

NHS Forth Valley

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared by Audit Scotland
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Key messages

2020/21 annual report and accounts

- 1** We have issued an unqualified and unmodified opinion on the 2020/21 Accounts of NHS Forth Valley (“the Board” or “the Health Board”). The financial statements have been prepared to a high standard and are supported by a comprehensive set of working papers. Nevertheless, the opportunity remains for the Board to secure further improvements in the processes for producing the narrative elements of the annual accounts, for example the performance report.
- 2** We set out the key risks facing our audit of the Board’s accounts in our Annual Audit Plan presented to the Audit and Risk Committee on 12 March 2021. Our work and findings against each of those risks are set out in Appendix 2 of this report and there are no significant matters from that work to draw to the Boards attention.
- 3** Emerging financial reporting guidance in relation to the treatment of Personal Protective Equipment (PPE) and testing kits distributed to Health Boards by the Scottish Government has delayed the accounting and auditing timetable for the 2020/21 financial statements.

Financial management and sustainability

- 4** NHS Forth Valley has appropriate and effective financial management arrangements in place and operated within its revised Revenue Resource Limit for 2020/21.
- 5** The Board actively monitored the additional funding and expenditure (including lost income) related to the sustained and ongoing impact of the Covid-19 pandemic through frequent and regular returns to Scottish Government. The Board incurred an estimated £16.3 million of additional expenditure responding to the pandemic which was fully funded by Scottish Government.
- 6** Prior to the impact of Covid-19 the Board had identified the need to deliver £20.7m of savings during 2020/21. The Pandemic severely impacted on the Boards ability to deliver this level of savings. Planned savings of £8.2 million were achieved with the remaining shortfall covered by reductions in costs in certain service areas due to the impact of Covid-19 and additional funding from Scottish Government.

- 7** The financial outlook for the Board remains challenging and the organisations own medium-term financial plan identifies an estimated high-level savings requirement of £84m over the five-year period from 2021/22 to 2025/26. Included within this is the Boards assessment of the financial impact of the pandemic over the medium term. The Board recognises that a whole service redesign approach is required to address the scale of savings required in a meaningful and sustainable manner, and at the same time recognises that financial plans will continue to be updated as the full implications of the pandemic are realised.
- 8** Covid-19 has continued to impact on “normal” ways of working and the Board and its staff have had to adapt to different and more challenging work environments. NHS Forth Valley successfully adapted systems of internal control to reflect new ways of working where necessary and have maintained standards for sound financial control including the prevention and detection of fraud and error.

Governance, transparency and value for money

- 9** The Board revised its governance and decision-making arrangements in the very early stages of the Covid-19 pandemic. We have considered these measures and have concluded that NHS Forth Valley took appropriate and effective measures to ensure the continued good governance of the organisation.
- 10** NHS Forth Valley approved its System-Wide Remobilisation Plan 2021/22 in May 2021. This aims to remobilise elective services and continue transformational changes identified during the pandemic. Linked to this, the Board has adapted its prioritisation focus within its remobilisation plan to reflect the Scottish Government’s Clinical Prioritisation Framework.

Introduction

1. This report summarises the findings from our 2020/21 audit of NHS Forth Valley (“the Board” or “the Health Board”). The scope of our audit was set out in our Annual Audit Plan presented to the 12 March 2021 meeting of the Audit Committee. This report comprises the 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](#)

2. The main elements of our audit work in 2020/21 have been:

- an audit of the Board’s 2020/21 annual report and accounts including the issue of an independent auditor’s report setting out our opinions
- a review of the Board’s key financial systems
- consideration of the four audit dimensions.

3. The global coronavirus pandemic has had a considerable impact on NHS Forth Valley during 2020/21. This has had significant implications not least for the services the Board delivers but also for the costs of healthcare provision and the suspension of non-essential projects and activities. Risks related to the pandemic were included in our AAP, and we have adapted our planned audit work to address any new emerging risks.

Adding value through the audit

4. We add value to the Board through our 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 the Board promote improved standards of governance, better management and decision-making and more effective use of resources.

Responsibilities and reporting

6. The Board 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. NHS Forth Valley 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 sets out the key findings from our audit. 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 internal 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 Accounts Commission or 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 2020/21 audit fee of £150,650, 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.

1. Audit of the 2020/21 annual report and accounts

The principal means of accounting for the stewardship of resources and performance.

Main judgements

We have issued an unqualified and unmodified opinion on the 2020/21 Accounts of NHS Forth Valley (“the Board” or “the Health Board”). The financial statements have been prepared to a high standard and are supported by a comprehensive set of working papers. Nevertheless, the opportunity remains for the Board to secure further improvements in the processes for producing the narrative elements of the annual accounts, for example the performance report.

We set out the key risks facing our audit of the Board’s accounts in our Annual Audit Plan presented to the Audit and Risk Committee on 12 March 2021. Our work and findings against each of those risks are set out in Appendix 2 of this report and there are no significant matters from that work to draw to the Boards attention.

Emerging financial reporting guidance in relation to the treatment of Personal Protective Equipment (PPE) and testing kits distributed to Health Boards by the Scottish Government has delayed the accounting and auditing timetable for the 2020/21 financial statements.

Our audit opinions on the annual report and accounts are unmodified

14. The board approved the annual report and accounts for the year ended 31 March 2021 on 17/08/21. As reported in the independent auditor’s report:

- the financial statements give a true and fair view of the financial position of the health board as at 31 March 2021 and of the net expenditure for the year then ended 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.

15. The approval and sign off on 17 August 2021 was later than originally planned because of a national issue that emerged during the course of the audit in relation to the Personal Protective Equipment (PPE) and testing kits which had been distributed to health boards by Scottish Government at nil cost. This matter required changes to be made to the financial statements and additional audit procedures to be undertaken to obtain the necessary assurances to support the adjustments and the associated accounting treatment.

The Covid-19 pandemic had a limited impact on audit evidence

16. Covid-19 continues to present challenges for the audit of the annual report and accounts, both for the Board's finance team and our audit team. The working papers provided by the Board to support the accounts were comprehensive and the finance staff continued to deliver their high standards of professionalism and support to the audit team which helped ensure a smooth audit process.

17. Due to the Covid-19 pandemic we were unable to access title deeds or physically verify assets, however, we did not consider this to be material to our audit opinions and have not modified our opinion. We concluded that this was not material to our opinion due to there being no history of significant issues arising in relation to legal title and existence of assets.

Reporting deadlines for submission of audited annual accounts were extended again in 2020/21

18. As a result of the continuing impact of Covid-19 the Scottish Government extended the deadline for the submission of health board audited annual report and accounts from 30 June 2021 to 30 September 2021. This mirrored the 2019/20 arrangements.

19. The unaudited accounts and working papers were provided to audit in line within agreed timescales. However, there were delays in the production of the draft narrative sections of the annual report and in some areas the minimum reporting requirements were not met.

20. An issue emerged nationally around the accounting treatment of Personal Protective Equipment (PPE) and testing kits during the course of the audit. Further audit work was required in response to this issue which resulted in the planned committee dates for the annual report and accounts and subsequent signing of the accounts being delayed from 15 July 2021 to 17 August 2021.

Overall materiality is £8 million

21. Our initial assessment of materiality was carried out during the planning phase of the audit. This was revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£8.000 million (£7.300 million)
Performance materiality	£6.000 million (£5.500 million)
Reporting threshold	£0.200 million (£0.183 million)

Audit Scotland Annual Audit Plan 2020/21 (planning materiality in brackets)

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

22. [Appendix 2](#) 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 inform where the efforts of the team are directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

We have one significant finding to report on the annual report and accounts

23. 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. Where findings have resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

24. The significant finding summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1.. Performance and Accountability Report</p> <p>We made recommendations to improve the preparation of the Boards Performance Report in both our 2018/19 and 2019/20 annual audit reports.</p>	<p>Improvements are required to review and refine the project plan for the delivery of the Performance Report and Accountability Report to ensure it is realistic. Apply project management principles to ensure the reports are</p>

Issue	Resolution
<p>Management have taken action to implement the recommendations made in previous years, in particular, adopting a Programme Management approach to the production of the Performance Report, Remuneration Report, Accountability Report, Governance Statement (collectively referred to as the 'narrative sections' of the annual accounts) and year-end Financial Statements. However, in 2020/21, there were again delays in the production of the draft narrative sections of the annual accounts and minimum reporting requirements were not fully met in the draft Performance and Accountability Report.</p>	<p>delivered within agreed timescales and to the appropriate standard.</p> <p>Recommendation 1 (refer Appendix 1, action plan)</p>

Our audit identified total misstatements of £1.69 million which have been adjusted in the audited accounts

25. Misstatements identified during our audit related to a misclassification within the trade payables accruals balances of £0.69 million, an understatement of the non-cash limited FHS accrual of £0.72 million and an error in receipting on the PECOS system of £0.27 million.

26. Further changes were required to the unaudited accounts to reflect the Integration Join Board draft accounts and to reflect the late guidance around the accounting treatment for Personal Protective Equipment and testing kits as detailed in paragraph 15.

27. We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

Total adjustments made in the audited accounts decreased net expenditure in the Statement of Comprehensive Net Expenditure by £6.1 million and increased net assets in the Statement of Financial Position by £11.1 million. These adjustments had no impact on the Revenue Resource Limit.

28. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have adjusted all identified misstatements above our reporting threshold.

Progress was made on prior year recommendations

29. NHS Forth Valley continues to work on implementing our prior year audit recommendations. As noted previously in [Exhibit 2](#), the project management arrangements around the production of the annual report and accounts require further refinement. We have assessed the prior year recommendation as "superseded" and refocussed the recommendation as set out in Exhibit 2

30. In the prior year, we also recommended improvements around the robustness of the data underpinning the holiday pay accrual included in the accounts. Planned actions by the Board to address this recommendation have, understandably, been delayed by the impact of Covid-19. The recommendation we made in last years' Annual Audit Report remains relevant and we will undertake further follow-up work as part of our 2021/22 audit.

31. For actions not yet fully implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

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

Main judgements

NHS Forth Valley has appropriate and effective financial management arrangements in place and operated within its revised Revenue Resource Limit for 2020/21.

The Board actively monitored the additional funding and expenditure (including lost income) related to the sustained and ongoing impact of the Covid-19 pandemic through frequent and regular returns to Scottish Government. The Board incurred an estimated £16.3 million of additional expenditure responding to the pandemic which was fully funded by Scottish Government.

Prior to the impact of Covid-19 the Board had identified the need to deliver £20.7m of savings during 2020/21. The Pandemic severely impacted on the Boards ability to deliver this level of savings. Planned savings of £8.2m were achieved with the remaining shortfall covered by reductions in costs in certain service areas due to the impact of Covid-19 and additional funding from Scottish Government.

Covid-19 has continued to impact on “normal” ways of working and the Board and its staff have had to adapt to different and more challenging work environments. NHS Forth Valley successfully adapted systems of internal control to reflect new ways of working where necessary and have maintained standards for sound financial control including the prevention and detection of fraud and error.

NHS Forth Valley operated within its Revenue Resource Limit (RRL)

32. All NHS Boards with Scotland are required by statute to work with annual resource limits and cash requirements set by the Scottish Government Health and Social Care Directorate (SGHSCD). In response to the pandemic throughout 2020/21, additional non-recurring funding allocations were provided by SGHSCD based on the estimated financial impacts of the pandemic on the board.

33. As illustrated by [Exhibit 3](#) NHS Forth Valley operated within its resource limits during 2020/21.

Exhibit 3

Performance against resource limits in 2020/21

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	698.469	698.225	0.244
Non-core revenue resource limit	22.467	22.467	0
Total revenue resource limit	720.936	720.692	0.244
Core capital resource limit	14,478	14.478	0
Total capital resource limit	14.478	14.478	0
Cash requirement	724.658	724.658	0

Source: NHS Forth Valley Annual Report and Accounts 2020/21

Budget processes were appropriate. There was a significant financial impact due to Covid-19

34. The budget process is appropriate and embedded within the organisation. Board members and officers received regular finance reports throughout the year which provide comprehensive and accurate information on the Board's financial position.

35. The Board approved its 2020/21 in March 2020. However, this was immediately prior to the pandemic and before the full implications of the pandemic were known and understood. Consequently, and again understandably, the budget did not include projections for the financial impact of Covid-19.

36. As part of the NHS re-mobilisation exercise throughout 2020/21, health boards were required to estimate the financial impact of the pandemic. This included increased costs for Covid-19 related activity and loss of income as well as decreased costs due to reduced demand in other areas. These costs were kept under regular review and reported to the Scottish Government on a frequent basis.

37. NHS Forth Valley revised budget projections throughout the year in line with anticipated Covid-19 expenditure and funding allocations from Scottish Government.

38. The Board has reported that net additional healthcare costs incurred due to Covid-19 totalled £16.3 million. A further £9.4 million of delegated health service costs were incurred by partner Integration Joint Boards with the associated Scottish Government funding passing through the health board. The major areas impacted were:

- a significant increase in overtime and temporary staff costs of £10.1 million
- an increase in primary care costs of £2.8 million
- offsetting £5.2 million of non-recurrent savings which the Board was unable to deliver due to Covid-19.

39. [Exhibit 4](#) shows the additional funding allocation from Scottish Government across NHS Forth Valley and the associated Health and Social Care services. Total additional funding across health and social care in the NHS Forth Valley area was £52.6m of which £25.7m was allocated to Health Services through the Health Board and £26.9m was allocated to Social Care Services.

Exhibit 4 Covid-19 funding allocations

	Total Funding Received (£m)
Additional Health Funding	
NHS Forth Valley	
Health Services	16.3
Health & Social Care	
IJB Health Services	9.4
Total Health Funding	£25.7
Additional Social Care Funding	
Health & Social Care	
IJB Social Care Services	26.9
Total	52.6

Source: NHS Forth Valley Covid-19 Return (not subject to audit)

NHS Forth Valley's savings plan was disrupted by the pandemic

40. Prior to the pandemic, NHS Forth Valley forecasts identified the need to achieve efficiency savings of £41.979 million over three years including £20.7 million in 2020/21. The savings had been allocated to workstreams, such as 'integrated service opportunities and workforce optimisation', but the full development and delivery of these plans was paused due to the impact of the

Covid-19 pandemic. The £20.7 million savings target was realised in year, however £14.0 million were non-recurring and included £5.2 million of Scottish Government Covid-19 funding.

41. Of the original £20.7 million planned efficiencies, only £8.2 million of these planned savings schemes were delivered. The unachieved savings did not result in a budget shortfall due to reduction in activity in some services due to the pandemic, the delay of planned investment and additional support from Scottish Government.

42. As a result of the disruption to the savings plan, £12.5 million identified budget pressures in 2020/21 will add to the budget gap in future periods.

Financial systems of internal control are operating effectively

43. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to the production of the financial statements. We have also reviewed revisions to key financial controls as a result of Covid-19 during 2020/21.

44. Our objective is to gain assurance that the Board has systems for recording and processing transactions which provide a sound basis for the preparation of the financial statements.

45. Overall, we concluded that the NHS Forth Valley's key internal controls relating to the preparation of the financial statements are appropriately designed and have been implemented as intended. We identified an area for improvement around the board's identification of material related party transactions. The board could enhance their processes by reviewing transaction listings at the year end to confirm the completeness of all related party transactions within the financial statements.

Recommendation 2

The board could enhance their processes for identifying related parties by reviewing transaction listings at the year end to confirm the completeness of all related party transactions within the financial statements.

The board continues to work with NHS National Services Scotland to ensure issues identified in service auditor reports will be adequately addressed

46. The NHS in Scotland procures several service audits each year for shared systems. Within this suite of service audits, NHS National Services Scotland (NSS) procures service audits covering primary care payments.

47. The service auditor assurance report for primary care payments was qualified in 2019/20 and was again in 2020/21. Issues were identified with the retention of documentation and this resulted in the qualification of the report.

NHS NSS have provided assurance to all health boards that processes will be improved to address the issues giving rise to the qualifications. The qualifications did not have any impact on our audit approach as we were able to supplement the service auditor reports with assurances from our own planned local audit work.

48. NHS Forth Valley has made appropriate disclosures on the matter in the 2020/21 Annual Governance Statement.

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

49. There are appropriate arrangements for the prevention and detection of fraud, error and irregularities. NHS Forth Valley is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, the board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

50. We have reviewed the arrangements in place to maintain standards of conduct including the Standing Financial Instructions and the Codes of Conduct for members. Additionally, the board's Fraud Liaison Officer provides quarterly reports to Audit Committee on the activities of the Counter Fraud Service. We concluded that appropriate arrangements are in place for the prevention and detection of fraud, error and irregularities, bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

3. Financial sustainability

Financial Sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services.

Main judgements

The financial outlook for the Board remains challenging and the organisations own medium-term financial plan identifies a high-level estimated savings requirement of £84m over the five-year period from 2021/22 to 2025/26. Included within this is the Boards assessment of the financial impact of the pandemic over the medium term. The Board recognises that a whole service redesign approach is required to address the scale of savings required in a meaningful and sustainable manner, and at the same time recognises that financial plans will continue to be updated as the full implications of the pandemic are realised.

NHS Forth Valley has prepared a 2021/22-2025/26 medium-term financial plan which further considers the Covid-19 pandemic

- 51.** The requirement to produce three-year financial plans as part of the medium-term financial framework has been paused due to the pandemic and instead NHS boards were asked to complete a one-year plan for 2021/22.
- 52.** NHS Forth Valley's 2021/22-2025/26 five-year medium-term financial plan was approved by the Board in March 2021 and includes additional costs arising from the response to Covid-19. Financial plans will continue to be updated as the implications of the pandemic are realised.
- 53.** The 2021/22-2025/26 financial plan identifies a total high-level estimated savings requirement of £84.0 million across the five-year period. In developing the plan, finance officers have made a variety of assumptions in the absence of known information, including funding uplifts beyond 2021/22. As a consequence, the planned projections and savings requirements will continue to evolve as more detailed information becomes available.
- 54.** The savings requirement forecast for 2021/22 is £32.4 million of which £25.5 million have been identified, leaving an unidentified savings gap of £6.9 million. A significant portion of the identified savings plans have been assessed as "high risk" for 2021/22, meaning there is a significant possibility they will not be delivered.
- 55.** The transformation of services is ongoing including the redesign of urgent care. The redesign has been ongoing through a second Covid-19 peak and

additional winter pressures for acute and emergency services. Significant support and resources will be required to continue this service transformation.

Recommendation 3

NHS Forth Valley medium term financial plan for 2021/22 – 2025/26 has identified significant savings challenges. Medium to long-term recurring financial balance requires a whole service redesign approach.

4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information.

Main judgements

The Board revised its governance and decision-making arrangements in the very early stages of the Covid-19 pandemic. We have considered these measures and have concluded that NHS Forth Valley took appropriate and effective measures to ensure the continued good governance of the organisation.

Overall governance arrangements remained appropriate despite the Covid-19 pandemic

56. The impact of Covid-19 from March 2020 is set out appropriately in the Governance Statement in NHS Forth Valley's annual accounts. We reported in last year's annual report on the revised governance arrangements introduced by NHS Forth Valley including the suspension of all assurance committees from 31 March 2020 to July 2020, during which time the Board met on monthly basis.

57. The regular meeting of assurance committees resumed on 14th July 2020 and meetings continue to be held virtually.

58. The revised governance arrangements put in place by the board are appropriate and effective. Our judgements are based on a review of:

- Board and committee structure
- openness of Board and committees
- public access to information via websites
- reporting of performance and whether this is fair, balanced and understandable
- overall arrangements and standards of conduct for officers and members.

Changes to performance reporting arrangements in response to Covid-19 have reduced transparency

59. All public bodies experienced disruption in collating and reporting performance information at the outset of the pandemic and NHS Forth Valley's performance measures were appropriately revised as a result.

60. Prior to the Covid-19 pandemic a detailed performance report was included in the publicly available board papers every two months. However, during the pandemic regular performance reporting did not occur from April 2020 to December 2020 after which revised performance measures were included in board papers as part of the "Recovery Scorecard" monitoring delivery of NHS Forth Valley's Remobilisation Plan.

61. NHS Forth Valley should continue to enhance their performance reporting arrangements to normalise reports against recovery and remobilisation and ensure targets are in line with the Remobilisation plan.

Recommendation 4

Performance reporting arrangements should continue to be reviewed in line with Remobilisation Planning to ensure that transparent reporting of performance is maximised and that local performance measures and targets continue monitored and reported

5. Value for money

Using resources effectively and continually improving services.

Main judgements

NHS Forth Valley approved its System-Wide Remobilisation Plan 2021/22 in May 2021. This aims to remobilise elective services and continue transformational changes identified during the pandemic. Linked to this, the Board has adapted its prioritisation focus within its remobilisation plan to reflect the Scottish Government's Clinical Prioritisation Framework.

NHS Forth Valley's remobilisation plan has a series of planned actions intended to address backlogs caused by the Covid-19 pandemic and restore performance levels

62. The Scottish Government has requested NHS boards to produce and regularly revise Remobilisations plans outlining plans for the restoration of normal health services.

63. NHS Forth Valley approved its System-Wide Remobilisation Plan 2021/22 in May 2021. It includes a number of planned actions for implementation which aim to:

- Safely increase activity on elective services (e.g. surgery and outpatients)
- Retain and build on the positive transformative changes identified during the pandemic
- Ensure adaptability to changes arising in the future.

64. NHS Forth Valley has reflected the focus on prioritisation within its Remobilisation plan and included additional internal performance measures tracking the number of patients at each priority classification set out by the framework.

65. As noted in paragraph 60, we recommend that NHS Forth Valley maximises public performance reporting and continues to review local performance measures and targets.

Service performance has been impacted by the pandemic and

66. The 2020/21 annual report and accounts include the position at the end of March 2021 on the board's performance against its national waiting time standards.

67. The pandemic has had a significant impact on the delivery of health services across Scotland. [Exhibit 6](#) confirms the local impact on NHS Forth Valley, showing that:

- Activity levels dipped during 2020/21, however some areas are now recovering to pre-pandemic levels.
- The number patients waiting for services, in particular diagnostic tests and outpatient appointments, rose steadily throughout 2020/21 in line with the reduced activity. The demand for services at end of March 2021 was significantly above pre-pandemic levels.
- More patients are experience long waiting times for services.

Exhibit 6 NHS Forth Valley – trends in demand and activity per acute services

Source: Public Health Scotland

Demand		% change
Number waiting for diagnostic tests	<p>Monthly March 2020 to March 2021</p> <p>1,550 3,782</p>	144.0%
Number of patients waiting for an inpatient or day case admission	<p>Quarterly March 2020 to March 2021</p> <p>2,907 3,210</p>	10.4%
Number of patients waiting for a new outpatient appointment	<p>Quarterly March 2020 to March 2021</p> <p>10,952 14,835</p>	35.5%
Activity		
Number of scheduled elective operations in theatre system	<p>Monthly March 2020 to March 2021</p> <p>855 755</p>	-11.7%
Number of inpatient and day case admissions	<p>Quarterly March 2020 to March 2021</p> <p>2,610 1,283</p>	-50.8%
Number of new outpatient appointments	<p>Quarterly March 2020 to December 2021</p> <p>21,315 21,462</p>	0.7%
Length of waits		
Number waiting longer than 6 weeks for diagnostic tests	<p>Monthly March 2020 to March 2021</p> <p>24 463</p>	1829.2%
Number of patients waiting longer than 12 weeks for an inpatient or day case admission	<p>Quarterly March 2020 to March 2021</p> <p>995 1,801</p>	81.0%
Number of patients waiting longer than 12 weeks for a new outpatient appointment	<p>Quarterly March 2020 to March 2021</p> <p>2,023 7,871</p>	289.1%

NHS Forth Valley has developed a Best Value framework

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

69. NHS Forth Valley uses the characteristics set out in SPFM and Ministerial guidance to drive Best Value. A Best Value update is reported annually to the Audit Committee and Board outlining the arrangements and processes in place at NHS Forth Valley that support each of the Best Value characteristics. The updated report is planned for the October 2021 Audit Committee and November 2021 Board.

National performance audit reports

70. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2020/21 a number of reports were published which may be of direct interest to the board and are highlighted in [Appendix 4](#).

71. The NHS Overview Report on the 2020/21 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 2022.

Appendix 1. Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Performance Report</p> <p>There were delays in the production of the draft narrative sections of the annual accounts and these did not meet the minimum reporting requirements.</p> <p>Risk – The audit is delayed due to the absence of comprehensive complete reports and underlying documentation within the annual accounts audit package.</p>	<p>Improvements are required to review and refine the project plan for the delivery of the Performance Report and Accountability Report to ensure it is realistic. Apply project management principles to ensure the reports are delivered within agreed timescales and to the appropriate standard.</p> <p>Exhibit 2 – ISA 260</p>	<p>The Annual Accounts project plan and timetable will be revised for 2021/22 to ensure earlier focus and drafting on the narrative sections on the accounts.</p> <p>Responsible officer: Deputy Director of Finance</p> <p>Agreed date: December 2021</p>
<p>2. Related parties</p> <p>Procedures to identify all material related party transactions could be improved to include a full review of a transaction listing at year-end against known related parties</p> <p>Risk – a material related party transaction is not disclosed within the annual report and accounts.</p>	<p>The board could enhance their processes for identifying related parties by reviewing transaction listings at the year end to confirm the completeness of all related party transactions within the financial statements.</p> <p>Paragraph 45</p>	<p>A more in-depth review of transactions listings at year-end will be conducted to confirm completeness of related party transactions.</p> <p>Responsible officer: Accounting Services Manager</p> <p>Agreed date: March 2022</p>
<p>3. Financial Planning</p> <p>NHS Forth Valley face significant savings challenges over the short to medium term. Savings of £84 million are required to 2025/26 with £32.4 million required in 2021/22. The board have</p>	<p>NHS Forth Valley medium term financial plan for 2021/22 – 2025/26 has identified significant savings challenges. Medium to long-term recurring financial</p>	<p>A whole system response to savings will be developed through the establishment of a Cost Improvement Oversight Board which will include a planning pipeline for future savings initiatives</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>identified savings plans for £25.5 million, leaving an unidentified savings gap of £6.9 million in 2021/22. However, a significant portion of the identified savings plans have been assessed as “high risk” for 2021/22, meaning there is a significant possibility they will not be delivered.</p>	<p>balance requires a whole service redesign approach. Paragraph 54</p>	<p>Responsible officer: Director of Finance Agreed date: October 2021</p>
<p>4. Performance reporting</p> <p>Regular performance reporting did not occur throughout 2020/21 due to development of the “Recovery Scorecard”.</p> <p>NHS Forth Valley should continue to enhance their performance reporting arrangements to normalise reports against recovery and remobilisation and ensure targets are in line with the Remobilisation plan.</p> <p>Risk – performance reporting is not transparent and performance measures and targets selected are not appropriate.</p>	<p>Performance reporting arrangements should continue to be reviewed in line with Remobilisation Planning to ensure that transparent reporting of performance is maximised and that local performance measures and targets continue to be monitored and reported Paragraph 61</p>	<p>Recovery scorecard to be reviewed in line with contemporary iteration of the Remobilisation Plan with a view to establishing more of a ‘norm’ going forward.</p> <p>Responsible officer: Head of Policy & Performance Agreed date: October 2021</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>5. Performance Report</p> <p>The initial Performance Report presented for audit was delayed and did not achieve minimum reporting requirements., The content of the Performance Report could be improved to provide clearer linkages between</p>	<p>Implement a Programme Management Office approach in the preparation of the year-end reports (specifically the annual report, the remuneration report and the financial statements). Implement a robust quality assurance process covering</p>	<p>Superseded See Action Plan Point 1</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>performance and the board's actions and objectives over the year</p> <p>Risk – there is a reputational risk associated with poor quality year-end reporting.</p>	<p>all three elements of the year-end report. Allow sufficient time in the closedown timetable and process for this review to be undertaken effectively.</p>	
<p>6. Holiday pay accrual</p> <p>The evidence held in support of the holiday pay accrual balance is not as robust as it should be.</p> <p>Risk – the accrual for accrued annual leave in the Annual Report and Accounts could be misstated.</p>	<p>The board should review its arrangements for documenting and monitoring the quality of information regarding annual leave within the HR system. This should ensure that the outstanding leave entitlement at 31 March is accurately captured within the holiday pay accrual recorded in the accounts.</p> <p>2019/20 Update – management developed a new approach to assessing the holiday pay accrual. However, this could not be implemented due to Covid-19 and an alternative approach was applied to estimate the accrual. The revised approach was reasonable. However, management should still review the process in place for future years.</p>	<p>Implementation was delayed due to Covid-19 pressures in 20/21. This will be reviewed for the 21/22 accounts.</p> <p>Responsible officer: Deputy Director of Finance.</p> <p>Agreed Date March 2022</p>

Appendix 2. Significant audit risks

The table below sets out the audit risks we identified on the 2020/21 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 financial statements and those relating to our wider responsibility under the Code of Audit Practice 2016.

Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</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 income and expenditure 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>Focussed testing on accruals and prepayments did not identify any instances of management override of controls.</p> <p>Substantive testing of transactions around the year end identified controls were operating effectively.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>
<p>2. Risk of material misstatement caused by estimates and judgements in the valuation of land and buildings</p> <p>NHS Forth Valley held land and buildings with a net book value (NBV) of over £536</p>	<p>Completion of 'review of the work of Management's expert' for the professional valuer.</p> <p>Review of external valuations performed in year, assessing whether they have been performed using an</p>	<p>'Review of the work of Management's expert' for the professional valuer was completed and confirmed that assurances can be taken from their work.</p> <p>A review of the controls in place to limit the risk of</p>

Audit risk	Assurance procedure	Results and conclusions
<p>million as at 31 March 2020. There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and estimates, and changes in these can result in material changes to valuations. The impact of COVID-19 gave rise to a material valuation uncertainty within the 2019/20 valuations and may have a similar impact in 2020/21.</p>	<p>appropriate and relevant valuation basis/methodology by suitably qualified individuals.</p> <p>Review of the controls in place by management to limit the risk of material misstatement within the valuation.</p> <p>Review of the information provided to the valuer to assess for completeness</p> <p>Review and assess the reasonableness of external valuations.</p>	<p>material misstatement within the estimation concluded that appropriate arrangements are in place.</p> <p>A review of the information provided to the valuer confirmed this was complete and included all of NHS Forth Valley's land and buildings relevant for the 2020/21 revaluation exercise.</p> <p>Conclusion: The measurement and valuation of land and buildings included in the financial statements are reasonable and supported by evidence.</p>
<p>3. Risk of material misstatement caused by estimates and judgements in the assessment of provisions</p> <p>NHS Forth Valley recognised provisions of approximately £74 million at 31 March 2020 for clinical and medical claims against the health board and its share of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). These provisions are based on the assessed likelihood and settlement value of claims against the health board.</p>	<p>Completion of 'review of the work of Management's expert' for the Central Legal Office (CLO).</p> <p>Review of information provided by the CLO in support of the provisions held by NHS Forth Valley for clinical and medical legal claims and CNORIS.</p> <p>Review of the controls in place by management to limit the risk of material misstatement within the estimation.</p>	<p>A 'Review of the work of Management's expert' for the Central Legal Office was completed and confirmed that assurances can be taken from their work.</p> <p>A review of the information provided by the Central Legal Office to support the provision of clinical and medical legal claims and for CNORIS did not identify any issues and these have been correctly reflected in the financial statements.</p> <p>A review of the controls in place to limit the risk of material misstatement within the estimation concluded that appropriate arrangements are in place.</p> <p>Conclusion: The measurement and valuation of provisions included in the financial statements are reasonable and supported by evidence.</p>
<p>4. Risk of material misstatement over COVID-19 expenditure</p>	<p>Review of the controls applied to Covid-19</p>	<p>Review of controls in place around expenditure and identified no changes or</p>

Audit risk	Assurance procedure	Results and conclusions
<p>The COVID-19 pandemic arose in the months prior to the start of the 2020/21 financial year, requiring a rapid response from NHS Forth Valley.</p> <p>Due to the unanticipated nature and quick deployment of expenditure in response to the pandemic, we have assessed that there is a significant risk of material misstatement in this area.</p>	<p>expenditure and the operation of these controls.</p> <p>Review and assess impact on the financial statements, including disclosures arising from Covid-19 related expenditure.</p> <p>Possible focussed substantive testing of Covid-19 related expenditure to assess the occurrence, accuracy and completeness of transactions as well as year-end testing to assess whether transactions have been accounted for in the correct accounting period.</p>	<p>additional controls as a result of Covid-19. From this, and the changing guidance in relation to Covid-19 expenditure, we concluded that no risk of material misstatement existed in relation to overall non-pay expenditure, but the risk of material misstatement existed over a small number of specific areas where extra assurance was required:</p> <p>Testing and review of Covid-19 related bonus payments.</p> <p>Testing and review of Covid-19 related overtime payments.</p> <p>Review of Vaccine costs to assess if treated as agency transaction.</p> <p>Review of assurances received regarding the change in recognition of certain Family Health Service expenditure from actuals to estimates as a result of Covid-19.</p> <p>Review of assurances received over PPE and testing kit expenditure and assessment of its treatment as principal.</p> <p>Conclusion: No material misstatements have been identified over the Covid-19 related expenditure tested and reviewed during the 2020/21 audit.</p>

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

Audit risk	Assurance procedure	Results and conclusions
<p>5. Financial sustainability</p>	<p>Reviewed and assessed the year-end position and the</p>	<p>The Annual Report and Accounts report a surplus of</p>

Audit risk	Assurance procedure	Results and conclusions
<p>NHS Forth Valley reported an overspend of £0.048 million as at 31 October 2020, with a projected balanced outturn position as at 31 March 2021.</p> <p>NHS Forth Valley have created savings plans for a number of years in response to cost and funding pressures, with a savings requirement of £20.6 million assessed for 2020/21. As a result of the COVID-19 pandemic many actions supporting savings plans were paused. The latest assessment of annual savings deliverable indicates a gap of approximately £5.9 million, which is anticipated to be funded by Scottish Government. The majority of achieved savings were non-recurring and will therefore add to the savings requirement in future years.</p> <p>Despite a projected balanced position for 2020/21, NHS Forth Valley's ability to respond to longer term financial challenges has been disrupted by the COVID-19 pandemic. As a result, there is a risk to financial sustainability and the sustainability of services in future.</p>	<p>progress and impact in delivering savings.</p> <p>Reviewed and considered the medium-term financial plan and mobilisation plan.</p>	<p>£0.244 million was achieved in year.</p> <p>The savings target of £20.7 million for the year was achieved. However, £14.0 million was non-recurring and included £5.2 million of Scottish Government Covid-19 funding. The proportion of non-recurring savings required to achieve savings targets has increased in recent years and this is not sustainable over a long-term period.</p> <p>The five-year financial plan identifies a savings requirement of £32.4 million in 2021/22, with savings of £84 million required over the five-year plan.</p> <p>Covid-19 will continue to have significant impact on resources in the coming years, with a forecast cost of £18.4 million anticipated in 2021/22. This is expected to be fully funded by the Scottish Government.</p> <p>Conclusion: NHS Forth Valley's medium-term financial plan for 2021/22 – 2025/26 has identified significant savings challenges. Medium to long-term recurring financial balance requires a whole service redesign approach.</p>
<p>6. Performance</p> <p>NHS Forth Valley has historically struggled to achieve the eight key waiting times targets. Whilst several targets were still missed in 2019/20 there were overall improvements in performance.</p>	<p>Review of progress in achieving targets, understanding the impact of COVID-19 on non-financial performance and the actions being taken to manage performance.</p>	<p>NHS Forth Valley revised its performance measurement and reporting arrangements during 2020/21 in order to develop their "Recovery Scorecard".</p> <p>Due to the development of this Scorecard and the suspension of elective activity during 2020/21 as a result of</p>

Audit risk	Assurance procedure	Results and conclusions
<p>In 2020/21, the national response to the COVID-19 pandemic has significantly affected NHS Forth Valley's normal service provision.</p> <p>The continuing pressures of the pandemic, both operational and financial, result in a risk that NHS Forth Valley will not be able to meet the performance expectations of its stakeholders.</p>		<p>Covid-19, performance reporting has been different to the previous year.</p> <p>The pandemic has impacted on NHS Forth Valley performance during the year. Of the six key standards previously set by SG and still reported against in 2020/21, five have been missed and, of those targets missed, performance at year-end was lower across all targets in comparison to 19/20 levels.</p> <p>Conclusion: NHS Forth Valley continues to struggle to meet performance targets set. This performance has been impacted by the Covid-19 pandemic.</p>

Appendix 3. Summary of 2020/21 national performance reports

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

NHS Forth Valley

2020/21 Annual Audit Report

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