

NHS Tayside

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared by Audit Scotland
August 2021

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Key messages

2020/21 annual report and accounts

- 1 Our audit opinions on the annual report and accounts are unmodified.
- 2 Revised Scottish Government timelines for the audit of the annual report and accounts, introduced as a result of Covid-19, have been met.

Financial management

- 3 NHS Tayside has effective financial management arrangements. In June 2021, NHS Tayside's escalation level was reduced from stage 4 in the NHS Scotland Performance Escalation Framework to level 2 escalation to reflect the board's improved financial position over recent years.
- 4 The board operated within its revised revenue resource limit for 2020/21 and achieved all of its planned efficiency savings of £28.1 million. This was after making a £3 million repayment to the Scottish Government of its outstanding £7 million funding flexibility and returning £7 million of Revenue Resource Limit funding to the Scottish Government for re-allocation in 2021/22.
- 5 The global coronavirus pandemic, Covid-19, impacted on the whole of the 2020/21 financial year. This has had significant implications for the board's services and on the costs of healthcare provision.
- 6 The board incurred additional expenditure in 2020/21 due to Covid-19 of £64.64 million, of this £22.02 million related to the Health and Social Care Partnerships. This expenditure was fully funded by the Scottish Government.
- 7 Senior management and board members received regular, timely and up to date financial information on the board's financial position.
- 8 NHS Tayside had adequate systems of internal control in place over key financial systems during the year which operated effectively. It has maintained standards for the prevention and detection of fraud and error.

Financial sustainability

- 9 In line with Scottish Government guidance NHS Tayside developed a one-year financial plan for 2021/22. To achieve financial balance in 2021/22, the board needs to achieve savings of £27 million and £10 million of these are assessed as a high or medium risk of not being achieved.

- 10** Due to the impact of the pandemic and the early stage of remobilisation, the board anticipates a lower level of recurring savings in 2021/22 compared to the 55% reported in 2020/21. Reliance on non-recurring savings is not sustainable and the board is aiming to increase recurring savings levels significantly after 2021/22.
- 11** In common with other boards, the longer term impact of Covid-19 on the board's costs and funding is uncertain. Medium term financial planning, will reflect the revised cost and funding picture, when it is reintroduced.
- 12** The board has focussed its 'transformation' activities on strengthening the board's financial position while improving services. Some elements of transformation have been brought forward due to the pandemic. The pre-Covid 'Transforming Tayside' plan, will not now be progressed and NHS Tayside plans to introduce a revised transformation programme arising from the board's remobilisation plan.

Governance and transparency

- 13** In June 2021, NHS Tayside's escalation level was reduced from level 4 in the NHS Scotland Performance Escalation Framework to level 2 for its governance and leadership and level 3 for its mental health services.
- 14** Governance arrangements have been adapted due to the Covid-19 pandemic. We have considered these measures and have concluded that NHS Tayside's governance was effective in the year.
- 15** Improvements are being made in mental health services in Tayside, but significant work is still required. The board is considering its response to the recent independent Inquiry into Mental Health services in Tayside, Trust and Respect, Progress Report 2021.
- 16** NHS Tayside has undertaken a high level review of the integration schemes with all partners, with a more detailed review scheduled for 2021/22.

Value for money

- 17** Covid-19 has impacted significantly upon the board's activity and waiting times for some services. Despite this, over time NHS Tayside has increased the proportion of patients treated within the national waiting time standards in the majority of treatment areas.
- 18** The board has published a remobilisation plan to address backlogs caused by the Covid-19 pandemic and the restoration of health services.
- 19** NHS Tayside has plans in place to improve its Performance Management Framework in 2021/22.

Introduction

1. This report summarises the findings from our 2020/21 audit of NHS Tayside. The scope of our audit was set out in our Annual Audit Plan circulated to Audit and Risk Committee members in March 2021. 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](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions: Financial management, Financial sustainability, Governance and transparency and Value for money



Source: *Code of Audit Practice 2016*

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

- an audit of NHS Tayside's 2020/21 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- a review of NHS Tayside's key financial systems

- consideration of the four audit dimensions.

3. As highlighted in our Annual Audit Plan, in common with all public bodies, NHS Tayside has had to respond to the global coronavirus pandemic. During 2020/21 this has had significant implications on the services it delivers, the costs of healthcare provision, sickness absence levels, and the suspension of non-essential projects and activities. Our audit approach in 2020/21 was adapted to working in a 'lockdown' environment, with the audit of the annual report and accounts conducted remotely, which was the same approach as the previous year.

Adding value through the audit

4. We add value to NHS Tayside 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 3](#)) and good practice guides.

5. In so doing, we aim to help NHS Tayside promote improved standards of governance, better management and decision-making and more effective use of resources.

Responsibilities and reporting

6. The body 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 that enable it to successfully deliver its objectives.

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 audit work and may not be all that exist. Communicating these does not absolve management

from its responsibility to address the issues we raise and to maintain adequate systems of control.

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 £201,228, 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 2020/21 annual report and accounts

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

Main judgements

Our audit opinions on the annual report and accounts are unmodified.

Revised Scottish Government timelines for the audit of the annual report and accounts, introduced as a result of Covid-19, have been met.

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 26 August 2021. 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.

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

The sign-off of the annual report and accounts is in accordance with revised government timescales

16. 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.

17. We agreed a revised timetable with management for the submission of the annual report and accounts that reflected the revised date for the Audit and Risk Committee meeting of 17 August 2021.

Overall materiality is £12.27 million

18. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. We carried out our initial assessment of materiality for the annual report and accounts during the planning phase of the audit. On receipt of the annual report and accounts we reviewed our planning materiality calculations. The revised materiality levels are summarised in [Exhibit 2](#).

Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality - this is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2021	£12.27 million
Performance materiality - this acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of overall materiality	£6.14 million
Reporting threshold - we are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount	£250 thousand

Source: Audit Scotland

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

20. [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.

Significant findings to report on the annual report and accounts

21. 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. We have no significant findings to report around the qualitative aspects of the annual report and accounts covering accounting policies, accounting estimates and financial statements disclosures. The significant findings are summarised in [Exhibit 3](#).

Exhibit 3**Significant findings from the audit of the financial statements**

Issue	Resolution
<p>1. Health and social care integration</p> <p>The three Integration Joint Boards (IJBs) within the Tayside area have been reflected in the board's accounts.</p> <p>The IJBs have been consolidated into the group accounts as joint ventures. The board's share of the IJB net assets are shown as investments in joint ventures totalling £22.56 million.</p> <p>£551.04 million has been included in the board's other healthcare expenditure, which represents the board's payments to the IJBs to provide services on its behalf. This is offset by £524.99 million of income from the IJBs for the commissioning of services by the IJBs.</p> <p>The IJB figures are based on unaudited information received from each IJB. We do not anticipate any material changes to the unaudited figures used in consolidation.</p>	For information.
<p>2. Large hospital services and set aside budgets</p> <p>In March 2019, the Scottish Government wrote to NHS Scotland Chief Executives advising of its expectations for the annual accounts that Health Boards and IJBs agree a figure for the sum set aside to be included in their respective annual accounts.</p> <p>In 2020/21 the annual accounts include a set aside amount of £69.16 million. This amount has increased significantly from the £43.12 million in 2019/20 due to the Scottish Government's instruction to transfer mental health services from the Perth and Kinross IJB to NHS Tayside.</p> <p>In 2019/20, NHS Tayside agreed with each IJB, the use of occupied bed days as a measure of resource consumption to identify the level of funding transferred to the IJBs. Management advised that future funding to IJBs would be on the basis of specific actions to shift the balance of care.</p> <p>The recommendation tracker presented to the Audit and Risk Committee in May 2021 stated that "Further input required from IJBs, as commissioning bodies, has been limited by the</p>	For information.

Issue	Resolution
<p>service impact of the whole system response to the Covid-19 pandemic". The set aside value for 2020/21 has been agreed with the IJBs using the same methodology as previous years, in line with SG guidelines.</p>	
<p>3. Personal Protective Equipment (PPE) and Covid-19 testing kits</p> <p>To protect health staff during Covid-19, NHS National Services Scotland (NSS) ordered supplies of PPE and issued it to boards to use. The Scottish Government had concluded that these products should not be accounted for by the health boards. Audit Scotland advised the Scottish Government in April 2021 that they did not agree with this treatment. The Scottish Government agreed to revise the accounting treatment in June 2021 and provided figures to be reflected in the board's accounts. Revised funding allocation letters were also issued to cover the cost of these items. The accounts have been updated to reflect costs and corresponding funding of £7.76 million.</p> <p>Similarly, the costs and funding for Covid-19 testing kits of £2.27 million have also been reflected in the revised accounts.</p>	<p>We have reviewed the changes to the accounts and are satisfied with the changes made.</p> <p>For information only.</p>
<p>4. Contract termination payment</p> <p>A change was made to the accounts to reflect the costs and funding received to cover a contract termination agreement, initiated by the Scottish Government. It was approved after the unaudited accounts were issued but had an effective date of 31 March 2021.</p>	<p>We have reviewed the changes to the accounts and are satisfied with the changes made.</p> <p>For information only</p>
<p>5. Accruals errors</p> <p>Subsequent to receiving the unaudited annual report and accounts, the board identified a journal posting error. A correction for £0.28 million was made which reduced both 'trade and other receivables' and 'trade and other payables' by the same amount.</p>	<p>We have reviewed the changes to the accounts and are satisfied with the changes made.</p> <p>For information only</p>

Source: Audit Scotland

22. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. Management have adjusted all identified misstatements above our reporting threshold. The misstatements

noted at points 3, 4 and 5 in [Exhibit 3](#) did not have an impact the reported surplus.

23. A further misstatement, totalling £0.04 million was identified that has not been adjusted in the financial statements by management. If adjusted it would have increased the reported surplus.

24. Although the misstatements noted at points 3 and 4 in [Exhibit 3](#) were above our performance materiality threshold of £6.14 million, these were isolated misstatements due to unique sets of circumstances, as a result of Scottish Government decisions taken after the first draft unaudited set of accounts were received. The cause of the £0.04 million error was also reviewed, and we have concluded also it arose from an isolated issue. We did not require a change to our audit approach due to these issues.

The performance report was of a good standard

25. In addition to the opinion on the performance report at paragraph 14, we also consider the qualitative aspects of the body's performance report. The performance report should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

26. During the Covid19 pandemic, reductions in levels of reporting have been permitted for NHS Boards. NHS Tayside has decided not to take advantage of this and have included a full performance report in their annual report and accounts, which satisfies the requirements of the NHS Accounting Manual. We have concluded that the board's disclosures in the performance report are of a good standard and provide a reasonable account of the board's performance.

Progress with prior year recommendations has been impacted by Covid-19

27. We included seven recommendations in our annual audit report in 2019/20. Of these three relate to financial planning and transformation and have been impacted on by the pandemic. A fourth on member training has also been delayed by the pandemic.

28. Of the remaining three recommendations two have been actioned. The remaining recommendation relates to the development of the Best Value Framework and is ongoing. This is discussed further at paragraphs 174-178.

29. For actions not yet implemented, updates on progress 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 Tayside has effective financial management arrangements. In June 2021, NHS Tayside's escalation level was reduced from stage 4 in the NHS Scotland Performance Escalation Framework to level 2 escalation to reflect the board's improved financial position over recent years.

The board operated within its revised revenue resource limit for 2020/21 and achieved all of its planned efficiency savings of £28.1 million. This was after making a £3 million repayment to the Scottish Government of its outstanding £7 million funding flexibility and returning £7 million of Revenue Resource Limit funding to the Scottish Government for re-allocation in 2021/22.

The global coronavirus pandemic, Covid-19, impacted on the whole of the 2020/21 financial year. This has had significant implications for the board's services and on the costs of healthcare provision.

The board incurred additional revenue expenditure in 2020/21 due to Covid-19 of £64.64 million, of this £22.02 million related to the Health and Social Care Partnerships. This was fully funded by the Scottish Government.

Senior management and board members received regular, timely and up to date financial information on the board's financial position.

NHS Tayside had adequate systems of internal control in place over key financial systems during the year which were appropriate and operated effectively. It has maintained standards for the prevention and detection of fraud and error.

The board has recently moved to level 2 of the Scottish Government's escalation process for its financial position

30. In 2018/19, as result of concerns over the board's financial management and sustainability of its services, the Cabinet Secretary for Health and Sport put NHS Tayside on level 5 of the NHS Scotland Performance Escalation Framework, the highest level of government intervention. In February 2019, due to improvements made by the board, the Cabinet Secretary reduced this to level 4 escalation, and this was further reduced in June 2021 to level 2

escalation for its financial position. This reflects the good progress made by the board in recent years.

NHS Tayside operated within its revised Revenue Resource Limit (RRL)

31. The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within.

32. In response to the Covid-19 pandemic, the Scottish Government paused the normal financial planning arrangements under the Scottish Government's Health and Social Care Medium Term Financial Framework and announced that all Health Boards' Covid-19 related expenditure would be fully funded in 2020/21, subject to offsetting benefits e.g. reduced costs from the step-down in elective activity.

33. NHS Tayside made an operating surplus of £10.2 million in 2020/21 due to slippage in earmarked projects. £3.0 million of the surplus was used to repay part of the outstanding balance of £7.0 million of brokerage loans taken in prior years (see paragraph 85) and a further £7.0 million was returned to the Scottish Government, to be included in NHS Tayside's funding allocation for 2021/22. This resulted in a net surplus of £0.2 million at the year end which, as demonstrated at [Exhibit 4](#), was within the board's core revenue resource limit.

Exhibit 4 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	1,027.86	1,027.68	0.18
Non-core revenue resource limit	22.02	22.02	0
Total revenue resource limit	1,049.87	1,049.69	0.18
Core capital resource limit	32.38	32.38	0
Non-core capital resource limit	0.00	0.00	0
Total capital resource limit	32.38	32.38	0
Cash requirement	1,058.78	1,058.78	0

Source: NHS Tayside Annual Report and Accounts 2020/21

34. 2020/21 was the first time in nine years that the board did not require Scottish Government financial support to meet its revenue resource limit break even target.

The financial impact of Covid-19 was covered by additional funding

35. In April 2020 the NHS Tayside Board approved an amended overall budget for 2020/21 of £1,007.6 million. As Covid-19 related expenditure is fully funded by the Scottish Government, NHS Tayside did not revise its budget but continued to monitor and report the Covid-19 costs on a regular basis.

36. As part of the NHS re-mobilisation exercise, boards estimated the financial impact of the pandemic, including increased costs for Covid-19 related activity and decreased costs due to reduced demand in other areas. These estimates were kept under review and reported in published plans and to the Scottish Government on a regular basis.

37. Direct Covid-19 related revenue expenditure was tracked using specific account codes in the general ledger. Net Covid-19 expenditure by NHS Tayside and the Health and Social Care Partnerships was £64.64 million, broken down as follows:

- NHS Tayside £42.62 million
- Health and Social Care Partnerships £22.02 million

38. A number of additional Covid-19 allocations were earmarked by the Scottish Government for the use by the Integration Joint Boards.

39. NHS Tayside has appropriate budget setting and monitoring arrangements and were able to adapt them in response to the Covid-19 funding revisions. The NHS Tayside Board continues to receive regular and accurate financial information on the board's financial position throughout the year.

£28.1 million of efficiency savings were achieved

40. In the 2020/21 budget approved in April 2020, NHS Tayside was required to make efficiency savings of £28.1 million or 2.8 per cent of its budget. NHS Tayside achieved these savings in full despite the pandemic, £15.4 million being delivered as recurring (55% of the total savings target, which exceeds the financial planning assumption of 50% recurring savings).

41. In addition to the achievement of the planned efficiency savings, a further £10.2 million related to slippage on earmarked funding set aside within the financial plan but not required to the level anticipated in 2020/21.

42. In previous years we reported on the high level of prescribing costs in NHS Tayside. Although prescribing costs continue to increase (from £149.2 million in 2019/20 to £152.2 million in 2020/21, an increase of 1.9%), NHS Tayside continue to underspend in this area, with an underspend of £2.6 million in 2020/21 (2019/20 £1.1 million).

43. Family Health Services prescribing accounts for £2.31 million of the underspend in 2020/21, with secondary care underspends totalling £0.3 million. The Family Health Services underspend was achieved as a result of prescribing volumes being lower compared to the previous year and the financial plan, offset by slightly higher than anticipated average pricing per

prescription. Medicines Management Groups are in place to manage growth and deliver additional prescribing savings across secondary care services.

Unspent 2020/21 Health funding for the Integration Joint Boards (IJBs) is held in the IJBs reserves

44. NHS Tayside delegates responsibility for a specified range of health and social care services to the three IJBs in its area, Angus, Dundee City and Perth and Kinross and passes the budgets associated with these services to the IJBs. The budget is amended throughout the year to reflect additional funding received by the board for IJB services. Under the integration financial guidance, any funding unspent at the year-end belongs to the IJBs and is retained by them to be held in reserves for use in future years.

45. £16.3 million of earmarked health related funding that was received from the Scottish Government and had been passed onto the IJBs could not be spent by the IJBs in 2020/21. Together with operational underspends of £3.3 million in the year this has increased the IJBs reserves substantially.

46. Additional funding of £3 million was also provided by NHS Tayside to Dundee City IJB (£1.6 million) and Perth and Kinross IJB (£1.4 million) to assist their operational sustainability and to accelerate the shift in the balance of care.

47. The £22.6 million NHS Tayside contribution to the IJB reserves will be used to cover future earmarked costs.

Financial systems of internal control are operating effectively

48. As part of our audit we identify and evaluate the key internal controls in those accounting systems significant to the production of the financial statements. Our objective is to gain assurance that NHS Tayside has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

49. Our management letter presented to the Audit and Risk Committee in June 2021 concluded our findings from the review of systems of internal controls. We concluded that system controls are operating as specified but some areas were identified where controls could be strengthened. Management agreed to an action plan to address two areas where controls could be strengthened. As a result, our audit approach to auditing payroll and journals was revised to reflect these findings.

Shared systems

50. 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 (Practitioner Services), the national IT contract and payroll and NHS Ayrshire & Arran procure a service audit of the National Single Instance eFinancials service.

51. The service audits for the national IT contract, payroll and the National Single Instance eFinancials service were unqualified, although in relation to the national IT contract there was an emphasis of matter to highlight the additional

matters taken into consideration to achieve that opinion, and the improvements required.

52. The service auditor has provided a qualified opinion on the system of controls in place in Practitioner Services and has identified a number of matters where controls could be enhanced.

53. As a result of these issues, NSS management commissioned additional Practitioner Services testing by its internal auditors to provide assurance on the processes and controls over practitioner payments, made as a result of the Scottish Government's financial measures to support practitioners during the Covid-19 pandemic. Internal audit concluded that transactional service payments and, where necessary, reclaimed funds were appropriately calculated, monitored and processed accurately. No significant issues were noted in respect of the calculation and processing of payments although it was noted that evidence of independent checks was not always clear throughout all processes.

54. NSS advised its Board that a sub-committee of the NSS Audit and Risk Committee has been established to oversee the action plan outlined in the management response to the Practitioner Services service auditor assurance report.

55. NHS Tayside has considered the issues identified in the service auditor assurance reports and the confirmation provided by the NSS Director of Finance that the qualified audit opinions on the service audit reports do not have an impact on the Board's financial statements. A statement to this effect has been included in the Governance Statement which is included within the board's 2020/21 annual report and accounts.

56. The external auditor of NSS has reviewed the work of the service auditor of Practitioner Services and reported to us that, *'The service auditor has provided a qualified opinion on the system of controls in place in Practitioner and Counter Fraud Services in terms of the requirements of ISAE 3402 and has identified a number of matters where controls could be enhanced. I conclude from my review of KPMG's service audit work on Practitioner and Counter Fraud Services that this has been performed satisfactorily and that assurance can be placed thereon to support user auditors' own assessments under ISA (UK) 402.'*

57. The external auditor of NSS also reported to us that, *'Internal audit gave an overall report rating of "significant assurance with minor improvements" for the audit of practitioner payments made as a result of the Covid-19 pandemic. I conclude from my review of KPMG's internal audit work on "PCFS COVID-19 Transactions Testing" that this has been performed satisfactorily and that assurance can be placed thereon to support user auditors' own assessments.'*

Internal audit

58. The board's internal audit function is carried out by FTF Audit and Management Services (FTF). FTF have concluded their 2020/21 audit work and presented their Annual Audit Report, which included the annual internal audit opinion, to the August 2021 Audit and Risk Committee.

59. We reviewed the board’s internal audit function to ensure it operates in accordance with Public Sector Internal Audit Standards (PSIAS) and to determine the extent to which we could use their work in terms of International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors).

60. We have concluded that internal audit satisfies the requirements of PSIAS. We have placed reliance on the work of internal audit on payroll standing data for our 2020/21 financial statements audit. We have also considered the work of internal audit in selected areas for our wider dimensions audit responsibilities. This work has informed our views on the wider dimension risks identified in this report and wider dimensions audit responsibilities.

61. During 2020/21 there has been some slippage in internal audit reporting. This has been mainly due to management capacity to engage and finalise reports together with a staffing vacancy in FTF and a long term staff absence. However, in a progress report to the Audit and Risk Committee on 22 June 2021, the Chief Internal Auditor reported that “the work completed allows the Chief Internal Auditor to provide the necessary assurances prior to the signing of the annual accounts.” In the same report, the Chief Internal Auditor also states that he can only provide “moderate assurance that timely action has been taken to address internal audit recommendations.

62. We reviewed the 2020/21 annual internal audit report and note the findings do not affect our audit conclusions or opinions.

Standards of conduct for prevention and detection of fraud and error

63. There are appropriate arrangements for the prevention and detection of fraud, error and irregularities, including a whistleblowing policy, a whistleblowing ‘champion’ member on the Board and an anti-fraud strategy. NHS Tayside 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.

64. We have reviewed the arrangements in place to maintain standards of conduct including codes of conduct for members and officers. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

65. 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.

National Fraud Initiative

66. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. It is based over a two year cycle with organisations submitting data in January 2021. Initial matches reports were issued in February 2021 consisting of payroll and pension data, with a further set of matches issued in May 2021 relating to payment of creditors details. NHS Tayside has made progress with the matches received in February 2021 and have started work on the May 2021 matches.

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 or the way in which they should be delivered.

Main judgements

In line with Scottish Government guidance NHS Tayside developed a one-year financial plan for 2021/22. To achieve financial balance in 2021/22, the board needs to achieve savings of £27 million and £10 million of these are assessed as a high or medium risk of not being achieved.

Due to the impact of the pandemic and the early stage of remobilisation, the board anticipates a lower level of recurring savings in 2021/22 compared to the 55% reported in 2020/21. Reliance on non-recurring savings is not sustainable and the board is aiming to increase recurring savings levels significantly after 2021/22.

In common with other boards, the longer term impact of Covid-19 on the board's costs and funding is uncertain. Medium term financial planning will reflect the revised cost and funding picture as it becomes clearer.

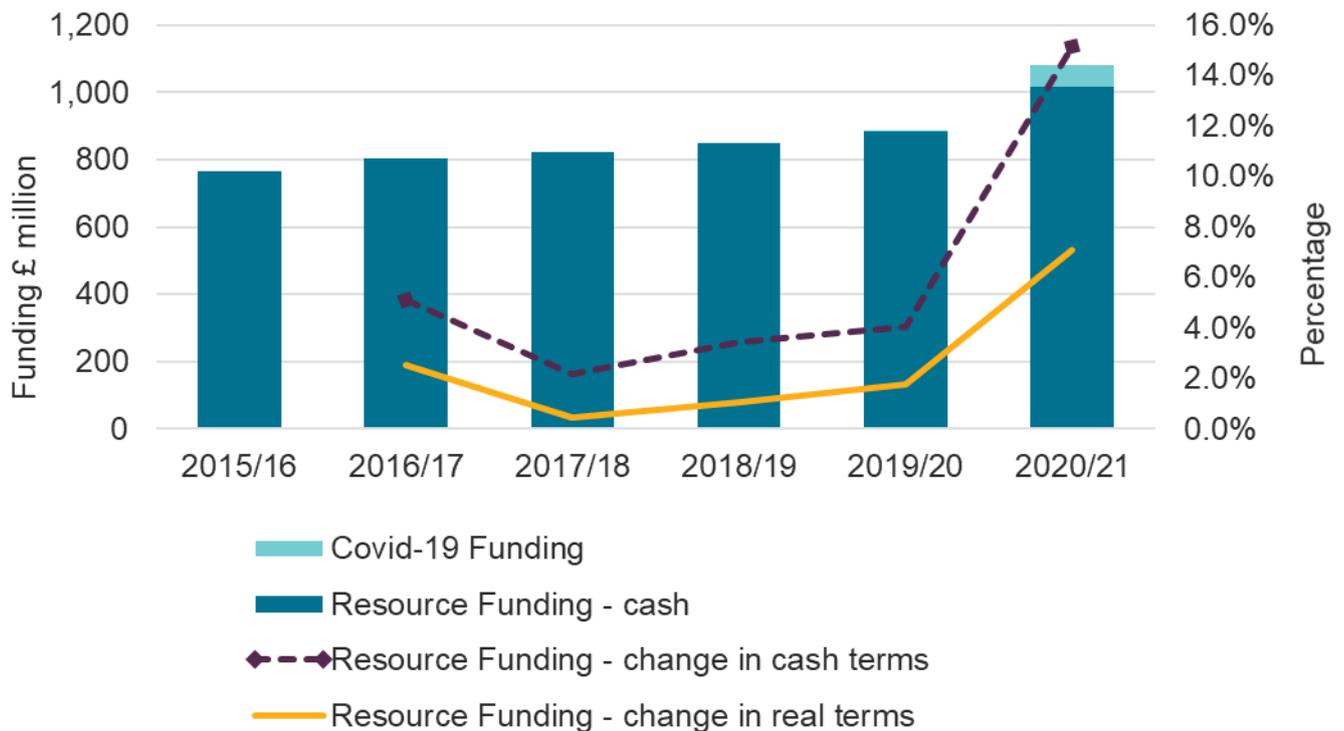
The board has focussed its 'transformation' activities on strengthening the board's financial position, while improving services. Some elements of transformation have been brought forward due to the pandemic. The pre-Covid transformation 'Transforming Tayside' plan, will not now be progressed and NHS Tayside plans to introduce a revised transformation programme arising from the board's remobilisation plan.

Additional Covid-19 funding has resulted in a 13.6 per cent increase in revenue funding in real terms

67. Revenue funding in 2020/21 to NHS Tayside from the Scottish Government has grown by 15.2 per cent in cash terms and 13.6 per cent in real terms compared to 2019/20 ([Exhibit 5](#)). However, this includes additional funding for new developments and Covid19 related expenditure. The current 2021/22 Scottish budget includes a further rise in funding for NHS Tayside of £12.1 million (1.5%). A further £869 million of additional Covid19 related funding will also be distributed across NHS Scotland which NHS Tayside will receive a share of.

Exhibit 5

Cash and real term core funding to NHS Tayside has risen



Source: NHS Tayside/Audit Scotland

NHS Tayside has prepared a one-year financial plan for 2021/22 as required by the Scottish Government

68. NHS Tayside works within a three year financial framework, however the requirement to produce three-year financial plans as part of the medium term financial framework has been paused by the Scottish Government, due to the pandemic. NHS boards were asked to complete a one year plan for 2021/22.

69. NHS Tayside's 2021/22 financial plan was approved by the Board on 29 April 2021. The Boards forecast includes additional costs relating to Covid19 and costs related to recovering and addressing service backlogs in other areas. Forecasts in the financial plan are based on a number of assumptions including allocation uplifts, inflationary costs and pay growth. Based on the current allocations announced by the Scottish Government, NHS Tayside is forecasting to breakeven in 2021/22.

70. To achieve breakeven the board needs to achieve savings of £27.0 million. The board has identified high level savings targets, but detailed savings will need to be identified going forward.

71. The high level savings targets have been risk assessed by the board as follows:

Savings	£ million	Risk of non-achieving
2% Cash Releasing Efficiencies	11	Low
Slippage in Financial Plan Earmarks	5	Low
Corporate	1	Low
Potential to secure additional funding	2	Medium
Embed Service Redesign (Covid-19)	2	High
Efficiencies yet to be identified	6	High
Total	27	

Source: NHS Tayside Report to the Board Draft Strategic Financial Plan 2021/22 (April 2021)

Recommendation 1

The board should ensure that detailed savings plans are developed identifying how the £27 million of savings in 2021/22 will be delivered.

72. In recent years the board has made significant savings to mitigate its funding gaps, it relies on non-recurring savings to achieve this. In 2020/21 non recurring savings filled 45% of the funding gap (2018/19 56%, 2019/20 60%).

73. Due to the impact of the pandemic and the early stage of remobilisation no recurring savings levels have been reported in the 2021/22 financial plan. The board anticipates a lower level of recurring savings in 2021/22 compared to this year. Reliance on non-recurring savings is not sustainable and the board is aiming to increase recurring savings levels significantly after 2021/22.

74. NHS Tayside are exposed to IJB overspends through the integration schemes. Operational financial deficits are forecast for Perth & Kinross IJB and Dundee City IJB in 2021/22, totalling £4.0 million. The board recognised that it would be challenging to absorb IJB overspends in 2021/22 and agreed a bridging proposal with the IJBs to allocate funding from the board to the two IJBs in financial year 2020/21, with the funding being carried in IJB reserves for use to support the potential financial deficit position in 2021/22.

Medium term financial plans should be revised following the Covid-19 pandemic and incorporated in remobilisation plans

75. NHS Tayside's current remobilisation plan 'Tayside Health and Social Care Services Remobilisation Plan: Remobilise, Recover, Redesign 2021/22' is supported by high level financial projections.

76. NHS Tayside are to assess how the plan can translate to a revised transformational agenda for NHS Tayside following the Covid-19 pandemic. Medium term financial plans will need to be put in place to reflect Scottish Government financial planning framework requirements when they are issued. The financial plans will need to align with the board's revised transformational agenda.

Recommendation 2

The board should review its medium-term financial plan following the Covid-19 pandemic to reflect its impact on the board's finances going forward. The plan should be aligned with the board's strategic direction and remobilisation plan and include scenario planning of key financial assumptions.

The board's strategic direction will need to be updated following service reconfiguration and remobilisation.

77. Internal Audit noted in their 2020/21 Internal Control Evaluation report that an enormous amount of reconfiguration and remobilisation work has been undertaken by NHS Tayside and that the board has recognised that all strategies will need to be updated, learning from the experience of reconfiguration and capturing and using existing data to create sustainable services and a strategy which reflects the new environment.

78. The Chief Executive is leading an executive review of NHS Tayside's strategic direction, including consideration of all extant strategies and including the development of a revised overarching strategy to reflect the current environment and new ways of working developed in response to Covid-19.

79. Internal audit also noted that the Chief Executive has set out the direction of travel for review and revision of strategy and recommended that a project plan and timetable is put in place to progress this work. The Chief Executive provided a presentation to Board Members on this area at a Board Development Event in May 2021.

80. Going forward, the board's overall strategy and direction will also be determined by the national strategic direction set by Scottish Government. We will monitor progress with the development of the board's strategy as part of our 2021/22 audit.

NHS Tayside plans to introduce a revised transformation programme reflecting the board's remobilisation plan

81. In October and November of 2020, the Chief Executive set out the direction of travel for review and revision of strategy to ensure NHS Tayside is sustainable in the future.

82. Since November 2020, the development of the strategy was impacted by the need for NHS Tayside to respond to the second wave of Covid-19, which was more severe than anticipated. In June 2021, the Board was informed of the process for taking forward the update of the Board's strategy. The process will

consider the Scottish Government direction of travel for Health Boards post-election, the Board's Remobilisation Plan and related feedback, and its impact on strategy and the new health and social care integration agenda.

83. Prior to the pandemic, NHS Tayside had introduced a transformation programme '*Transforming Tayside*'. The programme however was not fully developed and did not provide detailed plans on how transformation would be delivered. Instead of progressing this, the board focussed its 'transformation' activities on projects that could more quickly strengthen the board's financial position, while improving services. The improved financial position demonstrates this has been effective.

84. Some elements of transformation have been brought forward due to the pandemic. '*Transforming Tayside*' will now not be progressed and NHS Tayside plans to introduce a revised transformation programme arising from the board's remobilisation plan. This will need to be aligned to the board's revised strategic direction.

Additional financial support from Scottish Government will need to be repaid

85. With effect from 2019/20, the Scottish Government introduced the new three-year financial planning process and wrote off previous outstanding brokerage of all Scottish NHS boards. As at 31 March 2020, £7.0 million of outstanding additional support brokerage required to be repaid. While the Scottish Government suspended any scheduled repayments of additional support funding following the pandemic, NHS Tayside were able to repay £3.0 million of this support in 2020/21. NHS Tayside intends to repay the remaining £4.0 million in 2021/22.

4. Governance and transparency

The effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Main judgements

In June 2021, NHS Tayside's level of escalation was reduced from level 4 in the NHS Scotland Performance Escalation Framework to level 2 for its governance and leadership and level 3 for its mental health services.

Governance arrangements have been adapted due to the Covid-19 pandemic. We have considered these measures and have concluded that NHS Tayside's governance was effective in the year.

Improvements are being made in mental health services in Tayside, but significant work is still required. The board is considering its response to the recent independent Inquiry into Mental Health services in Tayside, Trust and Respect, Progress Report 2021.

NHS Tayside has undertaken a high level review of the integration schemes with all partners, with a more detailed review scheduled for 2021/22.

The board has recently moved to level 2 of the Scottish Government's escalation process for its governance and leadership and level 3 for its mental health services

86. In recent years the board has made good progress in key aspects of governance. As a result, in June 2021 the board was de-escalated level 4 of the NHS Scotland Performance Escalation Framework to level 2 for its governance and leadership and level 3 for its mental health services.

Governance and transparency arrangements were appropriate

87. The governance and transparency arrangements we consider include:

- board and committee structure and conduct
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption. This includes action in response to the National Fraud Initiative

- openness of board and committees
- public access to information via websites
- reporting of performance and whether this is fair, balanced and understandable.

88. Board membership has been strengthened with the appointment of additional non-executive directors.

89. In 2019/20 we reported on the board's review of its Board Member training and development which had commenced in 2018/19. We recommended that, as part of that review, the board should develop Board Member training needs analyses and personal development plans.

90. We have been advised that this recommendation has been delayed due to the work required to respond to Covid-19. The training needs analyses have yet to be developed on the basis of individual Board Member's training needs which are identified through discussions between the Chair and the Non-Executive Members around their objectives and their personal input to the Board's business.

Recommendation 3

The board should develop Board Member training needs analyses and personal development plans, linked to the Board's corporate objectives.

91. NHS Tayside identified through its governance assurance process that due to Covid-19 and the vast increase in service developments, that it had not been able to fully meet the legal requirement under the Equality Act 2010 to undertake equality impact assessments (EQIAs) for all policies, strategies and service developments. This has been reported in the Governance Statement which also reports that NHS Tayside is working towards ensuring that EQIAs are undertaken and when completed are made publicly available on NHS Tayside's website.

92. We have concluded that overall, NHS Tayside has appropriate governance arrangements in place, but further work is required to promote Board Member training and development.

Governance arrangements have been adapted due to the Covid-19 pandemic

93. The impact of Covid19 from March 2020 has been set out in the Governance Statement in NHS Tayside's annual report and accounts. These have been significant and have allowed the organisation to cope with the unprecedented nature and scale of the threat to its communities and staff. We note that the following steps have been taken to allow NHS staff to prioritise their response to the pandemic:

- the suspension of standing committees at points in the year to enable NHS Tayside to effectively discharge its governance responsibilities

and maximise time available for staff to deal with Covid-19. The latest suspension was in January 2021 with standing committees resumed from April 2021

- video/teleconferencing arrangements put in place for Board and Standing Committee meetings.

94. We have concluded that the arrangements put in place are appropriate and have supported good governance and accountability during the pandemic.

Openness and transparency

95. Openness and transparency is how an organisation operates and makes decisions and ensures that the public have access to understandable, relevant and timely information about board decisions and how it is using resources such as money, people and assets.

96. NHS Tayside's commitment to transparency is demonstrated by:

- public availability of board papers (although agenda papers are not placed on the website until the day of the meeting)
- the continued enhancement of the form and content of reports.

97. Overall, we have concluded that the board conducts its business in an open and transparent manner.

NHS Tayside's senior management capacity remains under pressure

98. The pandemic has placed additional strain on NHS Tayside senior management's capacity.

99. NHS Tayside established a Board Business Critical (BBC) Group in March 2020, consisting of senior staff from across NHS Tayside, to provide executive leadership of core business critical issues across NHS Tayside during the pandemic. The Group was stood down in June 2020 as the focus moved to remobilisation.

100. NHS Tayside also introduced a gold and silver command and control governance structure to manage the challenges of Covid-19. The structure was stood down from April 2021. Subsequently, gold command Covid-19 was introduced again from 14 June 2021, due to a greater incidence of Covid-19 across Tayside.

101. These arrangements have supported senior management throughout the pandemic in supporting the operational management and planning of the board's services.

102. In 2019/20, we reported on vacancies in a number of key posts. Since then the board has made a number of appointments to key posts including the Director of Public Health and the Director of Facilities. Despite significant effort to find suitable candidates, there remains vacancies for the positions of Deputy

Chief Executive and Director of Mental Health (filled on an interim basis until 31 March 2021).

103. The board is considering alternative solutions with the Scottish Government and other Health Boards for the position of Deputy Chief Executive. In addition, the board does not currently have a formally identified lead officer for strategy and transformative change.

104. Internal Audit has also recommended that consideration should be given to succession planning for key strategic posts to manage the risks associated with recruiting to these key positions.

105. In 2018/19, the Board approved a leadership framework '*NHS Tayside Collective Leadership and Cultural Strategic Framework 2018-23*'. The framework aims to help the board achieve its 'Better Workplace' objective of having "a valued and diverse workforce who are well informed and appropriately trained, can access development opportunities and have a strong voice throughout the organisation".

106. The Board developed an implementation plan for a new Leadership Programme in 2019, however programme activity has been suspended due to the priorities of the board's response to Covid-19. The Staff Governance Committee, and the Board approved a revised implementation timetable in June 2021.

107. We have concluded that NHS Tayside's senior management capacity remains under pressure, but processes have been put in place to support senior management through the pandemic.

Improvements are being made in mental health services in Tayside, but significant work is still required

108. In February 2020, Dr David Strang published '*Trust and Respect: Final Report of the Independent Inquiry into Mental Health Services in Tayside*', a report commissioned following concerns raised over mental health services in Tayside. The report was critical of mental health services in Tayside and contained 51 recommendations to improve services.

109. In response to the report, and after engagement with stakeholders, in August 2020 NHS Tayside published its 'Listen Learn Change Action Plan' to address the recommendations to be taken forward by NHS Tayside and its partners. Although the operational delivery of mental health services was transferred from Perth and Kinross IJB in June 2020, a partnership approach to improvements is exercised through the Tayside Executive Partnership consisting of the Chief Executives of NHS Tayside and the three local councils and the Divisional Commander of Police Scotland to provide collective leadership of mental health services.

110. The Interim Director of Mental Health left NHS Tayside on 31st March 2021. Active recruitment for an Operational Medical Director Mental Health Service is ongoing. The Director of Nursing is currently providing the directorate leadership on an interim basis to strengthen and support the leadership team. Two experienced senior managers have also been recruited to undertake mental health general management across Tayside.

111. Progress with the ‘Listen Learn Change Action Plan’ is monitored by a Listen Learn Change Scrutiny Panel comprising of the Chief Executive, Executive Directors and senior staff in NHS Tayside as well as Dundee City Council’s Chief Executive. In a report to the Board in June 2021, the Director of Nursing and Midwifery reported that *“the majority of the specific action-focused recommendations of Trust and Respect are complete, but it is recognised that other recommendations require a longer term, continuous approach, particularly those addressing culture change and the ongoing engagement with all our stakeholders.”*

112. Progress with the action plans reported to the Board in June 2021 said:

- 35 are complete
- 14 are ongoing
- 2 relate to actions assigned to the Scottish Government.

113. The Scottish Government has provided additional support to NHS Tayside for mental health services and also monitor NHS Tayside’s progress through the NHS Tayside Oversight group. In June 2021, the Scottish Government de-escalated NHS Tayside from escalation level 4 in the NHS Scotland Escalation Performance Framework to escalation 3 for mental health services, due to the progress that had been made.

114. In July 2021, Dr Strang reported on a review of the progress of the improvements made in mental health services in Tayside. Key conclusions in the executive summary includes:

- ‘The Review team has found a great deal of positive changes in progress and has been impressed with the commitment and dedication of staff, partner organisations and others seeking to make a difference for patients and the wider community in Tayside. There have been some very positive developments such as the mental health discharge hub and the local mental health hubs planned in each Health and Social Care Partnership (HSCP) area.’
- ‘There have, too, been some missed opportunities for listening to people and engaging with partners in order to build trust. It is hoped that this Review will provide a fresh opportunity to build on the early response to the *Trust and Respect* report.’

Extracts from the Independent Inquiry into Mental Health services in Tayside, Trust and Respect, Progress Report 2021

Key findings

- Tayside responded positively to the *Trust and Respect* report, establishing an early foundation for developing a new approach to delivering mental health services in Tayside.
- There remains a long way to go to deliver the improvements that are required.

- Questions have been raised about the level of confidence in the accuracy of the reported progress against Tayside's Listen Learn Change Action Plan.
- Some key relationships remain problematic and unresolved. There is scope for building the respectful relationships which are necessary for the delivery of effective mental health services.

Actions

The Review team considers the following actions are necessary to progress appropriately the implementation of the recommendations made in the Independent Inquiry's *Trust and Respect* report.

- Recommendation 5 (*Review the delegated responsibilities for the delivery of mental health and wellbeing services across Tayside, to ensure clarity of understanding and commitment between NHS Tayside and the three Integration Joint Boards*), must be revisited urgently to resolve the relational issues which still exist in Tayside.
- The response to all recommendations should be subject to some form of independent scrutiny to assess more accurately the progress that has been made. This would result in a more realistic assessment of the rate of progress and how much remains to be implemented further.
- An implementation plan is urgently needed for the Living Life Well Strategy.
- Ongoing oversight of Tayside's response to the recommendations should be provided by the Scottish Government's Quality and Safety Board for Mental Health Services.
- Senior leaders should engage meaningfully with staff, patients, families and carers in the development of future plans.

115. Responding to the Progress Report, NHS Tayside Chair Lorna Birse-Stewart said: 'The Board of NHS Tayside welcomes today's report by Dr Strang and his review team and we will now be taking the time to consider all aspects of the report, alongside our partners, to respond to the five actions which have been recommended.' We will monitor the board's progress in this area in 2021/22.

A detailed review of the Integration schemes' is scheduled for 2021/22

116. The Public Bodies (Joint Working) (Scotland) Act 2014 required a review of integration schemes by March 2021. A high-level review of the schemes was completed in early September 2020.

117. None of the changes to the integration schemes resulted in any fundamental changes to the services to be delivered or the funding arrangements. A project group has been established to review the schemes in

more detail during 2021/22. The group, which involves representatives from all partner organisations, will review these areas.

Risk management arrangements have improved and further work is planned

118. Risk management arrangements continue to improve in NHS Tayside. A Board Development event in November 2020 included a session on risk management and a further session is planned for 2021/22. These inform developments in risk management and reflect the need for further improvement in risk management.

119. Over the last year the work of the Risk Management Short Life Working Group progressed and in April 2021 the Board considered and approved the outcome of the groups review of the board's risk management arrangements. Key developments included approval of the revised Risk Management Strategy and Framework, agreement of streamlined Risk Management reporting arrangements to ensure that risk management will be considered at all relevant levels within the corporate structure, and the introduction of the Risk Management Board report with effect from June 2021.

120. The streamlined reporting arrangements are intended to provide clarity on the different functions and roles of the Strategic Risk Management Group, the Standing Committees, the Audit and Risk Committee and the Board in respect of risk management.

121. Responsibility for reviewing the adequacy and effectiveness of the systems and process in place to manage risk is delegated to the Audit and Risk Committee and regular reports are presented to the Committee to allow members to exercise this role.

122. In June 2021, a report on the board's Strategic Risk Profile was presented to the Board. The report included the strategic risk register and provided an updated assessment of the position for each of the 24 strategic risks included in the register.

123. Internal Audit reported in its Internal Control Evaluation report presented to the Audit and Risk Committee in May 2021 that the Covid-19 risk had not been mainstreamed in to the wider Strategic Risk Register and recommended that *“the focus should be on a holistic review of the strategic risk register to ensure Covid-19 is reflected across the strategic risk profile. Further work is now needed to ensure that at both strategic and service level the impact of Covid-19 on the risk profile of the organisation is clearly articulated and all relevant controls are identified and clear assurance lines implemented. Risks documented within the Covid-19 risk register should be reviewed and any which require escalation identified”*.

124. A Tayside Risk Management Group has been formed comprising of risk management leads from the three IJBs, the three local authorities and NHS Tayside. The group has developed a revised IJB risk management framework which sets out the risk management approach and vision for the IJBs which sits alongside NHS Tayside risk management framework. The framework was reported to the Board on 24 June 2021 and members were also advised that

development sessions were planned in the coming months for members to explore further enhancements to the framework.

125. We have concluded that risk management arrangements are improving but further work remains, including the clear articulation of Covid-19 risks and associated controls, which should be mainstreamed into the Strategic Risk Register.

Asset management arrangements continue to be developed

126. The Scottish Government's '*Policy for Property and Asset Management in NHS Scotland [CEL 35 (2010)]*' requires all NHS bodies to have an Asset Management Plan (AMP), which is reviewed and approved by NHS Boards annually.

127. In a report to the Performance and Resources Committee in August 2020, the Committee was advised that the board's Asset Management Group (AMG) were continuing to progress the updating of the next iteration of the North of Scotland Regional AMP and the Infrastructure Investment Programme. The following areas of work were being taken forward:

- development of a Primary Care Premises Plan
- consideration of the output from the Strategic Assessment Review Group
- review and update of five year proposed investment plan for Ninewells Production Unit
- re-assessment of the risks in relation to backlog and statutory maintenance, IT infrastructure and medical equipment
- review of the property and infrastructure requirements necessary to support the clinical services strategy
- review of requirements for staff accommodation

128. In April 2021 the Performance and Resources Committee considered the draft 5 year capital plan 2021/22 to 2025/26 and at each meeting it considers updates through the capital finance report which now also includes an update from the asset management group.

129. Going forward, the Regional AMP will need to demonstrate how the plan aligns to transformation and re-mobilisation following Covid-19 and to the board's clinical and strategic priorities.

130. Internal audit has carried out a review of the board's Property Management Strategy but has not yet reported their findings. Their report is planned to be presented to the Audit and Risk Committee in September 2021. We will review the report once it is available and monitor progress in 2021/22.

There are capacity issues relating to the board's workforce

131. In their 2020/21 Internal Control Evaluation Report, Internal Audit highlighted the need to have high level assurance about workforce issues particularly in relation to workforce planning. Internal Audit has also highlighted the importance of NHS Tayside developing strategic plans in support of workforce planning and has highlighted the absence of succession planning within NHS Tayside.

132. The Scottish Government has issued guidance, "*An Integrated Health and Social Care Workforce Plan for Scotland*", which requires all NHS Boards and IJBs to develop a three-year integrated workforce plan by March 2022.

133. The Scottish Government has also issued an Interim Workforce Plan Template which was to be completed by all NHS Boards and IJBs by 30 April 2021. Key themes of the template include:

- supporting staff physical and psychological wellbeing
- short term workforce drivers (living with Covid-19)
- medium term workforce drivers
- supporting the workforce through transformational change.

134. The template gathers workforce data which will inform the development of NHS Tayside's three-year workforce plan for 2022-2025. NHS Tayside's draft template (draft Interim Workforce Plan 2021/22) was submitted to the Scottish Government on 30 April 2021 and was presented to the Staff Governance Committee for assurance in June 2021. The draft considers the impact of Covid-19 on the workforce planning process at the same time as considering challenges that are not directly related to Covid-19. It also highlights that work will also be undertaken during 2021 to establish a model of succession planning for senior and business critical posts.

135. Internal audit has reported that the Staff Governance Committee has not yet received overt assurances on capacity and capability in the NHS Tayside workforce. The most recent assurance report on capacity and capability within Nursing and Midwifery reflected that the workforce challenges to recruit, retain, train and educate has become more challenging in 2021. Similarly, the capacity and capability of the Medical Workforce remains a major challenge.

136. The NHS Tayside absence rate for 2020/21 was 4.9% (2019/20 5.2%). These figures exclude Covid-19 related absences which are reported separately as special leave, in accordance with Scottish Government guidance. Efforts to support staff and reduce absence are currently being focused on the impact of Covid-19, with additional measures being introduced to provide a healthy working environment for staff as part of staff wellbeing arrangements.

137. Workforce challenges remain in NHS Tayside, but work is ongoing through the development of the three year workforce plan to mitigate these challenges.

NHS Tayside continues to rely on supplementary staff to fill workforce gaps

138. Recruitment and retention continue to be challenges for many boards. These challenges, together with pressures arising from the pandemic and the aim of meeting waiting time targets has resulted in temporary staff being used across Scotland at a high cost to boards.

139. NHS Tayside's total employee costs in 2020/21 were £653.3 million. Supplementary (temporary) employee costs made up £30.0 million of these, a small reduction of £0.2 million on the 2019/20 level. The board has reported that £4.5 million of supplementary costs in 2020/21 are a direct impact of Covid-19. If Covid-19 related staffing costs are taken out of the 2020/21 figures, total temporary staffing costs have reduced by 15%.

140. The supplementary costs of £30.0 million consist of bank costs (£11.1 million), agency costs (£9.9 million), overtime (£4.7 million) and excess hours (£4.3 million) and can be analysed into the following:

	<u>2020/21</u>	<u>2019/20</u>
• nursing and midwifery	£17.6 million	£19.8 million
• medical and dental	£6.2 million	£5.4 million
• support services	£3.3 million	£2.8 million
• other	£2.9 million	£2.3 million
• Total	£30.0 million	£30.3million

141. Supplementary costs of £17.6 million for Nursing & Midwifery are primarily within the nurse bank costs (£10.5 million) and nurse agency costs (£3.3 million). Nursing agency costs have reduced from £6.4 million to £3.3 million, a reduction of £3.1 million reported as mainly due to a reduction of £2.9 million in the Medicine and Surgical Divisions, reflecting improved unscheduled care pathways improvement work in both Divisions as a consequence of changes arising from the pandemic. Nurse bank costs remained broadly in line with 2019/20 levels.

142. Of the £6.2 million medical and dental supplementary costs, £5.2 million is on agency locums, with the highest spending area being on medical locums in Mental Health Services, with costs of £4.2 million. There is a high level of consultant vacancies within Mental Health Services, and a recruitment and retention working group is continuing to review the level of agency spend in this area.

143. We recognise that the board is taking steps to manage its use of temporary staff and this is being adversely impacted on by the pandemic.

Improvements have been made in eHealth (Digital Services)

144. We have monitored developments in eHealth over the course of our appointment and note the continued improvement in this area in 2020/21, including:

- the development of a draft five year Digital Strategy in consultation with stakeholders
- the establishment of a Digital Transformation Partnership which provides assurance to the Performance and Resources Committee
- the development of a Digital Infrastructure Investment document that details the infrastructure and resource requirement to support the operating plan
- rationalisation, monitoring and reporting to the Performance and Resources Committee on risks around the technical infrastructure and modernisation programme and cyber security.

145. Internal audit also reflected on improvements in this area in their 2020/21 Internal Control Evaluation Report, in which they noted that *“the positive impact of key appointments during 2019/20 has now revitalised the Digital agenda, in particular the Digital Strategy, governance arrangements, budget implications and the acceleration of projects to meet the changing needs of staff and patients due to the pandemic”* and in addition, *“the production of an Investment Framework has identified the level of investment that is required for the delivery of digital services to meet the needs of a changing infrastructure for clinical services”*.

146. We have concluded that NHS Tayside has made good progress in the eHealth environment in 2020/21.

There has been some improvement in information security arrangements but further improvement is required

147. Under the Network and Information Security Regulations 2018 (NIS Regulations), the board is required to demonstrate compliance with the NHS Scotland Information Security Policy Framework (ISPF). In NHS Tayside, compliance is monitored by the Cyber Resilience Governance Group (CRGG) and the Information Governance and Cyber Assurance Committee (IGCAC), chaired by the Board Secretary.

148. The Scottish Government, as competent authority, undertake a formal audit of health boards every three years, with progress reviews carried out by health boards in the intervening years. NHS Tayside’s first audit took place virtually in September 2020 and resulted in a report giving the board a compliance score of 50% and containing 108 recommendations, 71 of which were assessed as important/urgent and 2 as critical. One of the critical recommendations has been completed and one, *“to document security assessments of third-party suppliers with clear roles and responsibilities”*, is ongoing.

149. The board's Head of Information Governance and Cyber Assurance presented a report to the Audit and Risk Committee in May 2021 which advised of progress with the development of an action plan in response to the audit. The Information Governance team have been working with a consultant employed through NHS NSS in populating the action plan. Progress against the management responses to the report will form part of the competent authority's 2021 progress review which is scheduled for August 2021.

150. We reported last year that although NHS Tayside had met the standard required for Cyber Essentials for the NHS Tayside managed IT network and the General Practice network, its quarantine VLAN had failed in some areas. Accreditation work in the latter area was to be used to help the Digital Directorate and service IT leads to identify the work required to ensure compliance with these standards. A project is currently underway to enhance the levels of security on the QVLAN at the board's hospital sites.

151. The assurance and reporting dashboard developed by the board in 2019/20 to assist with compliance reporting against the ISPF reported in June 2020, reported 43.83% compliance against the 168 ISPF controls. Many of the areas of non-compliance relate to the quarantine VLAN.

152. The latest level of compliance reported to the Audit and Risk Committee in November 2020, following an interim audit in September 2020 showed an increase in compliance to 50%. We have previously noted that as this is a relatively new regulation full compliance will take time.

153. There has been some improvement in information security arrangements, but further improvement is required including the implementation of the critical recommendation identified in the Competent Authority's ISPF audit.

A revised action plan has been developed to address the Dundee Drugs Commission's recommendations in responding to drugs use

154. The Dundee Drugs Commission (the Commission) is an independent drugs commission which was established by the Dundee Partnership (including NHS Tayside) in 2018 to tackle the city's drug problems and delivering sustainable solutions that would prevent and reduce drug use across the city.

155. In 2019, the Commission published its findings from an independent enquiry in its [*Responding to Drug Use With Kindness, Compassion and Hope Report*](#), which included 16 recommendations split between those that could be delivered immediately (within 12 months), during a transitional period (within 3 years) and longer-term (within 5 years).

156. An 'Action Plan for Change' was developed as a response to the Dundee Drugs Commission report and recommendations but progress was hindered by the Covid-19 pandemic. In recognition of the impact of the pandemic, the Action Plan for Change was reviewed by the Alcohol and Drugs Partnership Implementation Group and a revised action plan proposed in January 2021. The Alcohol and Drugs Partnership Implementation Group is continuing to monitor the implementation and impact of actions within the plan.

5. Value for money

Using resources effectively and continually improving services.

Main judgements

Covid-19 has impacted significantly upon the board's activity and waiting times for some services. Despite this, over time NHS Tayside has increased the proportion of patients treated within the national waiting time standards in the majority of treatment areas.

The board has published a remobilisation plan to address backlogs caused by the Covid-19 pandemic and the restoration of health services.

NHS Tayside has plans in place to improve its Performance Management Framework in 2021/22.

Work on developing the board's arrangements for providing assurance on Best Value (BV) is ongoing.

The board's remobilisation plan has a series of actions designed to restore performance levels and innovate the delivery of services

157. The Scottish Government has requested NHS boards to produce and regularly revise remobilisations plans outlining plans for the restoration of normal health services. Following Scottish Government approval of the board's draft remobilisation plan in April 2021, the plan was approved by the Board in June 2021.

158. The board's remobilisation plan initially focusses on safely and incrementally resuming services based on clinical prioritisation, with a focus on Urgent Suspicion of Cancer and urgent activity, whilst maintaining Covid-19 and non-Covid-19 pathways.

159. Monitoring of the board's progress in remobilisation has taken place through monitoring of elective activity levels compared to those set out within the remobilisation plan. In order to monitor implementation and delivery of key milestones or priorities outlined within the remobilisation plan an action tracker is being developed to update the Board on progress. NHS Tayside has plans in place to improve its Performance Management Framework

160. In November 2020 the Scottish Government published the Framework for Clinical Prioritisation providing guidance for prioritising elective care whilst ensuring appropriate Covid19 safety and priority measures are in place. While the duties under the Patient Rights (Scotland) Act 2011 still apply, it is expected

that the framework is the primary tool for monitoring service performance during the pandemic.

161. Since 2018/19, boards have been required to produce Annual Operational Plans (AOPs), which replaced Local Delivery Plans (LDPs). In that time, performance reporting has focussed on national measures and standards, as well as incorporating local measures that align with the aims and objectives within the board's Annual Operational Plan.

162. During 2020-21 the focus shifted towards understanding the impact of the pandemic on performance against national measures, as well as the incorporation and development of measures aligned with the board's remobilisation plan. Public performance reporting will evolve further in 2021-22 to align with the key objectives outlined with the remobilisation plan 2021-22, alongside the ongoing national indicators which remain in place.

163. In their 2020/21 Internal Control Evaluation Report, Internal Audit noted that further work is planned to identify appropriate measures in respect of: Mental Health; Digital; Workforce; Integration and Quality of Care and recommended that "the measures chosen for reporting should therefore be focused on key risks and objectives, and should provide overt conclusions on those objectives and risks." Internal Audit also recommended better reporting of performance against Covid-19 risks.

164. As part of their response to the Internal Audit recommendation, management stated that discussions had already taken place on this issue and that the intention is to develop a documented Performance Management Framework by July 2021, which will include identification of appropriate reporting measures. Management also noted that when the framework is developed wider engagement and consultation will be undertaken. Formal approval and implementation of the Performance Management Framework is planned by December 2021.

Service performance against national waiting time standards continues to be publicly reported

165. The Board is kept informed of service performance across all areas. The detailed review and scrutiny of service performance has been delegated to the Performance and Resources Committee (PRC), which meets every two months, with the reports also subsequently presented to the Board. During Covid-19 spikes in 2020-21, the Board endorsed suspending meetings of the PRC. Service performance continued to be scrutinised by the Board.

166. At each meeting, the PRC considers a report on the board's performance against its performance indicators, with the application of a 5% tolerance to the red/amber/green (RAG) rating of performance.

167. The structure of the performance report has been reviewed and the sections now include measurements of performance against:

- national indicators (previously Local Delivery Plan standards)
- remobilisation indicators – (activity measures from the remobilisation plan 2021-21)

- productivity and efficiency indicators (local measures that have consistently been reported to the PRC in respect of productivity and efficiency)
- quality of care indicators (a limited number of measures on quality of care).

168. In June 2021, the Board was presented with two reports on performance, one providing an update on latest performance (April 2021) against national and local measures and the second providing a year-end statement of performance in 2020-21 against national indicators and the board's initial remobilisation plan (October 2020 to March 2021).

169. NHS Tayside includes a Public Performance page on its website which ordinarily includes information on current outpatient and inpatient/day cases but currently notes that "*due to the current Covid pandemic routine waiting times are not being reported at this present time*". The page does direct the user to the Board and PRC papers which will include performance reporting information."

170. We have concluded that NHS Tayside has an effective performance management framework in place which supports continuous improvement.

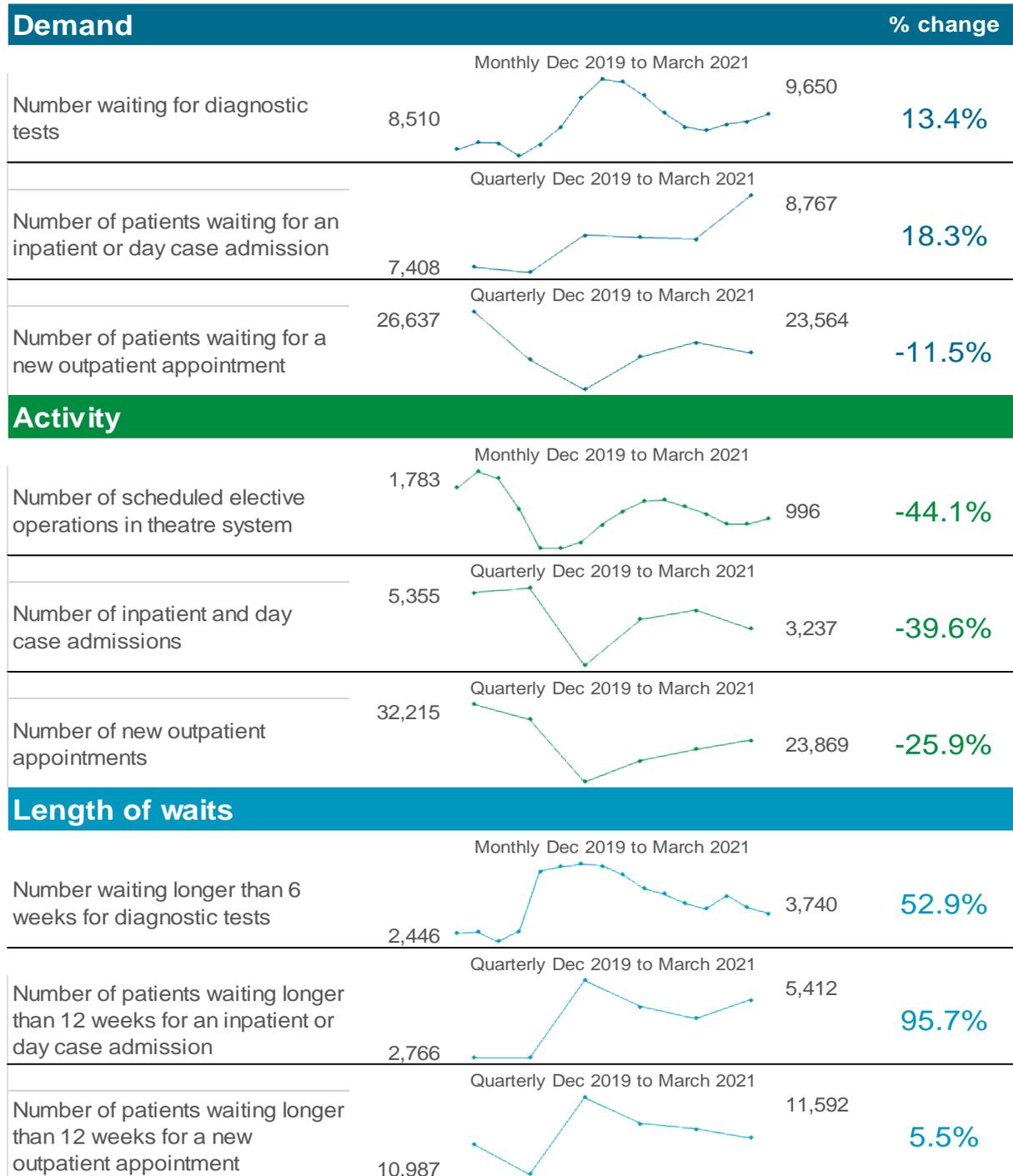
Covid-19 has impacted significantly on the board's activity and waiting times for services

171. The 2020/21 annual report and accounts reports on the board's performance against its national waiting time standards. These provide context for the scale of the impact of the pandemic on the delivery of health services. [Exhibit 6](#) demonstrates how activity and waiting times for acute services have been impacted by Covid-19 and [Exhibit 7](#) provides a comparison of current waiting times compared to prior years.

172. The biggest impact of Covid-19 has been on waiting times, as demonstrated in [Exhibit 6](#), all of which have increased in 2020/21. The most significant increases are in the number of patients waiting longer than 12 weeks for an inpatient or day case admission and the number waiting longer than 6 weeks for diagnostic tests which have increased by almost 96% and 53% respectively from December 2019 to March 2021. The increase in waiting times is reflective of the reduction in activity due to the pandemic. The Board's remobilisation plan includes actions to address the increased waiting times.

Exhibit 6

Trends in demand and activity per acute services



Source: Audit Scotland analysis of Public Health Scotland data

173. Despite the impact of Covid-19, increasing waiting times for many, [Exhibit 7](#) shows that over time NHS Tayside has increased the proportion of patients treated within the waiting time standards for the majority of indicators. Target trajectory percentages for 2020/21 were met for 3 of the standards, 3 were not achieved, 2 had no trajectories set.

Exhibit 7

Performance against national waiting time standards

Target/standard	Performance at March 2019	Performance at March 2020	Performance at March 2021 ¹
Cancer 62 Day RTT Proportion of patients that started treatment within 62 days of referral (target 95% - not met)	89.3%	91.4%	94.2%
Cancer 31 Days RTT Proportion of patients who started treatment within 31 days of decision to treat (target 95% - met)	92.8%	97.4%	98.5%
18 Weeks RTT Proportion of patients that started treatment within 18 weeks of referral (target 90% - not met)	71.3%	74.7%	76.7%
Patient Treatment Time Guarantee (TTG) Proportion of inpatients or day case that were seen within 12 weeks (no waiting time trajectory required for 2020/21)	3,033 patients outwith 12 weeks	2,764 patients outwith 12 weeks	5,343 patients outwith 12 weeks
Outpatients waiting less than 12 weeks Proportion of patients on the waiting list at month end who have been waiting less than 12 weeks since referral at month end (no waiting time trajectory required for 2020/21)	10,067 patients outwith 12 weeks	7,266 patients outwith 12 weeks	10,406 patients outwith 12 weeks
A & E attendees Proportion of A & E attendees who were admitted, transferred or discharged within 4 hours (target 95% - met)	94.8%	96.6%	96.6%

Drug and Alcohol 21 days	96.0%	92.7%	95.7%
Proportion of drug and alcohol patients that started treatment within 21 days (target 90% - met)			
CAMHS Waiting Times	65.3%	69.0%	83.5%
Proportion of patients seen within 18 weeks of referral (target 90% - not met)			

Note. 1: Figures still to be validated by NHS Information Services Division.

Source: NHS Tayside Annual Report and Accounts

Work on developing the board's arrangements for providing assurance on Best Value (BV) is ongoing

174. 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 seven 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.

175. Management previously considered the Good Governance Blueprint provided sufficient evidence of best value. In our view this does not provide explicit and comprehensive assurance on the seven best value characteristics.

176. Management committed to map the board's response to the Good Governance Blueprint to the best value characteristics to provide evidence, as their Best Value Framework. An internal review of the board's performance against one of the seven best value characteristics, 'The Effective Use of Resources' was also approved.

177. The review of the 'Effective Use of Resources' was reported by the Director of Finance to the Performance and Resources Committee in May 2021 and provided positive assurance to the committee that the use of resources had been considered throughout the year.

178. We have been advised that due to the pandemic, the mapping exercise has not taken place and therefore the board is not yet able to provide appropriate assurance over best value. Work on the mapping exercise is to be taken forward in 2021/22 and discussions with internal and external audit are ongoing to support the development of a Best Value Framework.

Recommendation 4

While recognising the need to prioritise Covid-19 recovery, we recommend that a formal review of the BV assurance framework and an assessment of the board's BV arrangements should be progressed as soon as practicable. The outcome of the assessment should be reported to the Board.

National performance audit reports

179. 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 3](#).

180. [Appendix 3](#) includes the recently published Audit Scotland briefing [Covid-19 Personal Protective Equipment](#), looking at how the Scottish Government and NSS managed PPE arrangements during the Covid-19 pandemic. The briefing highlights that the rise in PPE prices at the start of the Covid-19 pandemic increased costs to the NHS by over £37 million. The Auditor General for Scotland concluded that, "The Scottish Government and NSS worked well together under extremely challenging circumstances to set up new arrangements for the supply and distribution of PPE to health and social care settings. The challenge now will be in developing a longer-term approach to PPE supply and distribution that includes both business as usual needs as well as preparing for future pandemics."

181. The NHS Overview Report on the 2020/21 audits will include a review of the response to the Covid19 pandemic by the NHS in Scotland along with a report on financial and operational performance. This is due to be published in early 2022.

Appendix 1. Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Savings gap</p> <p>The board has only high-level savings plans to achieve the £27 million of savings required in 2021/22 to meet its funding gap.</p> <p>Risk – The board may not be able to deliver the savings planned for 2021/22.</p>	<p>The board should ensure that detailed savings plans are developed identifying how the £27 million of savings in 2021/22 will be delivered.</p> <p>Paragraph 71</p>	<p>The Board continues to develop savings plans with the services as they continue to respond to the Covid-19 pandemic. Savings plans are monitored and reported regularly to Scottish Government.</p> <p>Responsible Officer: Director of Finance</p> <p>Agreed Date: 31 March 2022</p>
<p>2. Financial Planning</p> <p>The board's medium-term financial plan was developed before the Covid-19 pandemic occurred in March 2020 and has been replaced, as instructed by the Scottish Government, by a one-year financial plan for 2021/22. Going forward a medium to long term plan will be required.</p> <p>Risk – the board's medium term financial plan is out of date due to Covid-19.</p>	<p>The board should review its medium-term financial plan following the Covid-19 pandemic to reflect its impact on the board's finances going forward. The plan should be aligned with the board's strategic direction and remobilisation plan and include scenario planning of key financial assumptions.</p> <p>Paragraph 76</p>	<p>The Board's financial planning is in line with Scottish Government requirements. SG are currently reviewing the national medium term financial framework to reflect the current environment, from which NHS Tayside will develop a local medium-term financial plan.</p> <p>Responsible Officer: Director of Finance</p> <p>Agreed date: 31 March 2022</p>
<p>3. Board Member training and development</p> <p>In 2019/20 we reported on the board's review of its Board Member training and development which had commenced in 2018/19. We recommended that, as part of</p>	<p>The board should develop Board Member training needs analyses and personal development plans, linked to the Board's corporate objectives.</p> <p>Paragraph 90</p>	<p>The Non-Executive Board members training needs analysis will be developed on the basis of individual Non-Executive Members training needs which are identified through discussions between the Chair and the Non-</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>that review, the board should develop Board Member training needs analyses and personal development plans. We have been advised that this recommendation has been delayed due to the work required to respond to Covid-19.</p> <p>Risk – Members may not be sufficiently supported to carry out their role of scrutinising and holding to account.</p>		<p>Executive Members around their objectives and their personal input to the Board’s business. These discussions are ongoing.</p> <p>Responsible officer: Chair/ Board Secretary</p> <p>Action date: 31 December 2021</p>
<p>4. Best Value</p> <p>We have been advised that due to the pandemic the board has been unable to provide evidence to give appropriate assurance over best value arrangements.</p> <p>Risk – The board cannot demonstrate it is delivering on its BV responsibilities.</p>	<p>While recognising the need to prioritise Covid-19 recovery, we recommend that a formal review of the BV assurance framework and an assessment of the board’s BV arrangements should be progressed as soon as practicable. The outcome of the assessment should be reported to the Board.</p> <p>Paragraph 178</p>	<p>Discussions with internal and external audit are ongoing to support the development of a Best Value Framework. Consideration will be given to how the Best Value Framework can map to the Boards response to the Good Governance Blueprint.</p> <p>Responsible officer: Director of Finance/ Board Secretary</p> <p>Agreed date: 31 March 2022</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Submission of annual report and accounts for audit</p> <p>Due to Covid-19, a revised timetable was agreed with management for the submission of the annual report and accounts, which consisted of receipt of the accounts and the narrative ‘front end’ Performance Report and Governance Statement by different dates.</p>	<p>The board should review its process for preparing the unaudited annual report and accounts in future years to ensure a full version is available at the start of the process for the audit of the accounts.</p>	<p>Complete.</p> <p>There was a good improvement in 2020/21 with a largely complete version of the unaudited annual report and accounts submitted for audit within the required timescale from 2020/21. The only outstanding area, which was agreed during the planning of the audit, was the inclusion of the consolidated figures for the group components.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Our prior year recommendation that the accounts preparation process be reviewed to ensure a full version of the annual report and accounts is available earlier in the audit process was unachievable for 2019/20 and we have rolled forward this recommendation to this report.</p> <p>Risk - Future annual report and accounts may not be audited by the statutory deadline.</p>		
<p>b/f 2. Large hospital services and set aside budgets</p> <p>In 2019/20 the board used the same methodology for calculation of the set-aside sum as the previous year, in line with Scottish Government guidance. The Scottish Government's expectation is that NHS Boards and IJBs will move towards a more detailed review of these calculations to provide a more realistic assessment of hospital services provided by the IJB.</p> <p>Risk – hospital services set aside amounts do not reflect the actual consumption of resources.</p>	<p>Further review of the set-aside budget is required in line with the Scottish Government's expectations for agreement of an appropriate method of calculation, as agreed between the board and the IJBs to reflect the true consumption of resources.</p>	<p>Complete.</p> <p>The methodology used remains in line with Scottish Government guidelines. In 2019/20, management stated that future transfers of funding to IJBs would be on the basis of specific actions identified to shift the balance of care, with clear deliverables and measures which evidence change, however further input required from IJBs has been limited by the impact of the Covid-19 pandemic.</p>
<p>b/f 3. Financial planning</p> <p>NHS Tayside's three-year financial plan was approved by the Board on 30 April 2020. The plan has been developed on the basis that the board reflects a breakeven position over the three-year period to 31 March 2023. The arrangements for the repayment of financial</p>	<p>The board should seek clarification from the Scottish Government on the arrangements for repayment of flexible funding. Any repayment should be built into the financial plans.</p>	<p>Complete.</p> <p>£3 million repaid to the Scottish Government in 2020/21. Remaining £4 million planned to be repaid in 2021/22.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>flexibility funding are unclear and the plan excludes any repayment of the £7.0 million flexibility funding received in 2019/20.</p> <p>Risk – plans for breakeven may be unrealistic.</p>		
<p>b/f 4. Financial planning</p> <p>Although there is some breakdown of the savings targets for the 2020/21 financial plan, there is no further detail of savings initiatives thereafter. Longer term savings will need to be detailed going forward.</p> <p>Risk – The board may not be able to deliver targeted savings over the course of the plan.</p>	<p>The board should ensure that savings plans are developed identifying how savings will be achieved over the course of the financial plan.</p>	<p>Carried forward as action plan points 1 and 2.</p>
<p>b/f 5. Transformation</p> <p>The board has recognised the requirement to accelerate the transformation process, however the impact of Covid-19 has accelerated the need for transformation. Transformation will need to be addressed in a different way going forward as the board looks to find new ways of delivering services in a safe environment.</p> <p>Risk – The board may not be able to deliver the financial savings required to achieve financial sustainability and may not be able to amend its processes to deliver services in a safe environment.</p>	<p>The board should continue to accelerate the transformation process and monitor and develop a revised transformation programme. Alignment of the asset management and eHealth strategies should be a key part of transformation.</p>	<p>In Progress.</p> <p>NHS Tayside plans to introduce a revised transformation programme arising from the board's remobilisation plan.</p> <p>Refer to paragraph 81 - 84.</p>
<p>b/f 6. Holding to account - committee governance arrangements: Member training</p>	<p>The board should develop Board Member training needs analyses and personal development plans, linked to the Board's corporate</p>	<p>Action paused due to the pandemic. Carried forward as action plan point 3.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>A training needs analysis has yet to be developed on the basis of individual Board Members training needs which are identified through discussions between the Chair and the Non-Executive Members around their objectives and their personal input to the Board's business.</p> <p>Risk - Members may not be sufficiently supported to carry out their role of scrutinising and holding to account.</p>	<p>objectives, as soon as practicable.</p>	
<p>b/f 7. Best Value</p> <p>The board considers that compliance with the governance blueprint arrangements meets the requirements of providing assurance on the delivery of best value and therefore has not carried out the review of its BV arrangements for 2019/20, as agreed in our 2018/19 annual audit report. In our opinion this does not provide explicit and comprehensive assurance that BV is being delivered.</p> <p>Risk - The board cannot demonstrate it is delivering on its BV responsibilities.</p>	<p>A formal review of the BV assurance framework and an assessment of the board's BV arrangements should be completed in 2020/21. The outcome of the assessment should be reported to the Board.</p>	<p>Action ongoing due to the pandemic. Carried forward as action plan point 4.</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 after the year end to confirm expenditure and income has been accounted for in the correct financial year.</p>	<p>Testing of journal entries, accruals and prepayments was completed. We also reviewed accounting estimates and transactions for appropriateness.</p> <p>We did not identify any incidents of management override of controls.</p>
<p>2. Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement, estimation and valuation of the material account areas including: non-current assets; provisions; trades payables (including family health services); trades receivables; and large hospital services set aside. This subjectivity represents an increased risk of material</p>	<p>Completion of 'review of the work of an expert' for the professional valuer.</p> <p>Review of information provided by the Office of National Statistics, HM Treasury, the Scottish Public Pension Agency and the Central Legal Office.</p> <p>Focused substantive testing of non-current assets; provisions; trade payables balances; trade receivables</p>	<p>We reviewed the professional valuer in accordance with ISA 500 and undertook detailed testing of key valuations within the accounts. No issues were identified from this review.</p> <p>We reviewed the Central Legal Office information and performed testing of provisions. We identified no significant errors in the calculation of the CNORIS provisions.</p>

Audit risk	Assurance procedure	Results and conclusions
misstatement in the financial statements.	balances; and large hospital services set aside.	
<p>3. Submission of annual report and accounts for audit</p> <p>Historically, we have received the financial statements part of the annual report and accounts at the start of the financial statements audit, with the narrative part (the Performance Report, Accountability Report, Remuneration Report and Governance Statement) following some time later.</p> <p>There is a risk that the late receipt of the narrative part creates pressure on the completion of the audit on time.</p>	Continue to meet with finance officers throughout the year to ensure the timetable for receipt of the unaudited annual report and accounts and working papers is met to allow the audit to be progressed in a timely manner.	Agreed initial receipt of full annual report and accounts excluding consolidated figures. Received within agreed timeframe subject to some outstanding performance information. Consolidated version subsequently received.

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

Audit risk	Assurance procedure	Results and conclusions
<p>4. Financial sustainability</p> <p>The 2019/20 annual audit report and recent statutory report comment on the board's improved financial position in 2019/20. Delivery of the board's three year financial plan is key to the sustainability of its services. The board needs to achieve savings of £85.2 million in the three years from 2020/21. Covid-19 has had an impact on delivery of the board's financial plans.</p> <p>There is a risk that achievement of the scale of savings needed to achieve the three year financial plan may not be delivered.</p>	<p>Monitor and report on the financial outturn for 2020/21.</p> <p>Report on the board's review of future financial plans.</p> <p>Report on the repayment schedule agreed with the Scottish Government for the £7 million brokerage received in 2019/20.</p> <p>Report on the level of temporary staff costs incurred in 2020/21.</p>	<p>Monitored 2020/21 financial outturn and forward financial planning (including repayment of brokerage):</p> <ul style="list-style-type: none"> – one year financial plan for 2021/22 in line with Scottish Government requirements – impact of Covid-19 on medium-long term financial planning has yet to be evaluated – remaining £4 million of outstanding brokerage is planned to be repaid in 2021/22 – temporary staffing costs remain high.

Audit risk	Assurance procedure	Results and conclusions
<p>5. Covid-19 remobilisation and transformation</p> <p>As a result of the Covid-19 pandemic, NHS Tayside has had to consider its plans for remobilisation and transformation of its services and the impact on service performance going forward. The remobilisation plan will replace the board's transformation programme 'Transforming Tayside'. There will need to be clear links between the plan and the board's financial planning, overarching clinical strategy, workforce planning, asset management and digital strategy.</p> <p>There is a risk that remobilisation and transformation plans may not be effective if they are not clearly linked to the board's strategic planning.</p>	<p>Monitor the board's remobilisation plan development.</p> <p>Review the impact on performance since the start of the pandemic and the steps taken by the board to manage its performance.</p> <p>Monitor the implementation of internal audit's workforce planning improvement actions. Report on progress being made to ensure workforce capacity and skills are in place to deliver services.</p>	<p>We reviewed progress with remobilisation and transformation in NHS Tayside – see paragraph 81 - 84.</p> <p>We reviewed performance levels in 2020/21 and considered the impact of Covid-19 on service delivery – see paragraph 171 - 173.</p> <p>We reviewed progress with workforce planning – see paragraph 137.</p>
<p>6. Mental health services</p> <p>In February 2020, Dr. David Strang published a highly critical independent report on mental health services in Tayside. In May 2020 the Board approved a 'Listen, Learn, Change' action plan covering the 51 recommendations in the inquiry report. Covid-19 has increased the challenges in delivering rapid progress in response to the report.</p> <p>In February 2021 the Board launched its Living Life Well – Strategy and Change Programme, developed in response to the inquiry action plan.</p>	<p>Discuss progress of improvements in mental health services with board officers.</p> <p>Review updated report from Dr. Strang and consider for reporting in our annual audit report.</p>	<p>We monitored progress with improving mental health services following the independent report published by Dr Strang – see paragraph 108 - 115.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>7. Impact of EU withdrawal</p> <p>The transitional arrangements in place following the United Kingdom's exit from the European Union ended on 31 December 2020. There is significant uncertainty around the impact of EU withdrawal at this time following the agreement reached on the future relationship with the European Union.</p> <p>There is a risk that EU withdrawal could have a significant impact on health boards and their ability to deliver services efficiently.</p>	<p>Review the board's assessment of the impact of EU withdrawal on its operations and the mitigating controls put in place.</p>	<p>We reviewed NHS Tayside's assessment of the impact of EU withdrawal and concluded these to be satisfactory. Since the United Kingdom's exit from the European Union on 31 December 2020 ongoing risks in this area have been subsumed into the wider strategic risks.</p>
<p>8. Risk management</p> <p>Last year we reported that work was ongoing to improve the board's risk management arrangements. The pace of improvement has been adversely impacted by Covid-19. A Risk Management Short Life Working Group (SLWG) was established in 2019/20 to strengthen risk management arrangements and has produced some output including a revised Risk Management Policy and Strategy, revised risk management reporting arrangements and a proposed Risk Board Report. However, many of these have yet to be finalised. In addition, although the corporate risk register includes Covid-19 as a corporate risk, the risk and its impact on other corporate risks has not yet been articulated.</p> <p>There is a risk that until the revised risk management arrangements are fully</p>	<p>We will review the board's progress in developing its risk management arrangements, including the articulation of the Covid-19 risks.</p>	<p>We reviewed the board's progress in developing its risk management arrangements - including the articulation of the Covid-19 risks – see paragraph 125 for our conclusion.</p>

Audit risk	Assurance procedure	Results and conclusions
developed and embedded, including the articulation of the risks arising from Covid-19, the arrangements are not effective.		

* In our Annual Audit Plan for 2020/21 we identified two risks of material misstatement in the financial statements from fraud in both revenue recognition and expenditure. On completion of our interim audit work for 2020/21 we reconsidered both of these risks, taking into account the results of our work and the requirements laid out in auditing standards. As a result, we have now rebutted the presumption that a material risk exists from fraud for both revenue recognition and expenditure. This is on the basis of the extent of income and expenditure which is received and issued to other parts of the public sector, including Scottish Government Funding, expenditure on the IJBs and other NHS boards.

For the areas that are subject to some risk, we have considered the incidence of fraud using National Fraud Initiative and Counter Fraud Service outcomes. We have assessed that the volume of transactions, that would need to be fraudulent to prove a material risk, is implausible. Our audit testing is directed towards testing significant and unusual transactions and towards assessing accounting estimates to address any residual risk, as part of our standard fraud procedures. We also review controls over key areas of risk.

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](#)

June

[Covid-19 Personal Protective Equipment](#)

NHS Tayside

2020/21 Annual Audit Report

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