

NHS Dumfries and Galloway

2024/25 Annual Audit Report



Prepared for NHS Dumfries and Galloway and the Auditor General for Scotland

June 2025

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Key messages

Audit of the annual report and accounts

- 1 All audit opinions are unmodified, i.e. the annual report and accounts were free from material misstatement.

Financial management

- 2 NHS Dumfries and Galloway has effective arrangements for reporting its financial position. Although the board reported that it met all its financial targets for 2024/25 and operated within its Revenue Resource Limit (RRL), this was achieved using £26.2 million of additional non-recurring financial support from the Scottish Government (SG). This was in addition to the £32.3 million of additional non-recurring financial support received in 2022/23 and 2023/24 which means that the board will need to repay £58.5 million when it achieves financial balance.
- 3 The board realised £20.1 million of efficiency savings (£17 million in 2023/24), of which £6.6 million were achieved on a recurring basis. This means that the board starts financial year 2025/26 with a recurring funding gap of £46.8 million.
- 4 Effective internal control systems operated over the financial systems throughout the year.

Financial sustainability

- 5 NHS Dumfries and Galloway's three-year financial plan for 2025/26 – 2027/28 shows the board's services are not sustainable. To achieve breakeven in 2025/26 the board is forecasting it requires additional financial support of £28 million from the SG. However, the SG has informed the board that for 2025/26, it must not exceed a net financial deficit of £25 million and expects the board to develop a recovery plan to reduce expenditure and operate within this set limit.
- 6 The Board has been unable to identify how these additional savings will be achieved and it may need to report an overspend against its financial revenue spend target in the 2025/26 accounts. The board is continuing to work with colleagues in the SG's Health Finance Financial Delivery Unit to consider options to reduce expenditure to deliver an improved financial outturn.
- 7 These challenges are not new, the Board received additional non-recurring financial support in 2022/23, 2023/24 and 2024/25 totalling £58.5 million.

- 8** It is the Board's responsibility to lay out in its plans the options available to deliver a level of services, within its available funding. Financial balance now requires radical reform of health services. Difficult decisions need to be taken on what services may need to be reduced or stopped. Future financial plans must demonstrate how its services will be changed to reflect the funding it will receive.
- 9** A Tactical Approach to Financial Recovery and Transformation document has been developed to summarise savings and service transformation plans alongside the three-year financial plan.

Vision, leadership and governance

- 10** NHS Dumfries and Galloway has a Strategic Statement which sets out the board's mission to 'support local people to live healthy, happy, active and fulfilling lives,' supported by the Annual Delivery Plan.
- 11** Overall effective governance arrangements are in place that support good governance and accountability. The board undertook a review of its governance arrangements during 2024/25 and the board's self- assessment against the NHS Scotland Blueprint for Good Governance, identified no significant areas for improvement.
- 12** The board is continuing to monitor the impact of its 2024 cyber-attack. A follow up report providing an overview of the board's response and recovery, is helping to mitigate the risk of future cyber-attacks.
- 13** The Chief Internal Auditor is reporting progress on improvement actions from an External Quality Assessment (EQA) to the Audit and Risk Committee.

Use of resources to improve outcomes

- 14** Service performance against national waiting time standards is behind target, as pressures are felt from increased demand.
- 15** The board's Medium Term Plan and 2024/25 Annual Delivery Plan set out the challenges facing the board and actions proposed to help the board improve performance levels.
- 16** The board has a performance management framework to support continuous improvement that will be refreshed in December 2025.
- 17** Officers regularly report to members on the arrangements in place to secure Best Value. The board's 2024/25 Best Value self-assessment showed no questions were assessed as red and out of the sixty-eight questions assessed, ten were given an amber rating with actions planned for each.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of NHS Dumfries and Galloway's annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).

2. The Annual Audit Report is addressed to NHS Dumfries and Galloway, hereafter referred to as 'the board' and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Fiona Mitchell-Knight, of Audit Scotland, has been appointed as external auditor of the body for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Fiona Mitchell-Knight and the audit team are independent of the body in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the body, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the body and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Conclusions on the body's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the body's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the body and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on the body's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the body from

its responsibilities outlined below. We have not raised any new audit recommendations from this year's audit.

The body's responsibilities

9. The body has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements for the body and its group that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual report and accounts

Main judgements

All audit opinions are unmodified, i.e. the annual report and accounts are free from material misstatement.

All identified misstatements in the accounts above our reporting threshold were corrected by the board.

Audit opinions conclude that the annual report and accounts are free from material misstatement

10. The board and its group's annual report and accounts were approved by the Board on 30 June 2025 and signed by the appointed auditor on 30 June 2025. The Independent Auditor's Report is included in the body's annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.

The audit timetable was met

11. The unaudited annual report and accounts and working papers were received in line with our agreed audit timetable set out in our 2024/25 Annual Audit Plan.

Audit Fee

12. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £183,680. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Overall audit materiality is £11.4 million

13. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

14. Broadly, 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. Materiality levels for the audit of the body and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for the board and its group

Materiality level	Board	Group
Materiality – set at 2 per cent of gross expenditure.	£11.356 million	£11.403 million
Performance materiality – set at 65 per cent of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£7.949 million	£7.982 million
Reporting threshold – set at 5 per cent of materiality.	£0.567 million	£0.570 million

Source: Audit Scotland

Significant findings and key audit matters

16. International Standard on Auditing (ISA) (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the board is the Audit and Risk Committee.

17. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

18. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

19. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
1. Health and Social Care Integration The integration joint board's (IJB) activities have been reflected in the board's accounts. £443.948 million has been included in the board's other health care expenditure relating to the board's payments to the IJB. Income of £443.229 million for services commissioned by the IJB has also been included. The IJB has been consolidated into the group accounts as joint ventures, £2.069 million has been shown in financial assets, representing the board's share of the IJB's cumulative financial outturn to 31 March 2025. The IJB figures are based on the unaudited accounts for each IJB and the deadline for these accounts to be audited is 30 September 2025. We do not anticipate any material changes to the draft figures used in consolidation.	For information only.

Source: Audit Scotland

Qualitative aspects of accounting practices

20. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the body's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

21. The appropriateness of accounting policies adopted by the body was assessed as part of the audit. These were considered to be appropriate to the circumstances of the body, and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM).

Accounting estimates

22. Accounting estimates are used in number of areas in the body's financial statements, including the valuation of land and buildings assets. Audit work considered the process management of the body has in place around making accounting estimates, including the assumptions and data

used in making the estimates, and the use of any management experts.
Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

23. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 5](#).

Disclosures in the financial statements

24. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments.

The board needs to, in conjunction with other Scottish health boards, update and amend its service level agreements (SLAs) as required

25. We tested a sample of income and expenditure transactions relating to service level agreements (SLAs) between NHS Dumfries and Galloway and other Scottish health boards in 2024/25. Each item tested was agreed to supporting documentation, including underlying SLA agreements and invoices and no issues have been identified relating to the amounts sampled or disclosed in the accounts.

26. In 2023/24, a national issue was raised and subsequently discussed at the NHS Technical Accounting Group (TAG) in relation SLA agreements specifying capacity/activity levels leading to performance obligations under IFRS 15 (Revenue from Contracts with Customers). The board's largest SLA expenditure is with NHS Greater Glasgow and Clyde (NHSGGC), who amended its SLA with the board to specify that the SLA is a block contract to provide access for services in return for a fixed sum consideration, providing access to services continuously and equitably across the year with no true under or over delivered activity associated with this block access payment. This amendment meets the requirements of the NHS Accounts Manual which requires individual boards to agree a contract amendment (IFRS 15 paragraphs 18-21) and be invoiced/make payment on an agreed basis between both parties to the 'contract'; or agree a top slice of equivalent SLA income/expenditure at Scottish Government level.

27. In 2024/25, TAG implemented a short life working group to consider SLA arrangements across remaining boards. No agreed solution has yet been implemented and, as a result, there have been no amendments to NHS Dumfries and Galloway's SLA contracts with other boards. We are satisfied from our testing, that for those SLA agreements based on estimated activity held by the board, the underlying operation of the

board's SLA agreements are, in reality, agreements for which access to services is provided in return for a fixed sum consideration and no true under or over delivered activity requiring an accounting adjustment at year-end. However, in order to fully comply with the manual, NHS Dumfries and Galloway, alongside other Scottish boards, should update and amend its SLAs as required.

Group audit approach

28. The board is part of a group and prepares group financial statements. The group is made up of three components, including the board which is the parent of the group. As outlined in the Annual Audit Plan, audit work was required on a number of the group's components for the purposes of the group audit, and this work was performed by a combination of the audit team and the components' audit teams. Group audit instructions were issued to component auditors, where required, to outline the expectations and requirements in performing the audit work for the purposes of the group audit. The audit work performed on the group's components is summarised in [Exhibit 3 \(page 12\)](#).

Exhibit 3

Summary of audit work on the group's components

Group component	Auditor and audit work required	Summary of audit work performed
NHS Dumfries and Galloway	Audit Scotland Full scope audit of the board's annual report and accounts.	The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 2 .
Dumfries and Galloway Health Board Endowment Fund	Carson & Trotter Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Dumfries and Galloway Integration Joint Board	Audit Scotland Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.

Source: Audit Scotland

Audit adjustments

29. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £0.567 million outlined in [Exhibit 4, \(page 13\)](#).

Exhibit 4 Audit adjustments

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
		Dr	Cr	Dr	Cr
Audit adjustments to financial statements		£000	£000	£000	£000

1. Due to historic errors in the accounting treatment of revaluations, an audit adjustment was required to:

- Amend the opening revaluation reserve balances for assets with a net book value lower than depreciated historic cost.
- Correctly recognise prior year revaluation losses in the SoCNE that had previously been recognised in the Revaluation Reserve.
- Recognise the correct difference between depreciation charged and historic cost depreciation in the SoCNE and Revaluation Reserve.
- Allocate the current year indexation gain correctly between increasing the revaluation reserve and reversing prior year losses in the SoCNE.

	Revaluation Reserve			2,286	(4,657)
	Other Operating Expenditure – Impairment of Fixed Assets	1,024	(66)		
	General Fund			3,633	(2,220)
Net impact on financial statements		1,024	(66)	5,919	(6,877)

Audit adjustments in disclosures

1. One related party transaction disclosed in the unaudited financial statements, incorrectly noted the prior year figure. The adjustment to reflect the 2024/25 figure, increased related party transactions by £6.767 million.

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)	Statement of Financial Position (SoFP)
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2. The group investments total in the unaudited financial statements was £10.870 million, however, this was the prior year figure. The adjustment to reflect the 2024/25 figure of £8.687 million, reduced the group investments total by £2.183 million.

Source: Audit Scotland

30. In addition to audit adjustment detailed in [Exhibit 4](#), in order to accurately consolidate the Endowment Fund into the board's group accounts, consolidation adjustments have to be made to align Endowment Fund accounting policies with that of the board and to remove intra-group transactions. These consolidation adjustments had not been made in the unaudited financial statements provided for audit. The audited financial statements have now been adjusted which has resulted in an overall decrease to group expenditure of £1.764 million, decrease to group income of £0.641 million, decrease to group receivables of £0.049 million and decrease to group payables of £1.172 million. Management of the body processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatements to report.

Significant risks of material misstatement identified in the Annual Audit Plan

31. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5](#).

Exhibit 5
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls 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.	The audit team will: • Test journal entries at the year-end. • Review accounting estimates for biases. • Evaluate any significant transactions outside the normal course of business. • Perform focussed testing of significant accruals and prepayments.	Audit work performed found: • No significant issues were identified from testing of journal entries. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias.

Risk of material misstatement	Planned audit response	Outcome of audit work
	Substantively test transactions around the year end to confirm income and expenditure are accounted for in the correct financial year.	- No significant issues were identified from transactions outside the normal course of business. - No significant issues were identified from testing of prepayments and accruals. - No significant issues were identified from testing of income and expenditure around the year end and there was no evidence of transactions accounted for in the incorrect financial year. Conclusion: no evidence of fraud caused by management override of controls.
Valuation of property, plant and equipment NHS Dumfries and Galloway held £368.740 million of property, plant, and equipment (PPE) at 31 March 2024, of which £348.398 million was land and building assets. NHS Dumfries and Galloway is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.	The audit team will: - Evaluate the design and implementation of controls over the valuation process. - Review the information provided to the valuer and assess this for completeness and accuracy. - Evaluate the competence, capabilities, and objectivity of the valuer. - Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. - Review the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required. - Review management's assessment that the value in the balance sheet of	Audit work performed found: - The design and implementation of controls over the valuation process were appropriate. - The information provided to the valuer was accurate and complete. - The valuer had sufficient competence, capability, and objectivity to perform their work. - Management are involved in the valuation process and have an appropriate level of oversight. - The data and assumptions used in the 2024/25 valuation process were appropriate. - Management's assessment of assets not subject to a valuation process in 2024/25 was reasonable and concluded there was unlikely to be a material difference to the current value at the year-end.

Risk of material misstatement	Planned audit response	Outcome of audit work
	assets not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required.	Conclusion: the valuation of PPE is not materially misstated.

Source: Audit Scotland

Prior year audit recommendations

32. The board has made good progress in implementing our 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](#).

Financial management

Main judgements

NHS Dumfries and Galloway has effective arrangements for reporting its financial position. Although the board reported that it met all its financial targets for 2024/25 and operated within its Revenue Resource Limit (RRL), this was achieved using £26.2 million of additional non-recurring financial support from the SG.

The financial challenges are not new and in total the board will need to repay £58.5 million when it achieves financial balance.

The board realised £20.1 million of efficiency savings, of which £6.6 million were achieved on a recurring basis. This means that the board starts financial year 2025/26 with a recurring funding gap of £46.8 million.

Effective internal control systems operated over the financial systems throughout the year.

The Revenue Resource Limit (RRL) was met using £26.2 million of additional non-recurring financial support from the SG

33. The SG Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within. The requirement for boards to develop three-year financial plans was reintroduced from 2022/23.

34. As illustrated in [Exhibit 6](#) overleaf, the board reported that it operated within all limits during 2024/25. However, the underspend against Core RRL of £0.180 million was achieved as a result of the board receiving additional non-recurring financial support of £26.2 million from the SG in 2024/ 25. The board received its final funding allocation letter on 12 June 2025. This means that the board has received total cumulative additional non-recurring financial support of £58.5 million to date which is repayable on return to financial balance.

Exhibit 6**Performance against resource limits in 2024/25**

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	495.091	494.911	0.180
Non-core revenue resource limit	15.083	15.083	0
Total revenue resource limit	510.174	509.994	0.180
Core capital resource limit	6.490	5.896	0.594
Non-core capital resource limit	2.373	2.373	0
Total capital resource limit	8.863	8.269	0.594
Cash requirement	532.590	532.590	0

Source: NHS Dumfries and Galloway Annual Report and Accounts 2024/25

The 2024/25 financial outturn report highlights significant recurring budget pressures. An IJB overspend in the year added to the pressures

35. The Financial Performance Update Report presented to the Performance and Resources Committee on 2 June 2025 included the 2024/25 year-end financial outturn position. The report shows that for the services delegated to the Integration Joint Board (IJB), there was a £22.6 million overspend. The integration scheme for the IJB requires the board to fund any overspend on delegated health services. There was also a £3.4 million overspend in the board's corporate areas. Overall however, a small underspend against Core RRL (shown in [Exhibit 6](#)) is reported due to receipt of the £26.2 million additional non-recurring financial support.

36. The report highlights that budget pressures continue across all operating directorates throughout the year, with pressures across the majority of expenditure types within non-pays and medical and support services. The report shows that the areas of most significant pressure were:

- Agency expenditure to the end of March 2025 was £13.7 million, compared to £17.4 million for the same period in 2023/24; a reduction of £3.7 million the primary shift is within medical staffing
- Expenditure on medicines both within primary and secondary care to the end of March 2025 was £74.2 million, compared to £71.9 million for the same period in 2023/24. The year-end position of £4.1 million overspend was due to a larger than expected growth against both volume (4 per cent) and price (3 per cent) throughout

2024/25. Medicine prices remained very stable, with volume increases steady since September 2024, resulting in the final outturn position being aligned to the mid-year forecast of £4.2 million overspend.

37. The 2024/25 year end financial outturn report also notes that the SG have not yet re-assessed the board's position on the Support and Intervention framework. During 2024/25 the board was at Level 2 (Enhanced Monitoring) and any worsening of the board's financial position in 2025/26 will move the board from informal escalation to formal escalation. The assessment is based on both the board's financial position as well as a range of qualitative factors including the strength of financial control and governance within the board.

38. The board has a Financial Recovery Board (FRB) in place that is responsible for monitoring and taking corrective action to manage the delivery of the in-year financial plan to target, taking account of the impact of any decision on the 3 year plan and the board's longer term financial recovery plan. The FRB meets on a fortnightly basis, is chaired by the Director of Finance and the Chief Executive, Chief Operating Officer, Deputy Chief Operating Officer, Deputy Director of Finance and Head of Planning are members.

Efficiency savings of £20.1 million were achieved, of which £6.6 million were recurring savings

39. The 2024/25 year end financial outturn report highlights that the board achieved £20.1 million of efficiency savings (£17 million in 2023/24) against the savings target of £18.3 million, of which £6.6 million were achieved on a recurring basis. The recurring savings target for 2024/25 was £10.9 million which means that a recurring savings shortfall of £4.3 million is carried forward to 2025/26. Given that 67 per cent of the £20.1 million efficiency savings achieved were on a non-recurring basis, this means that the board starts financial year 2025/26 with a recurring funding gap of £46.8 million.

Budget monitoring reports have been enhanced to provide more detail to allow increased scrutiny

40. In our 2022/23 Annual Audit Report we recommended that budget monitoring reports presented to the Performance and Resources Committee should be enhanced to provide more detail to allow increased scrutiny by non-executive members. The Financial Reporting Quarterly Update presented to the Audit and Risk Committee in April 2025, which includes an update on progress in implementing external audit recommendations, highlighted that a new reporting pack has been introduced in 2024/25 to address the reporting issues and to allow for consistency across Board, Performance and Resource Committee and SG reporting. We have concluded that our recommendation in this area has been addressed satisfactorily.

Financial systems of internal control operated effectively

41. As part of our audit, we develop an understanding of the board's control environment in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that NHS Dumfries and Galloway has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements. Our audit is not controls based and, with the exception of payroll, we have not placed reliance on controls operating effectively as our audit is fully substantive in nature. Although we identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our 2024/25 Annual Audit Plan, we did identify the following minor controls issues that we recommend are addressed by the board:

- Payroll system user access – we were informed by payroll officers that only an individual with payroll manager access can add a new user onto the payroll system. However, as part of our systems walkthrough work performed, payroll officers were unable to provide evidence confirming this to be the case. Whilst we did not identify any individual on the user access listing with inappropriate access to suggest there was an issue with users, management should ensure user access authorisation can be appropriately evidenced.
- General Ledger Accounts Payable/Accounts Receivable reconciliations – in 2023/24 in response to our interim findings letter, management advised that, going forward in 2024/25, a formal documented review of the accounts payable/accounts receivable reconciliations would be performed. However, our systems walkthrough work performed in 2024/25 confirmed that this has not been actioned.
- Debtors procedures and overdue debts – although the board's debtors procedures were due for update in September 2022, this has still not been actioned. The Income Recovery section of the Standing Financial Instructions requires that debts over £10,000 that have become 3 months overdue in payments should be sent to the Deputy Director of Finance for review/approval. However, from system walkthrough work performed, we identified that this is not the routine procedure. In addition, follow up emails in relation to outstanding debts are not always actioned in line with the debtors procedures. It is recommended that officers review and update the debtors procedures/SFIs as appropriate to reflect the intended process for debtors and overdue debts.

42. The 2024/25 Internal Audit Annual Report presented to the Audit and Risk Committee meeting on 16 June 2025, did not highlight any weaknesses in relation to financial governance that impact on the annual accounts or our audit work. The Governance Statement included in the board's 2024/25 Annual Accounts highlights that assurance on all financial governance matters is reported through Audit and Risk Committee and continues to maintain a significant level of assurance. The Governance Statement also highlights that the Board and Performance and Resources

Committee continue to receive regular reports on the financial position and the board's recovery programme.

There are assurance gaps in the general IT controls for eFinancials and PECOS systems

43. Across the NHS in Scotland a number of shared services exist and therefore NHS Dumfries and Galloway's control environment includes externally provided services from:

- NHS National Services Scotland (NSS) provision of Practitioner and Counter Fraud Services (primary care payments) and the national IT controls (including the ePayroll system)
- NHS Ayrshire and Arran provision of the National Single Instance eFinancials service
- Elcom who provide Professional Electronic Commerce Online System (PECOS) the eProcurement system used by NHS Boards across Scotland

44. The NHS in Scotland procures several service audits each year to provide assurance on the controls operating within the shared systems. As part of our overall audit approach we consider the evidence from service auditors of NHS NSS and NHS Ayrshire and Arran to inform our risk assessment procedures.

45. The Practitioner and Counter Fraud Services the Type II service audit resulted in an unqualified opinion, i.e. the controls tested operated effectively during 2024/25.

46. The national IT services contract the Type II service audit 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. This service audit report does not cover systems back-up and disaster recovery controls for the ePayroll system. Therefore, an assurance gap exists in relation to this.

47. NHS Ayrshire and 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 in previous years for the IT general controls, system backup and disaster recovery remains. Although this assurance gap did not impact on the board's systems this year, there remains a risk for future years. All boards should ensure that going forward they are satisfied that controls over the NSI eFinancials system are adequate in the absence of these service auditor assurances. NHS Ayrshire and Arran are working with NHS National Services Scotland to expand the service audit scope to cover this assurance gap for 2025/26.

48. These service audit reports were presented to the Audit and Risk Committee meeting on 16 June 2025 and have been referred to in the

Governance Statement included within the board's 2024/25 Annual Accounts.

49. NHS Dumfries and Galloway uses the PECOS purchase to pay application. The PECOS application is available to all Scottish public sector bodies under the SG (SG) eCommerce shared service license agreement. In November 2024, the hosting arrangements of the PECOS application changed from being held at the SG's Saughton House data centre to being held and managed externally from the SG by third-party provider, Elcom.

50. While the SG own the contractual arrangement with Elcom, it is for individual bodies to ensure themselves that there are appropriate application and hosting controls in place at Elcom. NHS Dumfries and Galloway has not received any assurances around the operation of these controls at the third-party provider.

51. NHS Dumfries and Galloway is satisfied that there have been no issues around service performance or availability of information to support the preparation of the financial statements and there is no adverse impact on the board's system of internal control or governance arrangements in respect of the use of the PECOS application.

52. We have considered the content of these service auditor assurance reports. We have received adequate audit assurances on the board's financial systems from our audit work, and our audit opinions are not impacted by the service auditor qualifications.

Director of Finance retiral

53. The board's Director of Finance retires at the end of June 2025 and interim arrangements will be put in place to fill this role until a permanent appointment is made.

Financial sustainability

Main judgements

The three-year financial plan for 2025/26 – 2027/28 shows the board's services are not sustainable. To achieve breakeven in 2025/26 the board is forecasting it requires additional financial support of £28 million from the SG. However, the SG has informed the board that for 2025/26, it must not exceed a net financial deficit of £25 million and expects the board to develop a recovery plan to reduce expenditure and operate within this set limit.

The Board has been unable to identify how these additional savings will be achieved and it may need to report an overspend against its financial revenue spend target in the 2025/26 accounts. The board is continuing to work with colleagues in the SG's Health Finance Financial Delivery Unit to consider options to reduce expenditure to deliver an improved financial outturn.

These challenges are not new, the Board received additional non-recurring financial support in 2022/23, 2023/24 and 2024/25 totalling £58.5 million.

A Tactical Approach to Financial Recovery and Transformation document has been developed to summarise savings and service transformation plans alongside the three-year financial plan.

Financial balance now requires radical reform of health services. Difficult decisions need to be taken on what services may need to be reduced or stopped. Future financial plans must demonstrate how its services will be changed to reflect the funding it will receive.

Total staff costs have increased by 6.5 per cent in 2024/25 to £280.486 million. One of the board's ongoing challenges is recruiting staff. While vacancy rates have reduced this year, ongoing vacancies remain. Expenditure on agency staff decreased by 21 per cent to £13.7 million in 2024/25.

To respond to increasing NHS pressures a new national planning framework and plans for reform and improvement

are due this year. This should help boards to plan with more certainty for the future

54. As highlighted in Audit Scotland's [*NHS in Scotland 2024: Finance and performance*](#) report, the SG needs a delivery plan that clearly explains to the public how it will reform the NHS and address the pressures on services. Difficult decisions will need to be made about transforming services and, potentially, what the NHS stops doing. This requires both SG and NHS leaders to show greater leadership.

55. Audit Scotland's May 2025 report 'NHS in Scotland Spotlight: Governance' says NHS boards operate within parameters set by Scottish Government which impacts on how well they can plan and make decisions to deliver the reform needed. It notes that NHS boards' ability to drive reform is constrained by the financial, policy and planning parameters set by the Scottish Government. A new planning framework is being put in place and new national strategies and plans for reform and improvement are due this year. Dealing with this change will be challenging. But it should help give boards greater certainty and enable them to work more collaboratively to deliver reform.

The board's three-year financial plan for 2025/26 – 2027/28 shows significant projected deficits for each year

56. In our 2024/25 Annual Audit Plan we identified financial sustainability as a wider scope risk. The board's draft three-year financial plan for 2025/26 – 2027/28 was submitted to the SG and presented to the Board meeting on 7 April 2025. The development of the plan included discussions with the SG and internal workshops with the Directors and General Managers. Meetings were also held with other boards to discuss planning assumptions.

57. The draft three-year financial plan for 2025/26 – 2027/28 shows that the board would start 2025/26 with an estimated £48.9 million deficit. The financial plan shows forecasted in-year deficits over the three-year period (£33.6 million in 2025/26, £34.1 million in 2026/27 and £27.4 million in 2027/28). The financial plan shows a 3 per cent recurring savings target on baseline budgets each year (£12.8 million in 2025/26, £13.4 million in 2026/27 and £13.8 million in 2027/28). In addition, a 2 per cent non-recurring savings target on baseline budgets has been set for each year (£8.5 million in 2025/26, £9 million in 2026/27 and £9.2 million in 2027/28). Therefore, the total savings target over the three-year period is £66.7 million.

58. The Financial Performance Update Report presented to the Performance and Resources Committee on 2 June 2025 provided an update on the board's draft three-year financial plan for 2025/26 – 2027/28 submitted to the SG on 17 March 2025. The report included, as an appendix, a letter dated 31 March 2025 from the SG confirming receipt of the board's three-year financial plan. The letter highlights that:

- given the fact that the board has significant outstanding brokerage at the end of 2024/25 and the forecast position for 2025/26

represents a further decline in the board's financial sustainability, the SG cannot approve the board's three-year financial plan

- the board must not exceed a net financial deficit of £25 million in 2025/26. The SG has stated that it expects NHS Dumfries and Galloway, with support from the Board, to develop a recovery plan to reduce expenditure and operate within this set limit and for this recovery plan to be submitted to the SG for review by 7 June 2025
- the board must deliver a minimum 3 per cent recurring savings target, progress against which will be monitored monthly
- the board is to continue to work with colleagues in the SG's Health Finance Financial Delivery Unit to consider options to reduce expenditure to deliver an improved financial outturn.

A Tactical Approach to Financial Recovery and Transformation document provides a summary of savings and service transformation for 2025 to 2028, to sit alongside the three-year financial plan

59. The Financial Performance Update Report highlights that a significant amount of work was completed to ensure that the board was in a position to respond to the SG by 7 June 2025. The work undertaken by the board included:

- A Tactical Approach to Financial Recovery and Transformation document has been developed with the FRB to sit alongside the three-year financial plan.
- Development of a savings and service transformation workplan to track not only cash releasing savings but to ensure that efficiency, productivity and cost avoidance savings are captured. To date savings of around £15 million identified, a review in the confidence to deliver is still being refined, however initial estimates suggests that there is high confidence for approximately 75 per cent of this. The shortfall on identified schemes continues to be worked on an overview of current know position is included as an appendix to the report
- Development of an approach for a clinical change programme, details of which will be provided at a later meeting Budget letters have been issued to all board Directors and General Managers setting out the financial parameters they are expected to work within for 2025/26, formal responses have been received from all. The first formal review of delivery against this will be completed as part of the Quarter 1 review
- Fortnightly meetings of FRB to assess the board's approach to the financial position for 2025/26 and the scale of the challenge to deliver a further level of savings, in addition to the already ambitious savings target and measures the board already has in place to achieve the current financial plan.

60. As a result of all of the above, the draft 2025/26 financial plan was updated for resubmission to the SG by 7 June 2025. However, this shows that the forecasted deficit for 2025/26 is £32 million (after deduction of 5 per cent savings target of £21.3 million), which is a reduction of £1.6 million on the forecasted deficit for 2025/26 of £33.6 million contained in the draft three-year financial plan submitted to the SG on 17 March 2025.

61. An update report on the financial plan for 2025/26 – 2027/28 was presented to the Board on 9 June 2025. The report highlights that, having considered all the work that has been undertaken to review this position and the current assessment of risk associated with savings schemes, some improvements in the plan have been made and the current plan is forecasting a £28 million deficit for 2025/26 which is a further reduction on the previous forecasted deficits. This is after a reworking of assumptions in relation to a range of technical and other non-recurring improvements in the position and also reflects a small improvement in the 2026/27 and 2027/28 forecasted deficits (£33.1 million and £26.4 million respectively). The Board approved the revised financial plan for 2025/26 – 2027/28 for submission to the SG recognising that the plan remains out of balance with the expectation of the SG by £3 million. The Board has been unable to identify how these additional savings will be achieved and it may need to report an overspend against its financial revenue spend target in the 2025/26 accounts. The board is continuing to work with colleagues in the SG's Health Finance Financial Delivery Unit to consider options to reduce expenditure to deliver an improved financial outturn. The SG confirmed on 13 June 2025 that, while the board's forecast deficit of £28 million for 2025/26 does not fully meet the maximum permitted overspend of £25 million, it was content to accept the plan as submitted on the basis any unexpected in year benefits are used to bridge the £3 million gap with any in year pressures being managed within existing budget.

62. The Tactical Approach to Financial Recovery and Transformation document provides a summary of savings and service transformation for 2025 to 2028 as follows:

- Finance - Direct, tangible savings through cash-releasing or avoidance measures such as medicines optimisation, workforce stabilisation, and operational efficiencies. 51 savings schemes have been identified with tangible savings of around £15 million.
- Optimisation - Productivity improvements that enhance efficiency and resource use, without immediate financial return. 7 savings schemes have been identified with the productivity gains value to be confirmed.
- Transformation - Service redesign and system change to enable long-term sustainability and future-ready models of care. 22 savings schemes have been identified with the productivity gains value to be confirmed.
- Prevention - Early intervention and population health measures that support future cost avoidance and improved outcomes. 14 schemes have been identified which would provide intangible benefits.

63. The key financial challenges (rated as Very High) outlined in the Tactical Approach to Financial Recovery and Transformation document, are: prescribing costs, increased bed days, reliance on temporary staffing, under delivery of efficiency savings and a lack of capacity in community and social care infrastructure.

64. It is the board's responsibility to lay out in its plans the options available to deliver a level of services, within its available funding, and reduce the residual financial gap. Financial balance for the board now requires radical reform of health services. Difficult decisions need to be taken on what services may need to be reduced or stopped. Future financial plans must demonstrate how its services will be changed to reflect the funding it will receive.

Agency staff costs have decreased by 21 per cent to £13.7 million in 2024/25

65. Total staff costs have increased from £263.299 million in 2023/24 to £280.486 million in 2024/25 (6.5 per cent increase). The 2024/25 year-end financial outturn report notes agency staff costs have decreased significantly, from £17.4 million in 2023/24 to £13.7 million in 2024/25 (a decrease of 21 per cent). The use of agency staff is directly related to both availability of staff, depleted during the period due to continuing vacancies and levels of absence, and to growing levels of activity and demand for services throughout the board in all operational directorates. The 2024/25 year-end financial outturn report highlights that the reduced agency expenditure contributed £1.6 million to the efficiency savings achieved in 2024/25.

The board's workforce data is reported regularly to committee

66. The Quarterly Workforce Data Report presented to the Staff Governance Committee meeting in March 2025 shows that as at December 2024, the board had 4,098 WTE staff in post, with the total number of vacancies comprising 82.3 WTE in Nursing and Midwifery, 12.2 WTE in Allied Health Professionals (AHP) and 14 WTE in Medical and Dental Consultants. The report notes that, with the exception of Medical and Dental Consultants, these vacancy rates are lower than a year ago. The report also shows that the number of WTE staff has increased by 1.1 per cent from the previous year.

67. Quarterly Workforce Data Reports are presented to each meeting of the Staff Governance Committee (SGC), the minutes of which are taken to relevant meetings of the Board. These quarterly reports allow members to monitor the board's statistics in relation to staff numbers, vacancies, time to hire, hard to fill posts, redeployment of staff, leavers, staff absences staff appraisals, staff training, staff accidents/incidents, employee relations, a 'latest headlines' section providing the most up to date board wide summary and a directorate level headlines section for each directorate. The Acute Directorate continues to work with the Workforce Sustainability Team to ensure that the board continues to attract, recruit and retain the best possible candidates for hard to fill vacancies.

Sickness absence levels are higher than the national performance standard but lower than the NHS Scotland average

68. NHS Dumfries and Galloway like most NHS boards is continuing to find it difficult to achieve the national performance standard of 4 per cent for sickness absence despite measures to maximise attendance at work. As at March 2025 the sickness absence rate was 5.85 per cent compared to 5.97 per cent at March 2024. The board's sickness absence rate is less than the NHS Scotland average of 6.45 per cent.

69. Short-term sickness (STS) rates have mainly been higher than NHS Scotland since the start of 2019 apart from July 2022 to March 2023. Long-term sickness (LTS) rates have been mainly lower since the start of 2019 apart from March/April/July 2021 and October 2023. The Acute Directorate looking to deliver further attendance management training and HR and the Deputy General Manager are meeting monthly to review long term sickness absence. There is ongoing focus on absence management, including training and regular meetings with stakeholders. There is a Short Life Working Group on Attendance across all directorates to look at various health and wellbeing initiatives to support staff moving and reduce absence moving forward.

Vision, leadership and governance

Main judgements

The board has a Strategic Statement which sets out the board's mission to 'support local people to live healthy, happy, active and fulfilling lives,' supported by the Annual Delivery Plan.

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.

The board undertook a review of its governance arrangements during 2024/25 and the board's self- assessment against the NHS Scotland Blueprint for Good Governance, identified no significant areas for improvement.

The Chief Internal Auditor is reporting progress on improvement actions from an External Quality Assessment (EQA) to the Audit and Risk Committee.

The board is continuing to monitor the impact of the 2024 cyber-attack. A follow up report providing an overview of the board's response and recovery, is helping to mitigate the risk of future cyber-attacks.

The Strategic Statement sets out the board's mission to 'support local people to live healthy, happy, active and fulfilling lives,' supported by the Annual Delivery Plan

70. The board's [Tactical Priorities for 2024/25](#) are included in the 2024/25 Annual Delivery Plan (ADP) that was presented to the meeting of the Board on 8 April 2024. The ADP is one of the performance measures for monitoring and addressing these priorities. The tactical priorities flow from the board's [Strategic Statement](#) which was update in April 2023. The Strategic Statement sets out the board's mission to 'support local people to live healthy, happy, active and fulfilling lives'. The statement goes on to set out the vision and seven key ambitions that it feels are fundamental to achieving excellence in healthcare.

71. Reporting of progress on the delivery of the 2024/25 ADP is discussed further in the Use of Resources to Improve Outcomes section of this report.

Overall governance arrangements operated effectively throughout the year. The board undertook a review of its governance arrangements during 2024/25 and the board's self- assessment against the NHS Scotland Blueprint for Good Governance, identified no significant areas for improvement

72. The NHS Scotland Blueprint for Good Governance (Second Edition) November 2022 was presented to the Board in February 2023 as part of a Corporate Governance Update report. As part of the implementation of the Blueprint, all boards were required to undertake a self-assessment with all of the Board members and then to hold a workshop to review the responses and draft up an action plan to address any gaps in information or improvements that could be made to existing processes.

73. The Corporate Governance Update report presented to the Board meeting on 10 February 2025 included the Blueprint for Good Governance Action Plan Update which highlighted that, *"As part of the implementation of the Blueprint, all Health Boards in Scotland were required to undertake a Self-Assessment with Board Members and then hold a workshop to review the responses, which was held on 19 February 2024, and draft up an action plan to address any gaps in information or improvements that could be made to existing processes. At the NHS Board meeting in August 2024, Members formally approved the action plan for submission to SG and agreed that the action plan will be developed over the coming months as a live action list and will encompass all governance actions that are identified, with the plan being included in the Corporate Governance update papers to Board on a quarterly basis, demonstrating progress that has been made against the actions, which have been completed and highlighting any new actions.*

74. *The last update on the Action Plan was taken to NHS Board in October 2024. Since then, a review of the timelines and detail within the draft plan was undertaken with the Corporate Business Manager and Director of Finance, the outcome of the discussions were:*

- *No new actions have been added since the last update to Board in October 2024.*
- *Progress updates on each of the live actions is included in the end column of the action plan at Appendix 2.*
- *3 actions have been closed since the last update in October 2024, now giving 10 out of the 26 actions on the plan noted as complete."*

75. We concluded that the board's governance arrangements have continued to operate effectively during the financial year and they support good governance and accountability. Board members provide adequate

scrutiny and challenge at regular meetings to ensure the board's performance is effectively reviewed.

Business continuity planning arrangements are being improved

76. As part of the board's response to the recent cyber incident discussed below, all General Managers and Directors were asked to review their BCPs and this is ongoing.

77. The Financial Reporting Quarterly Update to the Audit and Risk Committee on 28 April 2025 highlighted that, *"The Board had a Strategic Debrief carried out by SG on the 4 October 2024, following lessons learned from NHSDG Cyber-attack. Identified from the report was that Major Incident Plans need to consider non-clinical incidents, such as breach of information governance, but appreciated that this has never occurred in NHS Scotland to this extent, and it was new territory for all HBs. 90% of Major Incidents will still remain clinical, but NHSDG are revising the BCPs to reflect non-clinical incidents and officers are currently working on updating the IT plan in regards to this. We are in the middle of an Internal Audit which is being carried out by external provider, who will provide the organisation with overall lessons learned and action improvement recommendations for Audit and Risk Committee in April 2025, which will help push things on. The board BCP database is being actively updated at present with associated work to update the on-call GM & Execs folder to improve access to vital content. Still require bringing all Directorates onto the one database, but this is a large project that will require dedicated resource and time. Action Cards are available for reasonably foreseeable incidents within BCP however, key to BC management within NHSDG is the implementation of an Incident Management Team or Command Structure, dependent on level and scale of incident, with suitable membership to address prevailing circumstances. This has proved successful in relation to all of our recent responses. However, action cards for new and emerging issues, e.g. Cyber are being developed and factored into all Business Continuity Plans. A new Head of Emergency Planning & Resilience Role has been advertised and it is understood completion of actions associated to this recommendation will be progressed further as part of this new role."*

Executive and non-executive members demonstrated effective leadership, challenge and scrutiny of the board's activity and performance in 2024/25

78. There has been no significant change to the board's governance arrangements during 2024/25.

79. The Board of NHS Dumfries and Galloway is supported by six committees, including the Audit and Risk Committee. From review of Board and committee minutes and papers, we found that there was clear and transparent reporting and decision making. Board members provide adequate scrutiny and challenge at these meetings to ensure the Board's performance is effectively reviewed. Going forward, the executive and

non-executive directors will have some challenging decisions to make with regard to how services are best delivered in the current financial climate.

80. Through our attendance at Audit and Risk Committee meetings, we concluded that committee papers were well prepared (and in sufficient time in advance of meeting for review), adequate time was allowed to discuss the issues on the agenda and committee members were well-prepared and asked appropriate questions. This enables the Audit and Risk Committee to exercise effective scrutiny.

81. As required by the SG Audit Committee Handbook, officers circulated a copy of the self-assessment checklist to non-executive Board members who sit on the board's Audit and Risk Committee for completion each year. The Chair of the Audit and Risk Committee agreed that the self-assessment checklist for 2025 should be undertaken collectively by Audit and Risk Committee non-executive Board members. No significant issues were identified from this exercise.

The board conducts its business in an open and transparent manner

82. There continues to be an increasing focus on demonstrating the best use of public money. Transparency means that the public have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources.

83. NHS Dumfries and Galloway's commitment to transparency is demonstrated by:

- public availability of board papers and minutes of committee meetings
- the annual accountability review (where members of the public can attend)
- the form and content of annual reports.

84. NHS Dumfries and Galloway Board meetings have taken place in a hybrid environment since April 2023, and during 2024/25 there were six meetings with recordings published on the board's website after the meeting which demonstrates transparency.

85. As an alternative to public access to committee meetings, minutes of all meetings are available through the Board papers. We concluded that the board conducts its business in an open and transparent manner.

The Chief Internal Auditor is reporting progress on improvement actions from an External Quality Assessment (EQA) to the Audit and Risk Committee

86. The Board also obtained independent assurance on its governance arrangements from Internal Audit. The Chief Internal Auditor concluded that there were adequate and effective internal controls throughout the year and that the Accountable Officer has implemented a governance

framework in line with required guidance sufficient to discharge the responsibilities of this role. However, we noted that, as confirmed by the Chief Internal Auditor, 76 per cent of all Internal Audit open actions were overdue as at 29 May 2025. The progress of the implementation of Internal Audit actions is monitored and discussed at each meeting of the Audit and Risk Committee. We recommend that management continue to work with Internal Audit to ensure that these overdue actions are implemented, addressed and completed as soon as is practicable. None of the outstanding actions impacted our audit approach.

87. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2024/25 we did not plan to place formal reliance on the work of internal audit to support our financial statements audit opinion. However, we considered internal audit report findings as part of our wider dimension audit work.

88. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that audit functions must have robust quality assurance and improvement processes in place. The standards state that Internal Audit functions should be externally assessed at least every 5 years to demonstrate that they are meeting the requirements PSIAS. Our 2023/24 Annual Audit Report noted that the Chartered Institute of Internal Auditors (CIIA) undertook an EQA of the board's Internal Audit function during the year and the final EQA report was presented to the Audit and Risk Committee meeting held on 29 April 2024.

89. The report highlighted that the CIIA's overall opinion is that the board's Internal Audit function 'partially conforms' to the IIA Standards, which means that the CIIA has concluded that the function is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics section, or major category, but falls short of achieving some major objectives. The EQA report contained fifteen recommendations, all of which were accepted by the Chief internal Auditor.

90. The Internal Audit Quarterly Report presented to the Audit and Risk Committee in April 2025 shows that of the fifteen recommendations made in the EQA report, ten are complete and the remainder are ongoing.

A Cyber Security Scotland Network and information systems (NIS) audit reported that NHS Dumfries and Galloway is a strongly-performing board with a clear commitment to the Network and Information System's audit programme

91. In 2024 a full Network and information systems (NIS) audit review was carried out by Cyber Security Scotland, against updated framework controls set out in the 2024 NISR audit guidance provided to health boards.

92. A summary of the NISR Review Report 2024 (December 2024) findings was included in the Information Assurance Quarterly Update Report which was presented to the January 2025 Audit and Risk Committee meeting. The NISR Review Report 2024 highlighted that,

“Overall compliance is at 77% a significant achievement. Importantly, a strong level of performance was demonstrated across the organisation with all 17 categories and 55 of the 68 sub-categories achieving a compliance of 60% or more; moreover nine categories attained levels of over 80%.” A key message of the NISR Review Report 2024 is that *“NHS Dumfries and Galloway remains a strongly-performing board with a clear commitment to the NIS audit programme as illustrated by the quality of the submission despite demanding circumstances”*. Areas for development were reported.

The board is continuing to monitor the impact of the 2024 cyber-attack. A follow up report providing an overview of the board’s response and recovery, is helping to mitigate the risk of future cyber-attacks

93. A focused cyber-attack on the board’s IT systems took place in late February 2024. Hackers accessed and subsequently published a significant amount of data including patient and staff information. The attack had no impact on the provision of healthcare to patients. We reported on the cyber-attack in our 2023/24 Annual Audit Report.

94. Since then, a Cyber Incident Assurance Report was presented to the Audit and Risk Committee meeting in January 2025 that provided details of the significant work undertaken by the board since the cyber-attack. The report provided an overview of the board’s response and recovery, including the work undertaken to mitigate the risk of future cyber-attacks.

95. The report concluded that an internal audit review of the incident and the board’s response will be carried out by an external provider in early 2025 and the results presented to the Audit and Risk Committee. In addition to this, a formal report is also being developed, which will be a high-level account of the incident and the lessons learnt both locally and nationally. Work on the report will be progressed upon completion of the internal audit review.

96. The internal audit review of the cyber incident carried out by an external provider was reported in draft form to the Audit and Risk Committee in April 2025. The final version of the report was considered at a special meeting of the Audit and Risk Committee held on 26 May 2025.

97. The report highlighted weaknesses in relation to the board’s cyber risk management arrangements, in particular the board’s failure to remediate critical vulnerabilities in a timely manner and escalate the issues to the Information Assurance Committee and Audit and Risk Committee. The risk management and information governance sections of the board’s 2024/25 Governance Statement include sufficient reference to the weaknesses identified and the recommendations made in this report.

The board has appropriate arrangements in place for prevention and detection of fraud and error

98. The board has a range of established procedures in place designed to maintain standards of conduct, prevent and detect bribery and corruption and prevent and detect of fraud and error.

The board is proactive in investigating matches and reporting the outcomes of National Fraud Initiative (NFI) activity

99. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

100. NFI data matches were issued to the board in December and January 2025 as part of the NFI exercise for 2024/25. An early meeting took place after the matches were issue to the board and officers undertook a review of the matches to identify the highest risk areas that might require early investigation.

101. The results of NFI activity are reported regularly to the Audit and Risk Committee by the Chief Internal Auditor and Financial Governance Manager. We concluded that the board is proactive in investigating matches and reporting the outcomes of NFI activity.

Use of resources to improve outcomes

Main judgements

Service performance against national waiting time standards is behind target as pressures are felt from increased demand.

The board's Medium Term Plan and 2024/25 Annual Delivery Plan set out the challenges facing the board and actions proposed to help the board improve performance levels.

The board has a performance management framework to support continuous improvement that will be refreshed in December 2025.

Officers regularly report to members on the arrangements in place to secure Best Value. The board's 2024/25 Best Value self-assessment showed no questions were assessed as red and out of the sixty-eight questions assessed, ten were given an amber rating with actions planned for each.

NHS Dumfries and Galloway's 2023-26 Medium Term Plan and 2024/25 Annual Delivery Plan set out the actions proposed to help the board improve performance levels

102. NHS boards are required to develop three-year integrated plans (Medium Term Plans), setting out a more strategic approach to planning and support programmes of service transformation, aligned with the NHS Recovery Plan and the Care and Wellbeing Portfolio. These three-year plans are underpinned by NHS boards Annual Delivery Plan (ADPs) and should be aligned to Financial Plans.

103. The board's 2024/25 Annual Delivery Plan (ADP) was approved by the Board on 8 April 2024 and the 2023-26 Medium Term Plan (MTP) was approved by the Board on 12 June 2023 before being submitted to the SG. The board's draft 2025/26 ADP was presented to the Board meeting held on 7 April 2025 with the final version being approved by the Board on 9 June 2025.

The board has a performance management framework to support continuous improvement that will be refreshed in December 2025

104. The board's performance management framework (PMF) 2022-25 was presented to the PRC in March 2023 for approval for implementation in April 2023. The PMF included Key Performance Indicators (KPIs) and details of interactive dashboard to highlight performance measures and outcomes to support the delivery of the PMF. The PMF was due to be refreshed in December 2023 but this has been delayed and it is planned to be reviewed in December 2025.

105. NHS boards are required to provide quarterly progress updates on the delivery of ADPs to the SG, these are also presented to the Performance and Resources Committee detailing the achievements and challenges faced in relation to the delivery of the ADP and the progress against each deliverable. At the meeting of the Performance and Resources Committee held in May 2024, a new summary performance report for April 2024 was presented which laid out the agreed basket of local and national performance indicators for 2024/25 and gave an overview of operational performance for key measures relating to the board's priorities for the year ahead. These were based on a selection of indicators across all domains of the organisation. and reflected many of the national indicators that are of interest to the SG and the public and also the board's local priorities.

Service performance against national waiting time standards is publicly reported

106. The Board is kept informed of performance across all areas and Board papers are publicly available. The detailed review and scrutiny of performance has been delegated to the PRC which meets quarterly. Summary service performance reports are presented to meetings of both the PRC and Board and provides an overview of operational performance for key local and national performance indicators relating to the board's priorities in the ADP, as set by the SG. These include waiting times for accessing treatment such as the proportion of patients that were seen within 12 weeks, otherwise known as the Treatment Time Guarantee.

Service performance against national waiting time standards is behind target as pressures are felt from increased demand

107. The Performance Report section in the board's 2024/25 Annual Report and Accounts contains a summary of the board's non-financial performance. This section highlights that, for 2024/25, the content of the summary performance reports presented to each Board meeting was in a markedly different format from previous year. As noted in paragraph 105 above, the performance metrics reported to the Board during 2024/25 reflect the national indicators that are of interest to the SG and the public, in addition to the board's local priorities. The Board agreed that the 2024/25 summary performance reports should comply with the following criteria:

- Be holistic across the organisation, covering all domains of People, Quality, Audit and Risk, Finance and Efficiency, Service, Climate and Inequality
- Include charts
- Reflect the board's realistic ambitions for delivery and risk appetite, through its Target Operating Model
- BRAG status should reflect progress against the realistic ambitions.

108. In terms of the board's performance against the national waiting time standards, [Exhibit 7](#) (on page 39) shows activity and waiting times for acute services and [Exhibit 8](#) (on page 40) provides a comparison of current waiting times compared to prior years.

109. Some of the largest percentage increases in [Exhibit 7](#) are in relation to waiting times, with the most significant being the number of patients waiting longer than 6 weeks for diagnostic tests which has increased by 316 per cent from March 2021 to March 2025. The impact of increases in waiting times is also reflected in [Exhibit 8](#) which shows the percentage of inpatients or day cases that were seen within 12 weeks has reduced. [Exhibit 8](#) shows that the board's performance is better than the NHS Scotland average for a number of standards including cancer waiting times and accident and emergency waiting times.

110. Summary service performance reports are presented regularly to the PRC and Board which are prepared by the board's Interim Chief Operating Officer who is also the Interim Chief Officer of the IJB. The reports provide an update on performance against local and national targets (national targets are shown in [Exhibit 8](#)) set by the SG and include waiting times for accessing treatment.

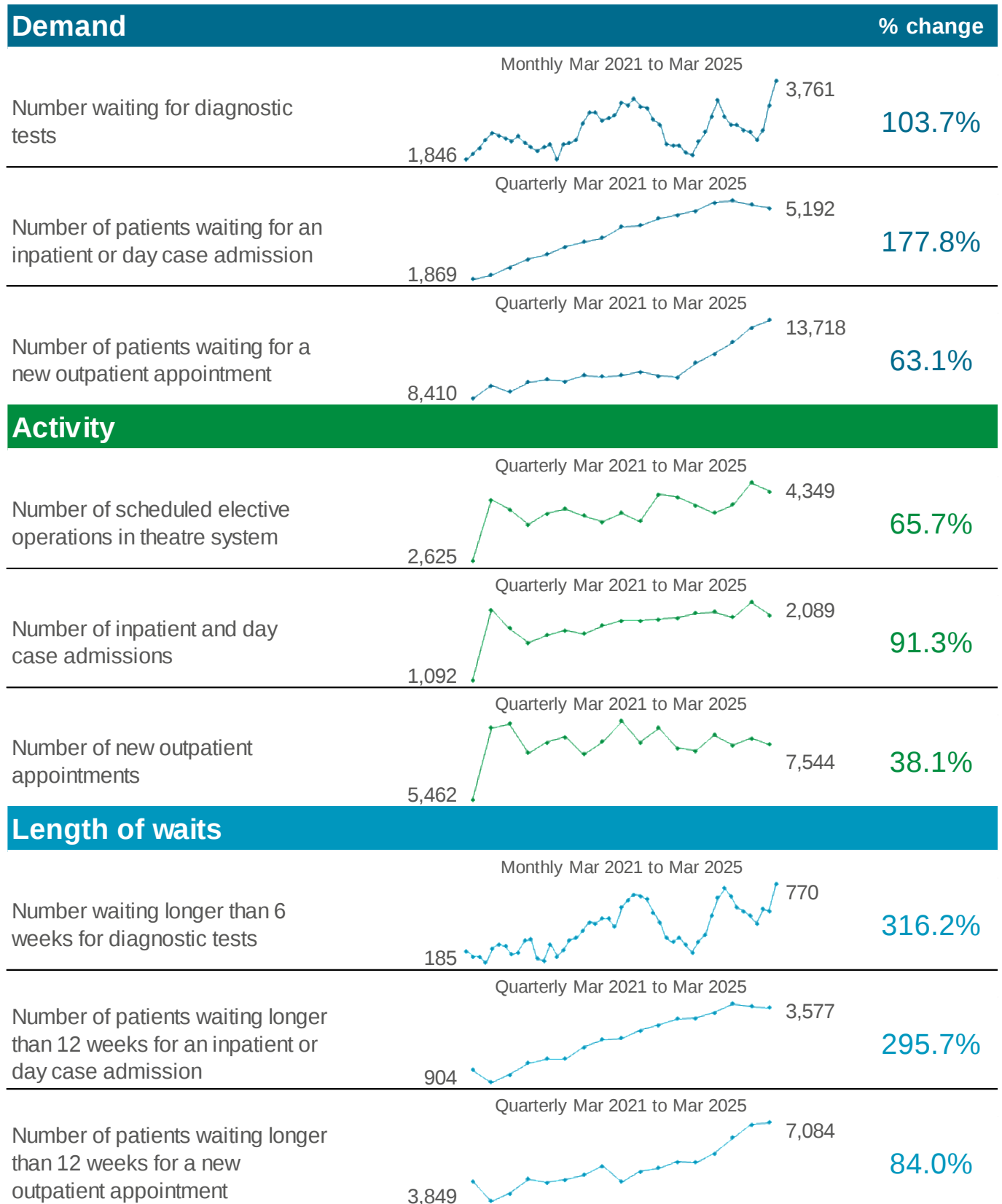
Exhibit 7**Trends in demand and activity for acute services**Source: [Public Health Scotland](#)

Exhibit 8**National waiting time standards**

Target/standard	Performance at March 2023	Performance at March 2024	Performance at March 2025 ¹	NHS Scotland Performance at March 2025 ¹
Cancer 62 Days RTT Proportion of patients that started treatment within 62 days of referral	80.7%	85.5%	80.6%	73.5%
18 Weeks RTT Proportion of patients that started treatment within 18 weeks of referral	69.7%	61.8%	63.8%	68%
Patient Treatment Time Guarantee (TTG) Proportion of inpatients or day cases that were seen within 12 weeks	55.4%	52%	51.2%	56.7%
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	62%	55%	48.4%	41.4%
A & E attendees Proportion of A & E attendees who were admitted, transferred or discharged within 4 hours	79.4%	76.5%	76%	70.6%
Cancer 31 Days RTT Proportion of patients who started treatment within 31 days of decision to treat	98.8%	95.9%	98.6%	94.7%
Drug and Alcohol 21 Days	91.2%	96.8%	99.2%	95.5%

Proportion of drug and alcohol patients that started treatment within 21 days

CAMHS Waiting Times	99.1%	64.1%	100%	91.6%
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Proportion of patients seen within 18 weeks of referral

Psychological Therapies Waiting Times	62.1%	62.5%	54.2%	78.6%
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Proportion of patients that started treatment within 18 weeks of referral

Note. 1: Where March 2025 data is not yet available, the most recent validated data is used. Data for 18 Weeks RTT, Cancer and Drug and Alcohol is at December 2024.

Source: [Public Health Scotland](#)

Officers regularly report to members on the arrangements in place to secure Best Value

111. In our 2023/24 Annual Audit Report we highlighted that we were satisfied with the board’s approach for its annual Chief Executive Self-Assessment of Best Value. The annual 2024/25 Best Value Self-Assessment was presented to the meeting of the Audit and Risk Committee on 16 June 2025 following formal review and approval by the BMT. The self-assessment shows each question assessed is reported in a red, amber and green format and includes columns detailing the evidence/outcome and actions planned for those questions with an amber or red status. No questions were assessed as red and out of the sixty-eight questions assessed, ten were given an amber rating with actions planned for each (ten had an amber rating in 2023/24).

This board has adequate arrangements to secure Best Value in relation to equalities and has improved its EQIA monitoring process

112. In our 2023/24 Annual Audit Report we concluded that the board demonstrates a commitment to securing Best Value in relation to equalities through areas such as the creation of four staff equality networks, community and staff engagement, extensive Equality Impact Assessment (EQIA) support and guidance and a range of formal equality and diversity learning opportunities available to staff. It is important that the board continues to promote and encourage staff engagement in EQIAs to ensure equality impacts are appropriately considered. We noted that upon completion of EQIAs there was no formal follow-up process in place to

ensure that actions identified are appropriately considered and addressed. Therefore, we recommended that local leads introduce a formal EQIA monitoring process to ensure equality impacts identified are being addressed.

113. Officers advised that a refreshed EQIA toolkit went to the Board Management team (BMT) in June 2024 that now includes a separate summary sheet where EQIA leads are required to highlight any identified negative impacts, any mitigations and a lead identified for ensuring that any mitigations are followed up and actioned. EQIA training now includes content that supports this approach.

Appendix 1

Action plan 2024/25

We have not made any new audit recommendations as part of this year's audit.

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Enhanced Depreciated Replacement Cost Asset Impairments The Financial Reporting Manual (FReM) and NHS Capital Accounting Manual require that any Depreciated Replacement Cost Asset addition/enhancement that is valued lower than the initial cost should be treated as an impairment loss and charged to operating costs/SOCNE, with the impairment loss being recognised within the cumulative depreciation section of the Property, Plant and Expenditure note. The current treatment does not comply with this approach. Impairment losses are netted against the revaluation figures and taken to the revaluation reserve as a downward revaluation. <i>Risk: future accounts are materially misstated.</i>	The board should consider improvements to their current methods of componentisation, recognition and valuation of enhancements/Assets Under Construction (AUC), including: • Recognising or tracking components in a way that allows the value of the old component to be identified and derecognised as required by IAS 16 when replacement of key components or aspects of the building occurs • Ensuring that, where enhancements occur, assets are grouped together and recognised in a way that most accurately reflects the type of assets and their useful lives. <u>Original Management Response:</u> If there are significant enhancements to any building, advice will be sought from an independent valuer to identify any impairment in the enhancement. Financial Accountant March 2025	Implemented There were no instances of significant enhancements to buildings during the year to be reflected in the board's 2024/25 annual accounts.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. Dilapidations The board holds right of use asset and liabilities for Lockerbie Health Centre and Castle Douglas Medical Group (2023/24 annual lease charges of £0.234m). Both lease agreement terms note an expectation of dilapidations required at the end of the lease. However, no dilapidation provisions have been included in the 2034/24 accounts. <i>Risk: future accounts are materially misstated.</i>	The board should consider the inclusion and reflection of a dilapidation provision for both of these leases. <u>Original Management Response:</u> Noted, will be reviewed by Finance to determine if provision for dilapidations should be created. Financial Accountant March 2025	Implemented Chartered surveyors undertook dilapidation surveys at all relevant properties and these are reflected within provisions in the 2024/25 annual accounts.
3. The predicted 2024/25 financial gap is £10.9 million higher than the SG support cap for 2024/25 Planned efficiency savings are not enough to close the predicted financial gap in 2024/25 and financial recovery in the medium to longer term will require radical reform of health services. There is currently no clear plan to develop further measures to reduce the board's residual financial gap towards the brokerage cap set. <i>Risk: the board does not meet its financial targets in 2024/25.</i>	The board's future financial plans must demonstrate how its services will be delivered within the funding it will receive. The board must monitor and challenge progress. <u>Original Management Response:</u> Regular reporting through FRB, Performance and Resources Committee and NHS Board. Director of Finance April 2025	Work in progress The board received additional financial support of £26.2 million to close the deficit in 2024/25 which allowed the board to report an underspend of £0.180 million at the year-end. The board resubmitted an updated three-year financial plan for 2025/26 – 2027/28 to the SG alongside a Tactical Approach to Financial Recovery and Transformation document which provides a clear overview of the approach locally. See Paragraph 34. and Paragraph 59.
4. Equalities Upon completion of EQIAs there is currently no formal follow-up process in place to ensure that actions identified are appropriately considered and addressed. The leads for activity are responsible for	It is recommended that local leads introduce a formal EQIA monitoring process to ensure equality impacts identified are being addressed. <u>Original Management Response:</u>	Implemented See Paragraph 113.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
ensuring that EQIAs are completed. <i>Risk: the board is not aware of actions not being progressed.</i>	A refreshed EQIA toolkit went to BMT June 2024 that now includes a separate summary sheet where EQIA leads will have to pull out any identified negative impacts, any mitigations and a lead identified for ensuring that any mitigations are followed up and actioned. We will include content and highlight within the EQIA training that supports this approach. Equality Lead June 2024	
5. Accounting treatment for revaluation of land and buildings In our 2022/23 Annual Audit Report we identified that the board's annual accounts did not disclose the transfer from the revaluation reserve to the general fund to account for the realised element of the revaluation reserve, i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost. During 2024/25 officers completed an exercise to estimate the transfer of the realised element of the revaluation reserve from the estimated initial cost to the 31 March 2024 valuation. The overall approach, methodology and inputs have been reviewed and have been concluded as reasonable. However, using the CARS system to perform the work going forward could help the board reduce	The board should continue to consider how the CARS system could be used going forward to support this recognition, reducing manual time and potential errors. <u>Original Management Response:</u> The Board will continue to review this annually using a method outwith CARS. Divisional Finance Manager Closed	No further action required

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
manual time from officers and potential errors. <i>Risk: future accounts are materially misstated.</i>		

NHS Dumfries and Galloway

2024/25 Annual Audit Report

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