion: We have recommended that NHS Fife identify plans to match</p>
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this figure to increase significantly to £14.6 million.

The 2019/20 budget reporting is predicated on a number of high level assumptions including a reduction in risk share exposure on Fife IJB services for NHS Fife and increased non-recurring financial flexibility including unplanned slippage on allocations neither of which are guaranteed.

There is a risk that NHS Fife delivers an overspend against its budget/ revenue allocation.

- Monitor the development of the budget projection for the remainder of the financial year and the transparency of reporting to members.
- Consider any contingency actions if financial balance is not to be achieved.
- Review internal audit report B24/20 –Management of Savings Programme.

unidentified savings targets in 2020/21.

6 Financial sustainability

The 2019/20 NHS Fife Annual Operational Plan (AOP) identified an in-year budget gap of £2.6 million for 2019/20, £6.6 million for 2020/21 and £3.5m for 2021/22. This excludes the impact of any unmet legacy savings from previous financial years. £17.3 million recurring savings are required in 2019/20 as a result of unmet savings carried forward from the previous year. This means the current and future financial gap exceeds £20 million.

As at October 2019, £4.5 million savings (26%) had been identified on a recurring basis.

NHS Fife has reported that some efficiency savings will be met through transformation, but it has been slow to provide specific details of the transformation programme and associated cost savings.

There is a risk that transformational change does not progress as planned. This could result in NHS Fife being unable to deliver the savings required to achieve a balanced budget on a recurring basis over the three year planning cycle.

- Undertake work on financial planning including progress with medium/ long term financial plans; progress with transformation, including partnership arrangements; identifying and monitoring key actions agreed in response to the Deloitte report; and savings proposals to ensure financial balance.

Results: Refer to our 2019/20 Management Report. We found that financial pressures were caused by failure to achieve planned savings in the Acute Services Division, overspends incurred by the IJB, and cost pressures caused by non-Fife activity.

Conclusion: NHS Fife's financial sustainability continues to be challenging and we have recommended that medium term financial plans are developed taking into account Covid-19 pressures.

Appendix 3

Summary of national performance reports 2019/20

		 2019/20 Reports	
		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	 Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	 Early learning and childcare: follow-up

NHS relevant reports

[NHS workforce planning – part 2](#) – August 2019

[NHS in Scotland 2019](#) – October 2019

NHS Fife

2019/20 Annual Audit Report

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