

NHS Forth Valley

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared by Audit Scotland
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Key messages

2021/22 annual report and accounts

- 1 Our audit opinions on the annual accounts are unmodified.
- 2 We set out the key risks facing our audit of the Board's accounts in our Annual Audit Plan presented to the Audit and Risk Committee on 25 March 2022. There are no significant matters from that work to draw to the attention of the Board.
- 3 Our audit of the annual report and accounts has been delivered in line with pre-pandemic timetable.
- 4 The standard of the unaudited performance report was an improvement on 2020/21.

Financial management and sustainability

- 5 NHS Forth Valley has appropriate and effective financial management arrangements in place and operated within its revised Revenue Resource Limit for 2021/22.
- 6 The Board actively monitored the additional funding and expenditure related to the sustained and ongoing impact of the Covid-19 pandemic through frequent and regular returns to Scottish Government. The Board incurred an estimated £27.4 million of additional expenditure responding to the pandemic which was fully funded by Scottish Government.
- 7 The Board had identified the need to deliver £32.4m of savings during 2021/22. Similar to the previous year, the pandemic impacted on the Board's ability to deliver this level of savings. The required level of savings was delivered, but £16.9m was on a non-recurring basis meaning that this adds to the financial challenge in 2022/23.
- 8 Covid-19 has continued to impact on "normal" ways of working and the Board and its staff have had to adapt to different and more challenging work environments. NHS Forth Valley continued to adapt systems of internal control to reflect new ways of working where necessary and has maintained standards for sound financial control including the prevention and detection of fraud and error.
- 9 The Board's 2021/22 to 2026/27 financial plan estimates a cumulative savings requirement of £88m.

- 10** The Board recognises that a whole service redesign approach is required to secure financial balance in the future. Actions relating to this were delayed by the pandemic, and have now restarted. The Board has assessed that delivery of transformational change, and therefore future financial sustainability, remains high risk.

Governance, transparency, and value for money

- 11** NHS Forth Valley has appropriate governance arrangements in place that support scrutiny of decisions made by the Board.
- 12** NHS Forth Valley has published a system wide remobilisation plan designed to address the backlogs of demand and unmet need caused by the Covid-19 pandemic. Service activity is approaching pre-pandemic levels, however a backlog of demand is leading to significantly longer waiting times for patients.
- 13** The transparency of performance reporting has improved and continues to evolve alongside the Board's remobilisation plan.
- 14** NHS Forth Valley has an appropriate and effective best value framework in place.

Introduction

1. This report summarises the findings from our 2021/22 audit of NHS Forth Valley. The scope of our audit was set out in our Annual Audit Plan presented to the 25 May 2022 meeting of the Audit and Risk Committee. This report comprises the findings from:

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

2. The main elements of our audit work in 2021/22 have been:

- an audit of NHS Forth Valley's 2021/22 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- a review of NHS Forth Valley's key financial systems
- consideration of the four audit dimensions.

3. The global Covid-19 pandemic continued to have a considerable impact on NHS Forth Valley during 2021/22 particularly on the costs of healthcare provision, and increased demand as services that were previously suspended recommenced.

Adding value through the audit

4. We add value to NHS Forth Valley 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 2](#)) and good practice guides.

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

Responsibilities and reporting

6. NHS Forth Valley has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and

accounts that are in accordance with the accounts' direction from the Scottish Ministers.

7. NHS Forth Valley is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

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

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 actions from last year and the progress that has been made.

Auditor Independence

11. Auditors appointed by the Accounts Commission or Auditor General must comply with the [Code of Audit Practice 2016](#) 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 2021/22 audit fee of £153,600, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

13. This report is addressed to the board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Audit appointment from 2022/23

14. The Auditor General for Scotland is responsible for the appointment of external auditors to Scottish health bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services

Group or private firms of accountants. The financial year 2021/22 was a one-year extension and is the last year of the current audit appointment round.

15. The procurement process for the new round of audit appointments was completed in May 2022. From next year (2022/23) Deloitte LLP will be the appointed auditor for NHS Forth Valley. We are working closely with the new auditors to ensure a well-managed transition.

16. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2022 which replaces the Code issued in May 2016.

17. There are several significant changes introduced by the new Code, for example the integration of Best Value work into wider scope audit work.

18. We would like to thank board members, audit committee members, executive directors, and other staff, particularly those in finance, for their co-operation and assistance over the last six years.

1. Audit of 2021/22 annual report and accounts

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

Main judgements

Our audit opinions on the annual accounts are unmodified.

We set out the key risks facing our audit of the Board's accounts in our Annual Audit Plan presented to the Audit and Risk Committee on 25 March 2022. There are no significant matters from that work to draw to the Boards attention.

Our audit of the annual report and accounts has been delivered in line with the pre-pandemic timetable.

The standard of the unaudited performance report was an improvement on 2020/21.

Our audit opinions on the annual report and accounts are unmodified

19. The Board approved the annual report and accounts for the year ended 31 March 2022 on 24 June 2022. 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.

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

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

Reporting timetables have returned to pre-Covid timelines

21. The reporting deadline for NHS accounts is 31 August 2022, which remains an extension from the pre-Covid deadline of 30 June. Despite this we agreed an ambitious timetable with management to deliver our audit work broadly in line with the pre-Covid target date.

22. The unaudited accounts and working papers were received in line with our agreed audit timetable and were of a good standard. This allowed us to complete our audit work prior to the Board meeting on 24 June 2022.

Overall materiality was assessed on receipt of the unaudited annual report and accounts as £12.700 million

23. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#). The revised materiality levels did not result in a change in our audit approach. Our group and single entity levels of materiality were the same.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£12.700 million
Performance materiality	£9.500 million
Reporting threshold	£0.250 million

We have no significant findings to report on the annual report and accounts

24. 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 issues to report from the audit.

25. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Identified Significant 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>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Detailed testing of journal entries at the year-end</p> <p>Review of accounting estimates</p> <p>Focussed testing of significant accruals and prepayments</p> <p>Evaluation of significant transactions that are outside the normal course of business</p> <p>Substantive testing of significant transactions around the year end to confirm income and expenditure are accounted for in the correct financial year</p>	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focussed testing on accruals and prepayments did not identify any instances of management override of controls.</p> <p>Substantive testing of transactions around the year end identified was satisfactory.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>

Other areas of audit focus

26. In addition, as part of our 2021/22 Annual Audit, we identified other areas where we considered there to be an increased risk of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of these risks, we did not however consider these to represent significant risks. These areas of specific audit focus were:

- Estimation and judgement in the valuation of land and buildings - NHS Forth Valley held land and buildings with a net book value (NBV) of approximately £530 million as at 31 March 2022. There is a large degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and estimates, and changes in these can result in material changes to valuations.
- Estimation and judgement in the assessment of clinical medical claims and CNORIS provisions - NHS Forth Valley recognised provisions of approximately £74 million at 31 March 2022 for clinical and medical claims against the health board and its share of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). These provisions are based on the assessed likelihood and settlement value of claims against the health board, which also has a large degree of subjectivity.

27. We kept these areas under review throughout our audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

There is scope to improve the Board's process for the drafting of the Remuneration and Staff Report in the annual report and accounts

28. The annual report and accounts include the Remuneration and Staff Report which details staff expenditure and other related staff disclosures.

29. We ultimately concluded that the audited part of the remuneration and staff report, was consistent with the financial statements and properly prepared in accordance with relevant guidance. However, there were a large number of changes required to the initial draft in the unaudited accounts.

30. While this was in part due to changes to the required disclosures for 2021/22, the volume of amendments we identified leads us to recommend that management revise the process for drafting the Remuneration and Staff Report.

Recommendation 1

Management should revise the process for drafting the Remuneration and Staff Report.

Other Matters to Report

31. Our audit work highlighted that the inflation rate used to estimate future PFI commitments disclosed in Note 18b of NHS Forth Valley's unaudited accounts was not applied in line with the Board's accounting policy.

32. This has been corrected in the audited accounts, lowering the estimated future commitment value by £71m from £1,221m to £1,150m. These figures in Note 18b are solely for disclosure purposes and the amendment had no impact on the Board's reported expenditure or liabilities in 2021/22.

33. Additional information obtained from the Central Legal Office required a £7.5 million increase to the value of provisions reported in the unaudited accounts. Due to CNORIS indemnity arrangements, this had no impact on the Board's result for the year.

Good progress was made on prior year recommendations

34. NHS Forth Valley has made good progress in implementing our prior year audit recommendations. In particular, the unaudited performance report was of a higher standard than in 2020/21. For actions not yet fully implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

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

Main judgements

NHS Forth Valley has appropriate and effective financial management arrangements in place and operated within its revised Revenue Resource Limit for 2021/22.

The Board actively monitored the additional funding and expenditure related to the sustained and ongoing impact of the Covid-19 pandemic through frequent and regular returns to Scottish Government. The Board incurred an estimated £27.4 million of additional expenditure responding to the pandemic which was fully funded by Scottish Government.

The Board had identified the need to deliver £32.4m of savings during 2021/22. Similar to the previous year, the pandemic impacted on the Board's ability to deliver this level of savings. The required level of savings was delivered, but £16.9m was on a non-recurring basis meaning that this adds to the financial challenge in 2022/23.

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

NHS Forth Valley operated within its Revenue and Capital Resource Limits

35. 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. In response to the pandemic throughout 2021/22, additional non-recurring funding allocations were provided based on the estimated financial impacts of the pandemic on the Board.

36. [Exhibit 3](#) shows that the Board operated within its limits during 2021/22.

Exhibit 3 Performance against resource limits in 2021/22

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	730.06	729.77	0.29
Non-core revenue resource limit	21.20	21.20	0
Total revenue resource limit	751.26	750.97	0.29
Core capital resource limit	15.050	15.050	0
Non-core capital resource limit	0	0	0
Total capital resource limit	15.050	15.050	0
Cash requirement	750.63	750.63	0

Source: NHS Forth Valley Annual Report and Accounts 2021/22

IJB outturn and impact on NHS Forth Valley

37. NHS Forth Valley works with two Integration Joint Board (IJB) partners; Falkirk IJB and Clackmannanshire & Stirling IJB to deliver a variety of health services including primary care and certain inpatient services.

38. Both partner IJBs delivered close to budget on health services, with Clackmannanshire & Stirling IJB reporting an overspend of £0.114 million and Falkirk IJB an underspend of £0.518 million within NHS Forth Valley's April 2022 finance report. Both IJBs also received additional funding relating to Covid-19 (Exhibit 4).

39. Transactions between the Health Board and partner IJBs are accurately accounted for in NHS Forth Valley's financial statements. However, differences in the way the partner IJBs present this information mean that reporting on this is not as clear as it could be. NHS Forth Valley should work with IJB partners to agree a consistent presentation and improve the transparency of reporting in the financial statements.

Recommendation 2

NHS Forth Valley should work with partners to agree a consistent presentation of IJB transactions and improve the transparency of reporting in the financial statements.

Covid-19 continues to have a significant impact on NHS Forth Valley budgets

40. In March 2021 the NHS Forth Valley Board approved the 2021/22 Financial Plan, setting an anticipated breakeven budget, on the basis that £32.4 million of savings would be made during the year. The budget also was set on the assumption that Covid-19 costs would be fully funded by Scottish Government.

41. The year-end finance report detailed that costs associated with Covid-19 totalled £27.4 million. The major areas of additional expenditure or reduced income at NHS Forth Valley, as a result of Covid-19, included:

- an increase in non-core staffing directly related to Covid-19 of £9.2m
- Test and Protect costs of £4.3 million
- vaccination costs of £14.2 million

42. Additional Covid-19 costs were regularly reported to Scottish Government and partially offset by local cost reductions of £3.4 million.

43. NHS Forth Valley also processed additional funding allocations on behalf of its partner Integration Joint Boards, totalling £32.6 million. In both cases, these allocations exceed the Covid-19 expenditure in 2021/22 and have therefore been carried forward within Integration Joint Board reserves.

44. [Exhibit 4](#) summarises the net expenditure in these areas compared to additional Covid-19 related funding allocations.

Exhibit 4

Covid-19 Costs compared to additional funding allocations in 2021/22

	Total Funding Received (£m)	Total Net Expenditure (£m)	Difference (£m)
NHS Board			
NHS Forth Valley	27.4	27.4	0
Health & Social Care funding allocations on behalf of Integration Joint Boards:			
Clackmannanshire and Stirling IJB	16.9	10.6	6.3
Falkirk IJB	15.7	8.4	7.3
Total IJBs	32.6	19.0	13.6

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

Planned efficiency savings of £32.4 million were achieved, but the use of non-recurring savings continues to put pressure on future periods

45. In its original financial plan for 2021/22, NHS Forth Valley identified the need to make efficiency savings of £32.4 million, around 6% of its budget. Many of the savings plans were in early development at the time of budget approval, and were therefore assessed as high risk.

46. Ultimately, the savings target for 2021/22 was achieved, however £16.9 million was non-recurring in nature and will therefore add to financial pressures in future periods.

Capital Resource Limit (CRL) was amended to £15.050 million for 2021/22

47. NHS Forth Valley originally received a capital allocation of £10.147 million in relation to the construction of a National Treatment Centre to deliver a range of orthopaedic surgery as part of a national programme aiming to reduce waiting times and increase capacity across Scotland. Following a clarification of the accounting treatment, £6.412 million of this allocation was reallocated to the 2022/23 financial year. This resulted in an amendment to the assets under construction figure in the 2021/22 annual accounts for the equivalent value.

48. As a consequence, the Capital Resource Limit of £21.46 million was updated to £15.050m.

49. Remaining capital spend was directed against medical equipment, IT and infrastructure.

Financial systems of internal control are operating effectively

50. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to the production of the financial statements.

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

52. Overall, we concluded that NHS Forth Valley's key internal controls relating to the preparation of the financial statements are appropriately designed and have been implemented as intended. As part of our 2020/21 annual audit, we identified an area for improvement around the board's identification of material related party transactions. The board continue could enhance to their processes in this area. (Follow-up recommendation 4, Appendix 1).

NHS NSS controls over practitioner service operated effectively during the year

53. The NHS in Scotland procures several service audits each year for shared systems. Within this suite of service audits, NHS National Services Scotland (NSS) procures service audits covering primary care payments.⁸⁹ 89.

54. The NHS NSS service auditor's assurance reports in relation to primary care payments was unqualified in 2021/22, however an emphasis of matter disclosure was included in relation to the lack of post payment verification checks taking place. This did not have an impact on our ability to obtain sufficient and appropriate audit evidence over primary care services.

55. NHS Forth Valley has made appropriate disclosures on the matter in the 2021/22 Annual Governance Statement.

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

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

57. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. NHS Forth Valley has made good progress in investigating transactions highlighted by the NFI exercise.

58. We carried out an assessment of the arrangements in place at NHS Forth Valley to prevent fraud and corruption in the procurement function and concluded that the Board has appropriate policies and procedures in place.

3. Financial sustainability

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

Main judgements

The Board's 2021/22 to 2026/27 financial plan estimates a cumulative savings requirement of £88m.

The Board recognises that a whole service redesign approach is required to secure financial balance in the future. Actions relating to this were delayed by the pandemic, and have now restarted. The Board has assessed that delivery of transformational change, and therefore future financial sustainability, remains high risk.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

59. [Exhibit 5](#) sets out the significant risks of material misstatement we identified in our 2021/22 audit, our assurance procedures and the results and conclusions from our work. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and informed where the efforts of the team were directed.

Exhibit 5

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

Audit risk	Assurance procedure	Results and conclusions
<p>Financial Sustainability</p> <p>NHS Forth Valley is financially sustainable in the short-term but faces significant challenge in the medium to longer term, particularly given the additional costs and challenges of Covid-19 and potential future impacts. Management have identified a significant savings requirement of £84m over the</p>	<p>Review and assess year-end position and the progress and impact in delivering savings.</p> <p>Review and consider the medium-term financial plan and mobilisation plan</p>	<p>Results & Significant Judgements: We reviewed the Board's financial management arrangements and concluded that these are appropriate. The Board achieved its target savings in 2021/22 and delivered against its financial targets. However, the majority of savings were delivered through non-recurring solutions.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>five-year period from 2021/22 to 2025/26.</p> <p>The 2021/22 savings target of £32.4m is anticipated to be met but as at 31 October 2021, £17.067m of these are non-recurring meaning they will add to the savings requirement in future years.</p>		<p>The Board's five-year financial plan identifies a savings requirement of £29m in 2022/23, with savings of £88m required over the five-year plan.</p> <p>Transformational change programmes have restarted, but remain in early stages, with management assessing savings as high risk.</p> <p>Conclusion: Medium to long term financial sustainability remains a risk for NHS Forth Valley.</p>

NHS Forth Valley has identified a budget gap of £29 million for the 2022/23 financial year and an estimated cumulative gap of £88 million over the period 2022/23 to 2026/27

60. NHS Forth Valley approved its 2022/23 budget in March 2022. This identified a £29 million gap between expected funding and expected costs, which the board intends to meet through annual savings plans.

61. Funding is anticipated based on a 2% uplift and a number of specific allocations that have been announced by Scottish Government. The budget includes an assumption that any specific Covid-19 related costs in 2022/23 will again be fully funded by Scottish Government.

62. Significant cost pressures were highlighted by the in the 2022/23 budget:

- £6 million of additional drug costs (up 6%)
- £1.4 million of additional energy costs (up 25%)
- £2.4 million of PFI service charges (which are linked to inflation, up 6%)
- £3.4 million for every 1% staff pay increase

63. The budget also includes an additional £11.5 million of additional pressures reflecting the reassessed impact of savings from the previous year being delivered on a non-recurring basis.

64. These estimates of funding and expenditure have been applied to the five year period up to 2026/27, where the board anticipates an estimated cumulative funding gap of £88 million.

Transformation plans were delayed by the pandemic. Work has resumed, but delivery is at risk due to the continued service demand pressures

65. NHS Forth Valley has historically needed to create annual savings plans to meet projected budget gaps. These plans contain an element of transformational change, redesigning how the board works to generate efficiencies.

66. The delivering of savings plans in recent years has been impacted by the Covid-19 pandemic. Savings requirements have been achieved, but on a largely non-recurring basis, without the anticipated transformational change. In 2020/21, Scottish Government funded the unachieved savings of Health Boards, including NHS Forth Valley. As noted in paragraph 45, savings in 2021/22 were delivered without additional support, but many were non-recurring.

67. Savings plans for 2022/23 target similar areas as those that were planned, but not delivered, for the previous year. To improve the delivery of savings, and transformational change in general, NHS Forth Valley has created a Cost Improvement Oversight Group and Corporate Programme Management Office tasked with facilitating change programmes across the board

68. Despite this positive move towards implementing transformational change, management acknowledge that the delivery of much of the 2022/23 savings plan is still at high risk of non-delivery. This is particularly evident in the context of the pressure that staff have been placed under during the pandemic and the continuing pressures of remobilisation of services (see Section 5).

69. We have previously highlighted the need for NHS Forth Valley change the way it delivers services to achieve longer term financial sustainability, and this remains relevant in 2021/22 (Follow-up recommendation 5, Appendix 1).

4. Governance and transparency

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

Main judgements

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

The transparency of performance reporting has improved and continues to evolve alongside the Board's remobilisation plan.

Governance arrangements are appropriate

70. Governance arrangements were revised in 2020/21 due to the Covid-19 pandemic, with many of the normal committees initially suspended. We reported on this in our 2020/21 annual audit report and concluded that overall governance arrangements remained effective.

71. Many committees were re-activated during 2020 and the standard programme of committee meetings fully recommenced early in the 2021/22 financial year in April 2021. Board and committee meetings continued to be conducted remotely throughout the year. NHS Forth Valley's governance arrangements are also set out in the Governance Statement of the board's annual accounts.

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

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

The transparency of performance reporting has improved

73. We reported in our 2020/21 annual audit report that public performance reporting did not take place from April 2020 to December 2020, reducing transparency over the board's activities.

74. Regular performance reporting took place throughout 2021/22 with detailed reports being included in publicly available board papers on a bimonthly basis.

Arrangements for the collation of performance data are adequate

75. We reviewed NHS Forth Valley's arrangements for accurately and consistently collating performance data and concluded that adequate arrangements were in place.

5. Value for money

Using resources effectively and continually improving services.

Main judgements

NHS Forth Valley has published a system wide remobilisation plan designed to address the backlogs of demand and unmet need caused by the Covid-19 pandemic. Service activity is approaching pre-pandemic levels, however a backlog of demand is leading to significantly longer waiting times for patients.

NHS Forth Valley has an appropriate and effective best value framework in place.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

76. [Exhibit 6](#) sets out the significant risks of material misstatement we identified in our 2021/22 audit, our assurance procedures and the results and conclusions from our work. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and informed where the efforts of the team were directed.

Exhibit 6

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

Audit risk	Assurance procedure	Results and conclusions
<p>Performance</p> <p>The Covid-19 pandemic has had significant impact on the delivery of health services resulting in increased pressures on the demand for services and created backlogs. This has continued to affect NHS Forth Valley's ability to meet performance targets in 2021/22.</p> <p>The impact of the pandemic increases the challenge in monitoring, reporting and managing performance.</p>	<p>Understanding the impact of Covid-19 on non-financial performance and the actions being taken to manage and report performance.</p> <p>Review of progress in achieving targets.</p>	<p>Results & Significant Judgements:</p> <p>The Board has prepared and updated system wide remobilisation plans as required by Scottish Government.</p> <p>Service activity is approaching pre-pandemic levels, however a backlog of demand is leading to significantly longer waiting times for patients.</p> <p>The quality of performance reporting against remobilisation plan has improved, although there is</p>

Audit risk	Assurance procedure	Results and conclusions
		<p>scope for further improvement.</p> <p>Conclusion: The board has developed a strategic plan and is regularly reporting on progress. However, the scale of the challenge arising from the impact of Covid-19 means performance remains a risk.</p>

NHS Forth Valley's remobilisation plan has a series of actions designed to address backlogs caused by the Covid-19 pandemic

77. The Scottish Government has requested NHS boards to produce and regularly revise remobilisation plans outlining plans for the restoration of normal health services. NHS Forth Valley's most recent remobilisation plan was approved by the board on 30 November 2021, covering the period to March 2022.

78. NHS Forth Valley have included a series of planned actions to address backlog/waiting times caused by Covid-19. These include:

- Redesign of planned care
- Increasing diagnostic capacity through 7-day working on both endoscopy, CT, Ultrasound and MRI
- A co-ordinated suite of changes to the Emergency Department
- Investment of recurring funding for clinical posts

79. NHS Forth Valley is currently preparing an Annual Delivery Plan for 2022/23. This is in line with Scottish Government's request that all Health Boards focus on stabilisation and improvement during the current stage of recovery from the Covid-19 pandemic.

NHS Forth Valley has adapted performance monitoring and reporting to reflect its remobilisation priorities

80. In November 2020, the Scottish Government published the Framework for Clinical Prioritisation providing guidance for prioritising elective care whilst ensuring appropriate Covid-19 safety and priority measures are in place.

81. 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.

82. NHS Forth Valley has adapted their internal performance reporting to reflect this and performance reports have been considered by the Board

regularly throughout 2021/22. While the content and quality of performance reporting continues to respond to the changing environment, reporting against the remobilisation plan could be further improved to more clearly show performance against the planned recovery trajectory.

83. Performance in some areas remains challenging, for example relating to A&E attendance and bed occupancy. However, the levels of activity in both inpatient and outpatient is above the targeted remobilisation level.

Recommendation 3

Reporting against the remobilisation plan could be further improved to show more clearly performance against the planned recovery trajectory.

Service activity is approaching pre-pandemic levels; however, a backlog of demand is leading to significantly longer waiting times for patients

84. As shown by Exhibit 7, NHS Forth Valley's level of healthcare activity for inpatient, outpatient and elective operations have steadily increased following the relaxation of Covid-19 restrictions and are broadly in line with pre-pandemic levels.

85. However, demand for healthcare is significantly higher due to the reduced availability of services during the pandemic. As a result, the number of patients experiencing long waiting times is much larger than it was pre-pandemic. This is particularly acute for patients awaiting diagnostic tests - in April 2019, 41 patients waited longer than 6 weeks for a diagnostic test, in March 2022 the figure was 3,018.

86. Exhibit 8 shows NHS Forth Valley performance against the national waiting times standards. While these are not currently the board's primary focus for performance monitoring, they provide context for the scale of the impact of the pandemic of the delivery of health services.

Exhibit 7**Trends in demand and activity pre-pandemic to March 2022**

Demand	Early 2019		March 2022	% change
Number waiting for diagnostic tests	3,075	Monthly April 2019 to March 2022	6,924	125.2%
Number of patients waiting for an inpatient or day case admission	2,882	Quarterly June 2019 to March 2022	3,999	38.8%
Number of patients waiting for a new outpatient appointment	13,833	Quarterly June 2019 to March 2022	16,235	17.4%
Activity				
Number of scheduled elective operations in theatre system	1,010	Monthly April 2019 to March 2022	966	-4.4%
Number of inpatient and day case admissions	2,641	Quarterly June 2019 to March 2022	1,878	-28.9%
Number of new outpatient appointments	17,428	Quarterly June 2019 to March 2022	17,664	1.4%
Length of waits				
Number waiting longer than 6 weeks for diagnostic tests	41	Monthly April 2019 to March 2022	3,018	7261.0%
Number of patients waiting longer than 12 weeks for an inpatient or day case admission	863	Quarterly June 2019 to March 2022	1,700	97.0%
Number of patients waiting longer than 12 weeks for a new outpatient appointment	1,663	Quarterly June 2019 to March 2022	6,608	297.4%

Source: Public Health Scotland

Exhibit 8

NHS Forth Valley performance against national waiting time standards

Target/standard	Performance at March 2020	Performance at March 2021	Performance at March 2022 ¹
Cancer 62 Day RTT Proportion of patients that started treatment within 62 days of referral	79%	81%	72%
18 Weeks RTT Proportion of patients that started treatment within 18 weeks of referral	74%	68%	70%
Patient Treatment Time Guarantee (TTG) Proportion of inpatients or day case that were seen within 12 weeks	70%	65%	60%
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	82%	47%	59%
A & E attendees Proportion of A & E attendees who were admitted, transferred, or discharged within 4 hours	98%	88%	68%
Cancer 31 Days RTT Proportion of patients who started treatment within 31 days of decision to treat	99%	99%	98%
Drug and Alcohol 21 days Proportion of drug and alcohol patients that started treatment within 21 days	96%	97%	92% (Dec 2021)
CAMHS Waiting Times Proportion of patients seen within 18 weeks of referral	46%	34%	67%

Note. 1: Data to March 2022 unless indicated

NHS Forth Valley has an appropriate best value framework

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

88. We undertook an assessment of NHS Forth Valley's Best Value Framework and concluded that appropriate arrangements were in place.

National performance audit reports

89. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2021/22 several reports were published which may be of direct interest to the board and are highlighted in [Appendix 2](#).

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Remuneration and Staff Report</p> <p>Our audit work over the Remuneration and Staff Report highlighted a large number of amendments.</p> <p>Risk – Continued errors in future Remuneration and Staff Report's.</p>	<p>Management should revise the process for drafting the Remuneration and Staff Report.</p> <p>Paragraph 30</p>	<p>It is recognised that a number of new/enhanced disclosures for 2021/22, coupled with changes in key personnel at year end has impacted on the process. The arrangements for drafting future remuneration reports will be considered as part of the 2021/22 annual accounts post production debrief.</p> <p>Responsible officer Deputy Director of Finance.</p> <p>Agreed date 30 Sept 2022</p>
<p>2. Presentation of IJB Transactions</p> <p>Transactions between the Health Board and partner IJBs are accurately accounted for in NHS Forth Valley's financial statements. However, there are differences in the way the Board and partner IJBs present this financial information.</p> <p>Risk – Reporting on IJB transactions is not as clear as it could be.</p>	<p>NHS Forth Valley should work with partners to agree a consistent presentation of IJB transactions and improve the transparency of reporting in the financial statements.</p> <p>Paragraph 39</p>	<p>A review will be undertaken during 2022/23, in conjunction with IJB Chief Finance Officers, to improve consistency and enhance transparency of reporting.</p> <p>Responsible officer Deputy Director of Finance</p> <p>Agreed date 31 Dec 2022</p>
<p>3. Reporting of remobilisation targets</p> <p>Performance reporting has improved from 2020/21, however there is scope for</p>	<p>Reporting against the remobilisation plan could be further improved to show more clearly performance</p>	<p>Performance reporting against remobilisation plan actions will be revised as part of our 2022/23 Annual Delivery Plan due to be</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>further improvement in the reporting of remobilisation performance.</p> <p>Risk – Public performance reporting is not as clear as it could be.</p>	<p>against the planned recovery trajectory.</p> <p>Paragraph 83</p>	<p>submitted to Scottish Government on 29 July 2022. The 2022/23 annual delivery plan will focus on a restricted set of priorities and trajectories as we continue to stabilise and improve services as we recover from the COVID-19 pandemic.</p> <p>Responsible officer Head of Policy & Performance</p> <p>Agreed date 30 Sept 2022</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>4. Related parties</p> <p>Procedures to identify all material related party transactions could be improved to include a full review of a transaction listing at year-end against known related parties</p> <p>Risk – a material related party transaction is not disclosed within the annual report and accounts.</p>	<p>2020/21:</p> <p>The board could enhance their processes for identifying related parties by reviewing transaction listings at the year end to confirm the completeness of all related party transactions within the financial statements.</p>	<p>2021/22 update:</p> <p>Some progress has been made, but this recommendation is largely still outstanding.</p> <p>Revised action</p> <p>A review of current transaction listings and the related party declaration process will be undertaken during 2022/23, with any proposed changes to be approved by the Audit and Risk Committee.</p> <p>Responsible officer Head of Policy and Performance and Deputy Director of Finance</p> <p>Revised date 30 Sept 2022</p>
<p>5. Financial Planning</p> <p>NHS Forth Valley face significant savings challenges over the short to medium term. Savings of £84 million are required to 2025/26 with £32.4 million required in 2021/22. The board have identified savings plans for</p>	<p>2020/21:</p> <p>NHS Forth Valley medium term financial plan for 2021/22 – 2025/26 has identified significant savings challenges. Medium to long-term recurring financial</p>	<p>2021/22 update:</p> <p>Transformational change programmes have restarted, but remain in early stages, with management assessing savings assessed as high risk.</p> <p>Revised action</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>£25.5 million, leaving an unidentified savings gap of £6.9 million in 2021/22. However, a significant portion of the identified savings plans have been assessed as “high risk” for 2021/22, meaning there is a significant possibility they will not be delivered.</p>	<p>balance requires a whole service redesign approach.</p>	<p>Work has recommenced, in conjunction with the CPMO to progress a whole systems transformation programme and develop a pipeline of savings initiatives over the medium term. An overarching cost improvement oversight board has been established to monitor progress. A detailed update will be presented to the June Performance & Resources Committee.</p> <p>Responsible officer Director of Finance</p> <p>Revised date 30 June 2022</p>

Appendix 2. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

NHS Forth Valley

2021/22 Annual Audit Report

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