

NHS Western Isles

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Board of NHS Western Isles and the Auditor General for Scotland
June 2024

Contents

Key messages	3
Introduction	5
1. Audit of 2023/24 annual report and accounts	7
2. Financial management	16
3. Financial sustainability	21
4. Vision, leadership and governance	24
5. Use of resources to improve outcomes	27
Appendix 1. Action plan 2023/24	32

Key messages

2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are modified. In November 2023, Comhairle nan Eilian Siar (the Comhairle) was subject to a cyber-attack that resulted in a loss of a significant amount of data, including the accounting records for the Integration Joint Board (the IJB). The NHS Western Isles consolidated accounts includes IJB figures which are based on estimated data from the Comhairle. NHS Western Isles were unable to provide sufficient assurance that the estimated figures were accurate and complete and this has resulted in a qualified opinion.
- 2 The annual report and accounts were certified on 26 June 2024 in line with the agreed audit timetable.

Financial management

- 3 NHS Western Isles operated within its revised Revenue Resource Limit.
- 4 There is scope for improvement in the financial reporting to the Board and Committee.
- 5 NHS Western Isles has effective and appropriate arrangements to secure sound financial management.

Financial sustainability

- 6 NHS Western Isles has effective and appropriate arrangements in place to continue to deliver services
- 7 NHS Western Isles has developed a three-year financial plan for 2023/24 to 2025/26.
- 8 Financial sustainability continues to remain a significant challenge and risk to NHS Western Isles with decreasing future funding allocations.

Vision, leadership and governance

- 9 NHS Western Isles has effective and appropriate arrangements in place to implement its vision, strategy and priorities.

Use of resources to improve outcomes

- 10** NHS Western Isles has an effective performance management framework in place and significant challenges regarding pressures on its workforce.
- 11** NHS Western Isles performance against national standards has deteriorated in line with other boards across Scotland there are pressures in new outpatient appointments. In general NHS Western Isles is performing better than the Scottish average

Introduction

1. This report summarises the findings from the 2023/24 annual audit of NHS Western Isles. The scope of the audit was set out in an Annual Audit Plan presented at the May 2024 meeting of the Audit and Risk Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of NHS Western Isle’s annual report and accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

2. This report is addressed to the Board of NHS Western Isles and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment

3. Claire Gardiner has been appointed by the Auditor General as auditor of NHS Western Isles for the period from 2023/24 until 2026/27. The 2023/24 financial year was the first year of her four-year appointment.

4. The team would like to thank Board members, Audit and Risk Committee members, executive directors, and other staff, particularly those in finance, for their cooperation and assistance in this year’s audit, and we look forward to working together constructively over the remainder of the audit appointment.

Responsibilities and reporting

5. NHS Western Isles 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. NHS Western Isles is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

6. The independent appointed auditor’s responsibilities are established by the Public Finance and Accountability (Scotland) Act 2000, the Code of Audit

Practice 2021 and supplementary guidance, and International Standards on Auditing in the UK (ISAs).

7. Weaknesses or risks identified in this report are only those which have come to the attention of the audit team during our normal audit work and may not be all that exist. Communicating these does not absolve management of NHS Western Isles from its responsibility to address the issues raised and to maintain adequate systems of control.

8. This report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers, and dates for implementation.

Auditor independence

9. The audit team have complied with the Financial Reporting Council's Ethical Standard. The audit team have not undertaken any non-audit related services 2023/24 audit fee of £93,730, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

10. The annual audit adds value to NHS Western Isles 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, arrangements to ensure the best use of resources and financial sustainability
- sharing intelligence and good practice.

1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and accounts are modified. In November 2023, Comhairle nan Eilian Siar (the Comhairle) was subject to a cyber-attack that resulted in a loss of a significant amount of data, including the accounting records for the Integration Joint Board (the IJB). The NHS Western Isles consolidated accounts includes IJB figures which are based on estimated data from the Comhairle. NHS Western Isles were unable to provide sufficient assurance that the estimated figures were accurate and complete and this has resulted in a qualified opinion.

The annual report and accounts were certified on 26 June 2024 in line with the agreed audit timetable.

Audit opinions on the annual report and accounts are modified

11. The Board approved the annual report and accounts for NHS Western Isles and its group for the year ended 31 March 2024 on 26 June 2024. As reported in the independent auditor's report, in my opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the accompanying financial statements:

- give a true and fair view of the state of the affairs of the board and its group affairs as at 31 March 2024 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM;
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

12. In 2023/24 we have qualified our audit opinion as due to a cyber attack at the Comhairle we were unable to obtain sufficient audit evidence to support the

completeness and accuracy of NHS Western Isles share of associates and joint ventures as reported in the Statement of Consolidated Net Expenditure and investments in associates and joint ventures and other reserves in the Consolidated Statement of Financial Position.

13. The qualification reflects that we were unable to obtain sufficient appropriate audit evidence on which to base our opinion, but we concluded that the possible effects were limited to the specific account areas listed in paragraph 12. While we recognise the impact may be material we are satisfied that it is not pervasive to the financial statements.

Overall materiality was assessed on receipt of the unaudited annual report and accounts as £2.5 million

14. The concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

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

Exhibit 1

Materiality values for NHS Western Isles and its group

Materiality level	Amount
Overall materiality	£2.5 million
Performance materiality	£1.9 million
Reporting threshold	£125,000

Source: Audit Scotland

16. The overall materiality threshold was set with reference to gross expenditure excluding the expenditure for the IJB. Gross expenditure is judged to be the figure most relevant to the users of the financial statements.

17. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality. This has been informed by our planning work which did not identify any significant issues and reflects the lack of prior year errors in the financial statements.

18. It is our responsibility to request that all misstatements are corrected, other than those below the reporting threshold. The final decision on making the correction lies with the Board.

Significant findings and key audit matters

19. Under ISA (UK) 260, we communicate significant findings from the audit to the Board, including my view about the qualitative aspects of the Board's accounting practices.

20. The Code of Audit Practice also requires me to highlight key audit matters which are defined in ISA (UK) 701 are those matters judged to be of most significance.

21. The significant findings, including key audit matters, are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. Consolidation entries relating to the IJB</p> <p>NHS Western Isles consolidated financial statements incorporate the financial position of Western Isles Integration Joint Board. Due to a cyber-attack on Comhairle Nan Eilean Siar in November 2023, the accounting records for the Integration Joint Board are not complete for the year ended 31 March 2024 and the figures incorporated into the Health Board's accounts are based on estimates.</p> <p>We were unable to obtain sufficient appropriate audit evidence to support the completeness and accuracy of NHS Western Isles' share of associates and joint ventures as reported in the Consolidated Statement of Comprehensive Net Expenditure, and investments in associates and joint ventures and other reserves, as reported in the Consolidated Statement of Financial Position. This also impacted on the related entries in the Statement of Consolidated Cash Flows and Consolidated Statement of Changes in Taxpayers' Equity, and notes to the accounts.</p>	<p>NHS Western Isles added narrative to the Performance Report and estimates and Judgements note at our request.</p> <p>The updates accounts explain the levels of estimation and the basis for our qualification.</p> <p>The audit opinion is qualified reflecting the uncertainty around the figures in the consolidated statements relating to the IJB and the adequacy of accounting records maintained by NHS Western Isles.</p>
<p>2. Title deeds for Assets</p> <p>Our work identified that NHS Western Isles was unable to provide evidence of title deeds being</p>	<p>We obtained evidence from the Sasine register which evidenced the sampled assets belong to NHS Western Isles.</p>

Issue	Resolution
<p>held for a sample of assets selected for testing of ownership.</p> <p>It is important NHS Western Isles maintains appropriate records to support the financial statements and this includes those which demonstrate ownership of key assets.</p>	

Source: Audit Scotland

Audit work responded to the risks of material misstatement identified in the annual report and accounts

22. The audit team have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements identified in the 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Identified significant risks of material misstatement in the annual report and accounts

Audit risk	Audit Response	Conclusion
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (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>Assessed the design and implementation of controls over journal entry processing.</p> <p>Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Tested journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Consider the need to test journal entries and other adjustments throughout the year.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p>	<p>Our inquiries of officers of potentially inappropriate or unusual activity relating to the processing of journal entries, and other adjustments, confirmed that these were valid transactions.</p> <p>We did not identify any significant transactions outside the normal course of business.</p> <p>We undertook detailed control and substantive testing of journal entries, accruals and invoices. Our journal testing included a data analytics review to identify key risk factors.</p> <p>We also reviewed accounting estimates and transactions for appropriateness.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>

Audit risk	Audit Response	Conclusion
<p>2. Cyber-attack at Comhairle nan Eilean Siar – Impact on IJB</p> <p>NHS Western Isles are joint partners with Comhairle nan Eilean Siar (CNES) in the Western Isles IJB (Curam la Slainte nan Eilean Siar).</p> <p>In November 2023 there was a significant cyber-attack on CNES and they have been unable to access their financial ledger systems.</p> <p>At the current time it is not clear what CNES will be able to provide to support the IJB transactions reflected in NHS Western Isles accounts.</p>	<p>Review disclosures included in the annual accounts.</p> <p>Assess the reliability of the IJB transactions and disclosures included in the NHS Western Isles financial statements.</p> <p>Where estimates have been used to inform figures reported in the NHS Western Isles financial statements we will evaluate the appropriateness of assumptions and calculations which underpin key figures.</p>	<p>We reviewed the disclosures included within the annual accounts.</p> <p>We undertook a review of the IJB transactions and disclosures included within the financial statements.</p> <p>We also reviewed accounting estimates and transactions for appropriateness.</p> <p>Conclusion: We were unable to obtain sufficient appropriate audit evidence to support the completeness and accuracy of Western Isles Health Board’s share of associates and joint ventures as reported in the group accounts. The audit opinion is qualified in respect of this matter as outlined in Exhibit 2.</p>

Source: 2023/24 NHS Western Isles Annual Audit Plan / Audit Scotland

23. In addition, we identified “areas of audit focus” in our 2023/24 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

Exhibit 4

Areas of audit focus identified in our Annual Audit Plan

Audit risk	Results and conclusion
<p>1. Estimation in the valuation of other land and buildings</p> <p>NHS Western Isles hold land and buildings with a NBV (Net Book Value) of £65 million as at 31 March 2023. These assets are revaluated on a five-year rolling basis by external valuers. Valuations are based on specialist and management assumptions and small movements in these can result in</p>	<p>We reviewed the arrangements in place to satisfy the board that the annual revaluation process is complete and is free from material misstatement. We also considered the risk in relation to assets not subject to revaluation in-year, that the carrying value does not reflect current value. We concluded that land and buildings asset values were not materially misstated.</p>

Audit risk	Results and conclusion
material changes to valuations. There is also the risk, for those assets not subject to revaluation in-year, that the carrying value does not reflect current value. We will review the arrangements in place to satisfy the board that the annual revaluation process is complete and asset values are free from material misstatement.	

Source: Annual Audit Plan/ Audit Scotland

24. We kept this area under review throughout the audit. Based on the findings of the audit procedures performed, there are no other matters which we need to bring to your attention.

There were number of non-material misstatements identified within the financial statements

25. There were five adjustments which were above our reporting threshold:

- a correction of the reallocation of funding posted to income and expenditure, which decreased other operating income and expenditure by £1.76 million.
- a classification error of £0.25 million in Note 12 Trade and other payables, which increased amounts payable to other boards and decreased accruals
- a classification error of £0.185 million within Note 13(a) provisions, which increased current liabilities and decreased non-current liabilities.
- an adjustment also was made in respect of funding payable which increased operating expenses and amounts payables to other public sector bodies by £0.16 million
- an adjustment related to the accounting for the non-current assets depreciation charge for those subject to revaluation. This resulted in an increase of £0.14 million to the value of non-current assets and the revaluation reserve.

26. There were no unadjusted misstatements above our reporting threshold.

The unaudited annual report and accounts were received in line with the agreed timetable

27. The audit of the accounts takes place over a condensed period in May and June. A template that is used to populate the unaudited annual report and accounts was received in line with our agreed audit timetable on 7 May 2024.

The annual report and accounts were incomplete. There were arithmetical and consistency issues and omitted transactions, balances and disclosures. These outstanding items were provided to external audit during May and early June. This creates additional pressure for the audit team and finance staff in concluding the audit by the statutory 30 June deadline.

28. We acknowledge that some of the issues and omissions were due to national issues with the template and accounting adjustments and we will work with NHS Western Isles to improve the process looking forward.

The performance report and governance statement could be improved through a more concise narrative that focuses on clear messages

29. The performance report provides NHS Western Isles an opportunity to present a single coherent narrative which explains and complements the financial statements. The performance report should provide information about NHS Western Isles, its main objectives and strategies and the principal risks that it faces.

30. The performance report is a key document in helping stakeholders understand the financial statements and it is important it provides a fair, balanced and understandable analysis of the board's performance.

31. In recent years there has been a recognition that while the performance report is required to be comprehensive it should also be concise. The inclusion of immaterial disclosures can inhibit the ability of users to identify and understand relevant information.

32. Our review of NHS Western Isles performance report and governance statement found that they had improved since 2022/23 with fewer typographical errors and a more consistent narrative. However, we identified a number of areas where both statements were not compliant with the FReM and where there were inconsistencies in reporting.

33. There were a number of places where information was duplicated or was superfluous to the needs of the reader in understanding the financial statements. Only information that is material to the users of the accounts should be included.

34. We accept it is management's judgement as to what should be included in their annual report and accounts. We would encourage NHS Western Isles to assess the relative importance of matters included in the narrative, in relation to the board's development, performance position and future prospects.

Recommendation 1

The Performance Report and Governance Statement should be reviewed and items surplus to reporting requirements should be removed.

Reasonable progress was made on prior year recommendations

35. NHS Western Isles has made reasonable progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

Financial management means having sound budgetary processes; the ability to understand the financial environment; and whether internal controls are operating effectively.

Main Judgements

NHS Western Isles operated within its revised Revenue Resource Limit. NHS Western Isles made efficiency savings of £5.5 million, with £2.5 million on a recurring basis

NHS Western Isles has appropriate financial control arrangements in place. Control weaknesses within NHS National Services Scotland resulted in the service auditor issuing qualified opinions on specific controls but mitigating controls meant that no change in our audit approach was required.

NHS Western Isles has effective and appropriate arrangements to secure sound financial management.

NHS Western Isles operated within its Revenue Resource Limit (RRL) of £115 million

36. 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. As a result, [Exhibit 5](#) shows that the board operated within its limits during 2023/24.

Exhibit 5

Performance against resource limits in 2023/24

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	112.144	112.042	0.102
Non-core revenue resource limit	2.967	2.965	0.002
Total revenue resource limit	115.111	115.007	0.104
Core capital resource limit	1.511	1.509	0
Total capital resource limit	1.511	1.509	0

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Cash requirement	115.180	115.180	0

Source: NHS Western Isles Annual Report and Accounts 2023/24

37. The 2023/24 year-end financial outturn position was presented as part of the annual report and accounts and via a verbal update to the Board in May 2024. The accounts outline the main areas of overspend. The biggest cost pressure on the Board continues to be high consultant charges, despite the use of a consortium which offers a saving against normal agency rates. There was a planned use of reserves to fund services commissioned from the IJB by the NHS in year. The reserves held by NHS Western Isles on behalf of the IJB reduced by £1.08 million in year.

38. In its original budget for 2023/24, NHS Western Isles was required to make efficiency savings of £5.5 million. 100 per cent of these savings were achieved, with £2.5 million on a recurring basis.

39. Overall a small underspend against Core RRL (shown in [Exhibit 4](#)) was reported.

Budget processes were appropriate but there is scope to improve the financial management papers presented to committee members

40. NHS Western Isles' most recent three-year financial plan 2023/24-2025/26 was approved by the Board in March 2023. The Board's forecast includes costs relating to Covid-19 recovery and addressing service backlogs in other areas. Forecasts in the financial plan are based on several assumptions including allocation uplifts, inflationary costs and pay growth.

41. NHS Western Isles estimated the gross budget gap to be £5.1 million. Following identified savings and financial flexibility, the 2023/24 budget gap was reported as £1.0 million.

42. The covering paper to the Board highlighted a number of risks and challenges to be met by NHS Western Isles in order to achieve a balanced budget including unfunded pay awards, uncertainty on allocation funding, confidence on achieving recurring savings, travel pressures and reliance on locum medical staff. Attention was drawn to the fact that if these assumptions crystallised, they would materially impact NHS Western Isles' financial position in 2024/25. These challenges are not uncommon across the wider NHS landscape.

43. Members and officers at NHS Western Isles are active in monitoring the budget. Management information on financial performance and budget monitoring is presented at Board and Audit and Risk Committee meetings.

44. We have made a number of observations below arising from our review of the financial management papers presented to the Board and the Audit and Risk Committee (previously Healthcare Governance and Audit Committee) during 2023/24 that management should consider addressing:

- There is an overreliance on narrative within reports. This can make effective monitoring difficult. For example, there are good details explaining overspends, causes and mitigating actions across departments. However, we found there is no supplementary information comparing the actual budgeted amount and total overspend. This could be improved by providing relative measures for key overspend areas.
- There is a lack of detail surrounding core operational areas and their relative performance across the whole period. This means that an understanding of the internal financial performance of departments / geographical areas cannot be gleaned quickly from these reports. There is only a limited overall position that is presented.

45. As there is a new governance committee structure in place, it is an ideal time to review how and what information is communicated to these committees.

2023/24 Capital Resource Limit (CRL)

46. NHS Western Isles received a total capital allocation for 2023/24 of £1.5 million. This is a decrease of £2.3 million when compared to 2022/23. NHS Western Isles balanced its capital outturn with spend of £1.5 million as capital projects were paused in 2023/24 including:

- Installation of specialised equipment for renal dialysis
- Rephasing of the ongoing redesign process for the Uist & Barra hospital.

47. We previously reported that NHS Western Isles should develop a capital investment strategy. Due to reducing capital budgets across the NHS nationally, NHS Western Isles do not feel this is a priority at the moment.

48. While this is understandable as the available resources diminish it is important that funds are spent on areas of priority. The reduction in available capital funding brings increased risks relating to additional revenue costs to maintain an ageing estate, the pay costs of the staff supporting capital projects reverting to revenue, and the ability to maintain service delivery levels in the ageing estate.

49. An updated capital plan was presented to the Board in May 2024 which outlines the capital priorities in 2024/25 to utilise its allocation of £1.47 million for 2024/25. We strongly encourage NHS Western Isles to consider a longer-term approach to capital planning in order to mitigate the risks outlined in paragraph 48. .

NHS Western Isles has appropriate financial control arrangements in place

50. As required by Audit Scotland's Code of Audit Practice, as part of our audit we identified and evaluated the key internal controls in the accounting systems significant to the production of NHS Western Isles' financial statements. Our objective was to gain assurance that NHS Western Isles has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

51. From a review of the design and implementation of key controls within NHS Western Isles systems of internal control, including those relating to IT, relevant to the audit approach, we did not identify any internal control weaknesses which could affect NHS Western Isles ability to record, process, summarise, and report financial and other relevant data and result in a material misstatement in the financial statements.

52. As part of our audit we followed up on control weaknesses identified as part of the 2022/23 audit. We are satisfied that most recommendations have been implemented. One recommendation regarding payroll validation controls has not yet been implemented. This is an important control to prevent overpayments being made in situations where payroll have not been notified of staff departures or changes in an employee's hours or role (e.g. an acting up period coming to an end). A key aspect of this control should be to obtain (and retain as an audit trail) positive confirmation from line managers that the payroll information for their staff is correct.

53. More information is included on the individual recommendations detailed in [Appendix 1](#) of this report.

Control weaknesses within NHS National Services Scotland resulted in the service auditor issuing qualified opinions

54. The NHS in Scotland procures several service audits each year to provide assurance on the controls operating within the shared systems.

55. NHS Ayrshire & Arran procures a Type II service audit of the National Single Instance (NSI) eFinancials services. The service auditor assurance reporting in relation to the NSI eFinancials was unqualified. The assurance gap identified last year for the IT general controls, system backup and disaster recovery remains. This continues to be a risk for NHS Scotland that needs to be addressed, but it did not impact on our 2023/24 audit.

56. NHS National Services Scotland procures service audits covering Practitioner and Counter Fraud Services (primary care payments), payroll and the national IT services contract that supports the associated systems.

57. For the Practitioner and Counter Fraud Services the Type II service audit resulted in a qualified opinion on the controls relating to dental payments as the controls associated with the objective: *"Controls provide reasonable assurance that: GDS payments are made completely and accurately based on authorised claims to the valid contractors; GDS payments are made only once; and*

Verification is performed in accordance with Scottish Government Guidance", did not operate effectively during the year.

58. For the national IT services contract the Type II service audit also resulted in a qualified opinion on the controls relating to access to the systems as the controls associated with the objective: "*Controls provide reasonable assurance that logical access to applications, operating systems and databases is restricted to authorised individuals*" did not operate effectively during the year.

59. Having considered these qualifications in context of other mitigating controls at both NHS National Services Scotland and NHS Western Isles, and our assessment of materiality, we are content that no change in our audit approach was required.

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

60. In the public sector there are specific fraud risks, such as those relating to prescription fraud, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

61. NHS Western Isles is responsible for having arrangements to prevent and detect fraud, error and irregularities, bribery and corruption. It is also responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place. Our conclusion is that NHS Western Isles has adequate arrangements in place to prevent and detect fraud or other irregularities. This is based on our review of:

- control arrangements
- overall policies and procedures, including codes of conduct for members and officers
- internal audit reports
- Counter Fraud Service reports.

National Fraud Initiative

62. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. NHS Western Isles participates in this biennial exercise. The 2022/23 exercise concluded during the 2023/24 financial year and the final report is due to be published in Summer 2024.

63. NHS Western Isles has actively participated in the recent NFI exercise. We concluded that NHS Western Isles had satisfactory arrangements in place to submit NFI data and investigate any potential frauds.

3. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

NHS Western Isles is facing unprecedented financial challenges and while there are plans in place to deliver a break-even position there remains a need to consider transformational change.

Reliance on the use of agency staff remains a key challenge and the development of a sustainable workforce is key priority.

A range of emerging financial pressures have exacerbated the financial position of the NHS in Scotland

64. As highlighted in Audit Scotland's [NHS in Scotland 2023](#) report, significant changes are needed to ensure the financial sustainability of Scotland's health service. Growing demand, operational challenges and increasing costs have added to the financial pressures the NHS in Scotland was already facing.

65. The report contains a series of recommendations for the Scottish Government (alongside the health sector) to address financial sustainability risks. These include the need to:

- Develop a new long-term vision for the wider health system by 2025 that sets out national priorities and recognises the interdependencies in the healthcare system. This should enable the necessary reforms that will ensure the future sustainability of health services.
- Improve understanding of new financial support arrangements and how these impact on the NHS Scotland Support and Intervention Framework.
- Develop and publish a national NHS capital investment strategy in 2024.
- Publish a revised Medium-Term Financial Framework (MTFF) for health and social care, following publication of its wider Medium-Term Financial strategy (MTFS) in 2024.

NHS Western Isles has prepared a medium term financial plan

66. NHS Western Isles produced a three-year financial plan 2024/25-2026/27 was approved by the Board in March 2024. Forecasts in the financial plan are

based on several assumptions, including allocation uplifts, inflationary costs, and pay growth.

67. NHS Western Isles are projecting a gross financial gap of £5.6 million before savings in 2024/25. The financial plan was approved by the Scottish Government in April 2024.

68. The three-year budget plan submitted to the Scottish Government in March 2024 highlights continued significant pressures including considerable reduction in mental health outcome framework funding, high transport costs due to withdrawal of certain Loganair flights, and therefore the breakeven position over the period until is still to be confirmed.

69. Based on the current allocations announced by the Scottish Government and efficiency savings identified, NHS Western Isles is forecasting to overspend in 2024/25 of £1.9 million. NHS Western Isles has identified planned actions to address the budget pressures and have confirmed they are not intending to seek additional financial support from the Scottish Government in 2024/25.

70. There are significant challenges ahead for NHS Western Isles and the wider public sector in the medium to long term. NHS Western Isles have drafted budgets and plans reflecting these challenges and these are revisited routinely at Board and Audit and Risk Committee meetings adjusting as required and responding to new and changing information and metrics.

71. We review financial sustainability annually as part of our wider dimension work and will continue to do so throughout the audit appointment. Financial sustainability is widely recognised as a significant risk in NHS Western Isles. We are satisfied the board recognises the extent of the challenge and are planning appropriately.

Achieving financial balance in future may be reliant on transformational change

72. NHS Western Isles have advised us they do not currently have a transformational plan. It is the board's responsibility to lay out the options available to deliver a level of services within its available funding. Financial balance for NHS Western Isles over the long term will require radical reform of health services. Difficult decisions may need to be taken on what services may need to be reduced or stopped.

73. As a small Board NHS Western Isles would not expect to be undertaking any major transformation change but would be part of the Northern Boards plans, and the National Care Service Plans developed by the Scottish Government. These transformational plans will also include the Sponsorship Framework, Centres of Excellence and any further changes with the National Care Service.

74. As part of our 2022/23 Annual Audit Report we recommended that NHS Western Isles should progress its transformational planning in partnership with the Health and Social Care Partnership. We followed this up during the year and found that the IJB Chief Officer has produced a Strategic Framework which

will be developed into a strategic plan once the Framework has gone through the consultation period.

75. As part of the IJB Strategic Plan the board will be looking at some transformation work but this is tied up into central changes within Scottish Government which are yet to be fully implemented.

Workforce sustainability is a key issue for the Western Isles

76. Reliance on the use of agency staff remains a key challenge for NHS Western Isles going forward. It was noted that spend on locum/agency staff was £7.3 million in 23/24 (£7.1 million in 2022/23). Financial reporting to the board throughout 2023/24 also highlights the additional pressures associated with key medical locums operating off the national frameworks and as such commanding higher costs than those through the framework.

Recommendation 2

NHS Western Isles should look to reduce its reliance on locum staff and work with the Scottish Government to encourage those operating off the national frameworks to use the agreed frameworks.

77. At the request of the Scottish Government, a wider 3-Year Workforce Plan (2022-2025) was developed by NHS Western Isles in July 2022. This plan highlights the key pressures impacting on the NHS Western Isles, particularly the ageing workforce. The workforce is ageing with 48% of employee's aged over 50 and the highest proportion of employees in the age 55-59 category.

78. Key to the 3-year plan was the aim is to bring young people into the workforce and develop them in the longer term. There are wider community benefits of providing opportunity for school leavers who wish to remain living and working in the Western Isles.

79. Where workforce challenges result from a national shortage of clinical specialists, the executive team works in partnership with other Scottish health boards to provide services and training differently, for example, the shortened midwifery programme.

4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

Overall effective governance arrangements are in place that support good governance and accountability. Board members provide adequate scrutiny and challenge at meetings to ensure the board's performance is effectively reviewed.

NHS Western Isles has developed a new governance structure implemented from April 2024.

Governance arrangements are effective and appropriate

80. NHS Western Isles governance arrangements have been set out in the Governance Statement in the annual report and accounts. The arrangements have been reviewed and we concluded that they are effective and appropriate.

81. Our assessment included consideration of the:

- Board and committee structure
- conduct of non-executive members and officers at Board and committee meetings, including the openness of the Board and committees
- public access to information via the NHS Western Isles website
- reporting of performance and whether this is fair, balanced and understandable.

82. We attended all Audit and Risk Committee meetings during 2023/24 and observed good scrutiny, challenge and deep dives by the members into risk register items of significance. The committees and Board are well attended by all members.

83. The format of the management information allows those charged with governance to have oversight of key issues facing NHS Western Isles, such as staffing levels, funding, and achieving savings targets.

84. All members are afforded an opportunity to participate and share views. Members are engaged and operate in an open and transparent manner. Agenda and papers are provided in a timely fashion well in advance of each meeting.

85. There is scope to strengthen NHS Western Isles approach to openness and transparency by making the papers and minutes of the Audit and Risk Committee available on the website.

NHS Western Isles has reviewed and implemented a new governance committee structure

86. In March 2024, following a review of NHS Western Isles' governance arrangements undertaken by the Board Chair and Corporate Business Manager, a new governance committee structure was approved and is effective from 1 April 2024. As part of this review the Scottish Government Blueprint for Good Governance guidance was considered. The Healthcare Governance and Audit Committee was dissolved and has been replaced by three separate committees:

- Audit and Risk Committee;
- Clinical Governance Committee; and
- Finance, Performance and Resource Committee.

87. In addition, there are 4 other committees which support the board as part of this review. NHS Western Isles should review this revised governance structure throughout 2024/25 to ensure that it is effective and efficient in supporting the board in its strategic objectives. Each of the newly established committees are required to produce an annual self-assessment of their performance against the agreed remit.

Cyber security and risks around use of IT

88. There continues to be a significant risk of cyber-attacks to public bodies. The real-life experience and impact of the November 2023 CNES cyber-attack serves as a timely reminder of that.

89. As part of our risk assessment work and following up of prior year recommendations we reviewed IT and identified a number of weaknesses in the general IT environment and in cyber security arrangements. Specific weaknesses identified included the lack of a digital strategy, as well as risk management and business continuity processes being out of date. Our findings are aligned with similar findings reported by internal audit and as reported in prior years audits.

90. NHS Western Isles were subject to an interim audit in March 2024 by Cyber Security Scotland to assess compliance against the 435 requirements of the NIS (Network & Information Systems) Regulations. The Board achieved an overall compliance score of 59%. This is a significant improvement in their previous score of 35%. The 2024 report gave with 64 recommendations, 8

prioritised as critical or urgent. NHS Western Isles should continue to invest in their cyber security environment and priorities the urgent recommendations.

5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

NHS Western Isles has effective and appropriate arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.

NHS Western Isles performance against national standards has deteriorated in line with other boards across Scotland there are pressures in new outpatient appointments. In general NHS Western Isles is performing better than the Scottish average.

NHS Western Isles has appropriate arrangements for performance monitoring and reporting

91. Performance reports have been considered by the NHS Western Isles board regularly throughout 2023/24. Performance reports that detailed achievement of national HEAT targets were discussed at the December 2023 and March 2024 board meetings. The performance reports are publicly available

92. The reports include details of the key performance indicators which are not meet however reporting of planned action to improve services below targets should be strengthened in these reports.

Service performance against national waiting time standards is reported as being behind target.

93. The 2023/24 annual report and accounts include the position at the end of March 2024 on the board's performance against its national waiting time standards. While these are not currently the board's only focus for performance monitoring, they provide context for the scale of the impact of the pandemic of the delivery of health services. demonstrates how activity and waiting times

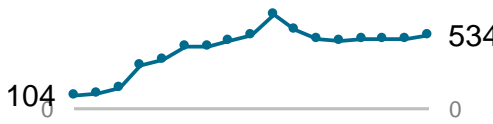
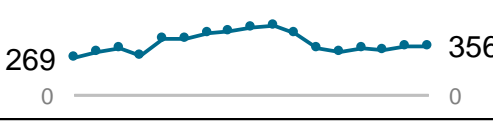
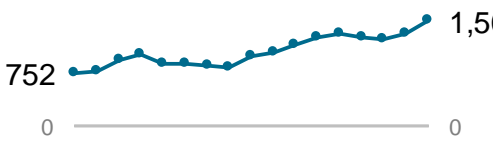
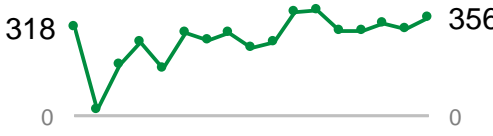
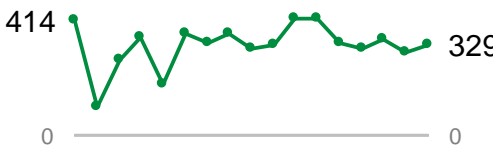
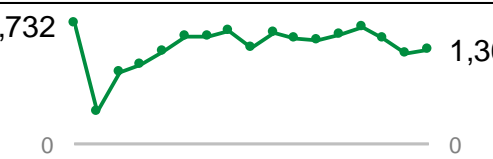
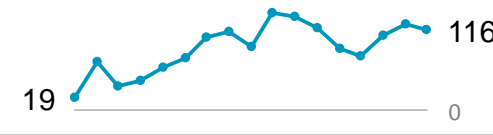
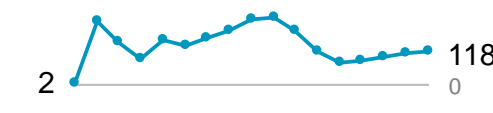
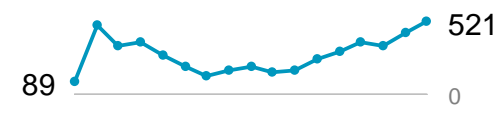
trends and [Exhibit 7](#) provides a comparison of current waiting times compared to prior years.

94. [Exhibit 6](#) demonstrates that there has been a deterioration in NHS Western Isles' activity and waiting times performance since the start of the pandemic. The largest increases in [Exhibit 6](#) are in waiting times with one of the most significant being the number of people waiting more than 12 weeks for a new outpatient appointment. This is a trend which is consistent across Scotland and this is reflected in the NHS Scotland position shown in [Exhibit 7](#) which shows the number of outpatient admissions waiting no more than 12 weeks is 61.2% against a national target of 95%.

95. [Exhibit 7](#) shows that NHS Western Isles' performance against key waiting time standards has, in general stayed relatively stable over the last three years, however as reflected above waiting times for new outpatients, referral to treatment has deteriorated slightly. In comparison to the overall NHS Scotland position NHS Western Isles is better for 8 out of 9 measures and this reflects a positive position for the board.

Exhibit 6

NHS Western Isles Trends in demand and activity per acute services

Demand	Quarterly trend Mar 2020 to Mar 2024	Change (%)
Ongoing waits for diagnostic tests	 104 534	413.5%
Ongoing waits for an inpatient or day case admission	 269 356	32.3%
Ongoing waits for a new outpatient appointment	 752 1,507	100.4%
Activity	Quarterly trend Mar 2020 to Mar 2024	Change (%)
Number of scheduled elective operations in theatre system	 318 356	11.9%
Number of inpatient and day case admissions	 414 329	-20.5%
Number of new outpatient appointments	 1,732 1,364	-21.2%
Length of waits	Quarterly trend Mar 2020 to Mar 2024	Change (%)
Ongoing waits longer than 6 weeks for diagnostic tests	 19 116	510.5%
Ongoing waits longer than 12 weeks for an inpatient or day case admission	 2 118	5800.0%
Ongoing waits longer than 12 weeks for a new outpatient appointment	 89 521	485.4%

Source: Public Health Scotland / NHS Western Isles

Exhibit 7

Performance against key waiting time standards

Target/standard	NHS Western Isles performance			NHS Scotland performance
	March 2022	March 2023	March 2024	March 2024
Cancer 62 Day Referral to Treatment target Proportion of patients that started treatment within 62 days of referral.	62.9%	57.7%	69.2% ¹	71.1% ¹
Cancer 31 Days Referral to Treatment target Proportion of patients who started treatment within 31 days of decision to treat.	100%	100%	100% ¹	94.1% ¹
18 Weeks Referral to Treatment Target Proportion of patients that started treatment within 18 weeks of referral.	88.3%	82.3%	77.5%	65.5%
Patient Treatment Time Guarantee Proportion of inpatients or day cases that were seen within 12 weeks.	55.3%	55.2%	59.6%	57.0%
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.	87.7%	80.5%	77.3%	61.2%
A & E attendees Proportion of A & E attendees who were admitted, transferred or discharged within 4 hours.	97.3%	98.6%	94.8%	66.6%
Drug and Alcohol 21 days Proportion of drug and alcohol patients that started treatment within 21 days.	81.8%	91.7%	100% ¹	90.6% ¹
Children and Adolescent Mental Health Services Waiting Times Proportion of patients seen within 18 weeks of referral.	100%	100%	100% ¹	83.8% ¹
Psychological therapies Proportion of patients that started treatment within 18 weeks of referral.	87.5%	84.3%	94.1% ¹	80.6% ¹

Source: Public Health Scotland / NHS Western Isles

A formal review is underway to demonstrate how NHS Western Isles is achieving Best Value

96. [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.

97. We reported and recommended in our 2022/23 Annual Audit Report that the mechanism for formally reviewing and reporting on arrangements to secure best value should be formalised and published. This work is ongoing and will be reported to the board in August 2024. The recommendation will remain open and has been marked as 'in progress'.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Performance Report and Governance Statement disclosures</p> <p>The Performance Report and Governance Statement should be reviewed to ensure there is a clear and concise narrative.</p> <p>Risk – the board does not comply with FReM disclosure requirements and key messages are lost due to irrelevant information.</p>	<p>Items surplus to reporting requirements should be removed for example the membership of committees overall in one table in the Governance Statement thus, removing the need for multiple lists of individuals.</p> <p>Paragraph 34.</p>	<p>Accepted</p> <p>The Board will review again the Performance Report and Governance statement in line with advice from Audit Scotland and ensure the 24/25 report is cross referenced with FReM disclosure</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: May 2025</p>
<p>2. Workforce sustainability</p> <p>Reliance on temporary staff is not financially sustainable. The Board needs to look at alternative models for service delivery as a matter of priority and limit tis use of off framework</p> <p>Risk – Reliance on agency and locum staff particularly those working off the national frameworks is financially sustainably with the increasing cost pressures.</p>	<p>NHS Western Isles should look to reduce its reliance on locum staff and work with the Scottish Government to encourage those operating off the national frameworks to use the agreed frameworks.</p> <p>Paragraph 76.</p>	<p>Partially accepted</p> <p>NHS Western Isles has always tried to reduce our reliance on Consultant Locum staff, and we monitor agency and direct engagement costs as well as national framework spend. A lot of work has gone into consultant and GP recruitment recently to attract medical staff to the islands with media coverage throughout the world with some excellent results. Work on substantive recruitment is continuing through out 2024/25 together with a drive to increase direct engagement appointments instead of agency locums.</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>Responsible officer: Director of HR/Medical Director</p> <p>Agreed date: Work continuous to ensure workforce sustainability</p>

Follow-up of 2022/23 (prior year) recommendations

Issue/risk	Recommendation / agreed action / officer / timing	Progress in 2023/24
<p>1. Quality of performance report in the annual report and accounts</p> <p>Although the performance report meets the minimum FReM reporting requirements, this public facing document contains information that is unclear to readers outside of NHS Western Isles. Details from other reports have been copied without context or summarisation.</p> <p>Risk: The Board does not provide a clear and accessible account of its annual performance in the annual report and accounts.</p>	<p>Recommendation: The Board should review its performance report to develop a clear, understandable and balanced account of overall performance in the annual report and accounts.</p> <p>Agreed actions: The Board reviews its performance report year on year. The Board will undertake a further review April 2024 with the Chief Executive Officer to take on board any changes that may be made.</p> <p>Responsible officer: Chief Executive Officer</p> <p>Agreed date: 30 April 2024</p>	<p>In progress- superseded by recommendation 1</p>
<p>2. Capital investment strategy</p> <p>The capital plan is overcommitted and deferral of capital projects increases the risk of asset deterioration and the need for urgent works to be undertaken.</p> <p>Risk: Failing to carry out repairs and invest in modern equipment and technology puts at risk the quality of patient care and is likely to</p>	<p>Recommendation: NHS Western Isles should prepare a capital investment strategy that has a plausible plan for investing in each priority area together with clarity on what the priorities for investment will be.</p> <p>Agreed actions: The Capital plan for 23/24 including future years priorities will be presented to the Board drawn from the 10-year fixed asset</p>	<p>In progress</p> <p>Revised action: Capital spending plan for 2024/25 presented to June Board meeting but no longer-term strategy in place.</p> <p>Responsible officer: Director of Finance & Procurement</p> <p>Revised date: August 2024 for Q1 capital report and risk comments for</p>

Issue/risk	Recommendation / agreed action / officer / timing	Progress in 2023/24
<p>undermine ambitions to transform the health service in the Western Isles.</p>	<p>plan and the 5-year national infrastructure equipment plan. This plan will be updated by August to take on board any further funding made available by the Scottish Government over the next 3 years.</p> <p>Responsible officer: Director of Finance & Procurement</p> <p>Agreed date: 31 August 2023</p>	<p>low priority items. 31 March 25 for 5 year plan (regardless of whether funding available)</p>
<p>3. Employee verification</p> <p>Permanent staff are shown in budget monitoring reports submitted to budget holders but there is no positive verification to confirm staff are genuine current employees of the board.</p> <p>Risk: Fraudulent “ghost” employees may not be identified, or staff leaving the board may not be notified to HR and Payroll teams on a timely basis, resulting in overpayments being made.</p>	<p>Recommendation: Budget holders should confirm the validity and accuracy of employee details in budget monitoring reports, to confirm their staff are genuine current employees. This confirmation should be documented to demonstrate that the control operated effectively throughout the year.</p> <p>Agreed actions: The email that is sent to budget holders monthly to advise them of the staffing costs for that month will request a sign off by return that they agree all staffing on their salary spread are presently working for them.</p> <p>Responsible officer: Finance Manager</p> <p>Agreed date: 31 August 2023</p>	<p>Not implemented</p> <p>Revised action:</p> <p>The previous agreed action will be put in place from Q1 2024/2025 monitoring</p> <p>Responsible officer: Finance Manager</p> <p>Revised date: 31 July 2024</p>
<p>4. Non-standard expenditure approval</p> <p>£2 million of expenditure was incurred without following the standard process of completing a purchase order</p>	<p>Recommendation:</p> <p>Departments should follow the standard procedures when incurring expenditure, to allow matching of invoices and goods received to purchase orders; where this</p>	<p>Implemented</p> <p>Procedures over non standard expenditure approval had been tightened during 2023/24 and our controls work did not identify any issues in this area.</p>

Issue/risk	Recommendation / agreed action / officer / timing	Progress in 2023/24
<p>before expenditure is approved.</p> <p>Risk: The Board may incur expenditure for non-approved transactions.</p>	<p>is not possible a robust audit trail should be retained to demonstrate that expenditure is valid and authorised.</p> <p>Agreed actions: Work is undertaken regularly to reduce the number of purchase orders authorised after the goods or service has been received and there has been a reduction year on year. Strong Bulletins have already gone out this financial year to tighten up controls and this will be reviewed quarterly.</p> <p>Responsible officer: Director of Finance & Procurement</p> <p>Agreed date: ongoing</p>	
<p>5. Documentation of changes to supplier details</p> <p>For a sample of 8 changes to supplier bank details there was no evidence to document that the approved process had been followed to confirm that the change request was genuine.</p> <p>Risk: This is a common area of fraud by third parties, which could result in the board in making fraudulent payments.</p>	<p>Recommendation: Evidence of checks on changes to supplier bank details should be retained to demonstrate that the control operated effectively throughout the year.</p> <p>Agreed actions: This requirement has been reiterated to staff with guidance re-issued to the team. This will be review quarterly to ensure continued compliance.</p> <p>Responsible officer: Finance Accountant</p> <p>Agreed date: 31 July 2023</p>	<p>Implemented</p> <p>Procedures over changes to supplier details had been tightened during 23/24 and our controls work did not identify any issues in this area.</p>
<p>6. Transformational plan</p> <p>Reliance continues to be placed on the Annual Operational Plan for identifying services that can</p>	<p>Recommendation: NHS Western Isles will progress its transformational planning in partnership with the Health and Social Care Partnership. The IJB Chief Officer has produced a Strategic</p>	<p>Ongoing</p> <p>Revised action:</p> <p>The development of a transformational plan is linked to the development of the IJB</p>

Issue/risk	Recommendation / agreed action / officer / timing	Progress in 2023/24
<p>be re-designed in order to achieve efficiency savings.</p> <p>Risk: There is a risk that transformational change for Board services does not progress as planned.</p> <p>NHS Western Isles should develop a transformational plan for the redesign of services. This should be developed alongside the medium to longer term financial plan and consistent with the IJB Transformational Plan for the delivery of IJB services.</p>	<p>Framework which will be developed into a strategic plan once the framework has gone through the agreed period of consultation. To note due to the worsening population demographics it is very difficult to transform services without the ability to recruit into posts. Projects have recently been put on hold which would have transformed patient and client care as the Health and Social Care.</p> <p>Agreed actions: Partnership cannot recruit as the working population is just not available on island.</p> <p>Responsible officer: IJB Chief Officer</p> <p>Agreed date: 31 December 2023 for Strategic Plan to IJB</p>	<p>Strategic plan and national plans.</p> <p>As part of the IJB Strategic Plan we will be looking at some transformation work but this is tied up into central changes within Scottish Government which are yet to be fully implemented.</p> <p>As a small Board we would not be undertaking any major transformation change but would be part of either the Northern Boards plans, or the SG centralisation plans and the National Care Service Plans.</p> <p>These transformational plans will also include the Sponsorship Framework, Centres of Excellence and any further changes with the National Care Service.</p> <p>Responsible officer: Chief Officer</p> <p>Revised date: 30 September 2024</p>
<p>7. Cyber security and IT</p> <p>NHS Western Isles has not progressed its cyber security arrangements. Effective processes must be in place to ensure the secure management of the NHS Western Isles' IT network and identify and address cyber security risks associated with existing technology and processes.</p> <p>Risk: Cyber security arrangements are not adequate to prevent or recover from a cyber-attack,</p>	<p>Recommendation: As a matter of urgency, NHS Western Isles should strengthen its IT governance and cyber security arrangements to address the critical and urgent NIS audit recommendations, improve risk management, disaster recovery and business continuity arrangements.</p> <p>Agreed actions: The new Head of IT & Digital Health is now in post. Addressing cyber security concerns and creating a digital strategy are a priority for him. A key</p>	<p>Ongoing</p> <p>As noted in paragraph 90 the latest NIS audit showed an improvement in NHS Western Isles compliance however there are still some urgent recommendations that NHS Western Isles should prioritise implementing.</p> <p>Revised action:</p> <p>A Cyber Officer has been employed within NHS Western Isles and the Head of IT together with his relevant team have set up a NIS Audit working group and</p>

Issue/risk	Recommendation / agreed action / officer / timing	Progress in 2023/24
<p>resulting in loss of service delivery.</p>	<p>element to that is ensuring that the appropriate plans, accreditations and testing are in place and the learnings embedded into the operations of the organisation.</p> <p>Responsible officer: Head of IT</p> <p>Agreed date: 31 March 2024</p>	<p>there is a live tracking document with all recommendations with a responsible officer which will be updated at each group meeting. The first meeting was 24th May 2024 and will be held monthly.</p> <p>Responsible officer: Director of Public Health/Head of IT</p> <p>Revised date: Continuous action to ensure our compliance is as high as possible</p>
<p>8. Best Value arrangements</p> <p>The mechanism for formally reviewing and reporting on arrangements to secure best value should be formalised and published.</p> <p>Risk: The Board does not comply with its best value responsibilities. Opportunities for improvement through Best Value review may be missed.</p>	<p>Recommendation: A formal review of the Best Value assurance framework, and an assessment of the Board's Best Value arrangements should be completed in 2023/24. The outcome of the assessment should be reported to the Board.</p> <p>Agreed action: The Board's Corporate Business Manager will be undertaking a formal review of the Best Value assurance framework.</p> <p>Responsible officer: Corporate Business Manager</p> <p>Agreed date: 31 March 2024</p>	<p>In progress</p> <p>Revised action: Best value review currently underway and due to be reported to the Audit and Risk Committee in August 2024.</p> <p>Responsible officer: Corporate Business Manager</p> <p>Revised date: August 2024</p>
<p>9. Financial Statements Annual Report & Accounts (raised in 2021/22)</p>	<p>Recommendation: NHS Western Isles should review its arrangements for preparing the annual report and accounts to ensure all elements of the accounts are included and supported by a full working papers package.</p> <p>Agreed action: The 2022/23 annual report and accounts presented for audit were missing IJB figures,</p>	<p>Superseded</p> <p>See recommendation 1</p>

Issue/risk	Recommendation / agreed action / officer / timing	Progress in 2023/24
	<p>governance statement disclosures, some CETV figures in the remuneration report, nonfinancial performance, segmental information and capital commitments.</p> <p>Revised action (2022/23): The Board has a very small team and works very hard to produce a set of accounts within the deadlines. Local Authorities across Scotland work to a different closing timetable than NHS including how they account for social services income. Unless there are national changes the IJB figures will not be available until June of any year.</p> <p>Responsible officer: Director of Finance & Procurement</p> <p>Revised date: ongoing</p>	
<p>10. Financial Management: non-recurring savings (raised 2021/22)</p>	<p>Recommendation: NHS Western Isles should progress the development of its savings plan as a matter of priority and increase its efforts to reduce its dependency on non-recurring savings to balance its financial position.</p> <p>Agreed action: The Board is still reliant on non-recurring savings to close its budget gap.</p> <p>Revised action: With an ever-increasing older population (25% increase in 15 years) with resulting comorbidities, a dependence on agency workers due in part to poor workforce</p>	<p>Superseded</p> <p>See 2023/24 recommendation 3</p>

Issue/risk	Recommendation / agreed action / officer / timing	Progress in 2023/24
	<p>demographics and very high inflation, the Board will continue to have issues with cost pressures which can only, in the short term, be partially offset by non-recurring savings.</p> <p>Responsible officers: Chief Executive Officer and Director of Finance Procurement</p> <p>Revised date: ongoing</p>	
<p>11. Value for Money: Workforce Sustainability (2021/22)</p>	<p>Recommendation: Reliance on temporary staff is not financially sustainable. The Board needs to look at alternative models for service delivery as a matter of priority.</p> <p>Agreed action: A 3 year workforce plan was submitted to the Scottish Government in July 2022, but the board is still reliant on temporary staff.</p> <p>Revised action: To note NHS Western Isles are not dependant on Nurse Agency staff. The Board have looked at some models of care to reduce agency/ temporary staff, including utilising Advanced Nurse Practitioners. However, it is difficult to look at alternative models for service delivery when it is consultant-based activity, e.g. surgical or medical consultant service. The Board cannot recruit to these posts, going out to advert numerous times and in different ways. If we didn't use agency staff the Board would not have a service. The Board already uses a</p>	<p>Superseded</p> <p>See 2023/24 recommendation 3</p>

Issue/risk	Recommendation / agreed action / officer / timing	Progress in 2023/24
	<p>direct engage model for consultants where possible.</p> <p>Responsible officers: Chief Executive Officer & Medical Director</p> <p>Revised date: Ongoing</p>	

NHS Western Isles

2023/24 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk