



NHS Fife

2024/25 Annual Audit Report to the Board and the
Auditor General for Scotland

June 2025

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Key messages

Financial statements audit

Audit opinion	Our independent auditor's report is unqualified in all regards.
Audit approach	Our audit approach has been based on gaining a thorough understanding of the Board and group's control environment and has been risk based. This included: • An evaluation of the Board and group's internal control environment, including the IT systems and controls; and • Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to our key audit risks. We have not altered our audit plan.
Key audit findings	The Board had sufficient administrative processes in place to prepare the annual report and accounts. We have obtained sufficient evidence in relation to the significant audit risks identified in our audit plan. The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Audit adjustments	One adjustment has been identified and made through the course of the audit. This was: • Re-classification of intangible asset under development from PPE assets under construction to intangibles. We also identified some minor disclosure and presentational adjustments during our audit, which have been reflected in the final set of financial statements.

	Details of the adjusted misstatements are included at Appendix 2.
Internal controls	The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses. No material weaknesses or significant deficiencies were noted.

Wider scope of public audit

Financial Management Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	Auditor judgement	
	Risks exist to the achievement of operational objectives	
	NHS Fife met all its key financial targets in 2024/25. This position was achieved through over-delivery of the Board’s savings target, and slippage in the Board’s funding allocation for Agenda for Change non-pay reform . Additionally, for the third consecutive year, repayable financial brokerage was required from the Scottish Government. NHS Fife delivered £26.592million of savings; 70% on a recurring basis. This represents a significant improvement from the previous year and a notable achievement when the health sector continues to face substantial financial challenge and uncertainty. We identified no significant weaknesses in accounting and internal control systems during our audit.	

Financial Sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services and the way in which they should be delivered.

Auditor judgement

Significant unmitigated risks affect achievement of corporate objectives



NHS Fife continues to face one of the biggest financial challenges in its history. The 2025/26 - 2027/28 financial plan shows that £121.184million of recurring savings are required over this three-year period to discharge the board’s statutory financial duties and achieve financial sustainability.

NHS Fife approved the projects required to save £28.573million (representing 3% efficiency savings) of the 2025/26 target which will continue to be delivered through the Reform, Transform and Perform (RTP) framework. The focus of these projects for 2025/26 onwards is on service transformation with a sharper focus on recurring savings, workforce redesign, digital transformation and system-wide efficiencies.

NHS Fife has recognised the importance of taking a whole system approach to transformation; however, it is important that the pace of the transformation work is appropriate and effective in order to reduce the risk to the Board’s financial sustainability in the medium to longer term.

Vision, Leadership and Governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Auditor judgement

Effective and appropriate arrangements are in place



Governance arrangements throughout the year were found to be satisfactory and appropriate. We are satisfied that the Board continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.

Good progress is being made against NHS Fife’s Blueprint for Good Governance improvement plan. 75% of actions are complete and the two outstanding actions in relation to Diversity and Equality and the Assurance Framework are currently on track to meet the deadlines.

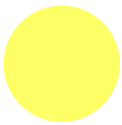
Appropriate arrangements are in place to oversee and monitor the delivery and impact of the Population Health and Wellbeing Strategy.

**Use of Resources to
Improve Outcomes**

Audited 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. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Auditor judgement

Risks exist to achievement of operational objectives

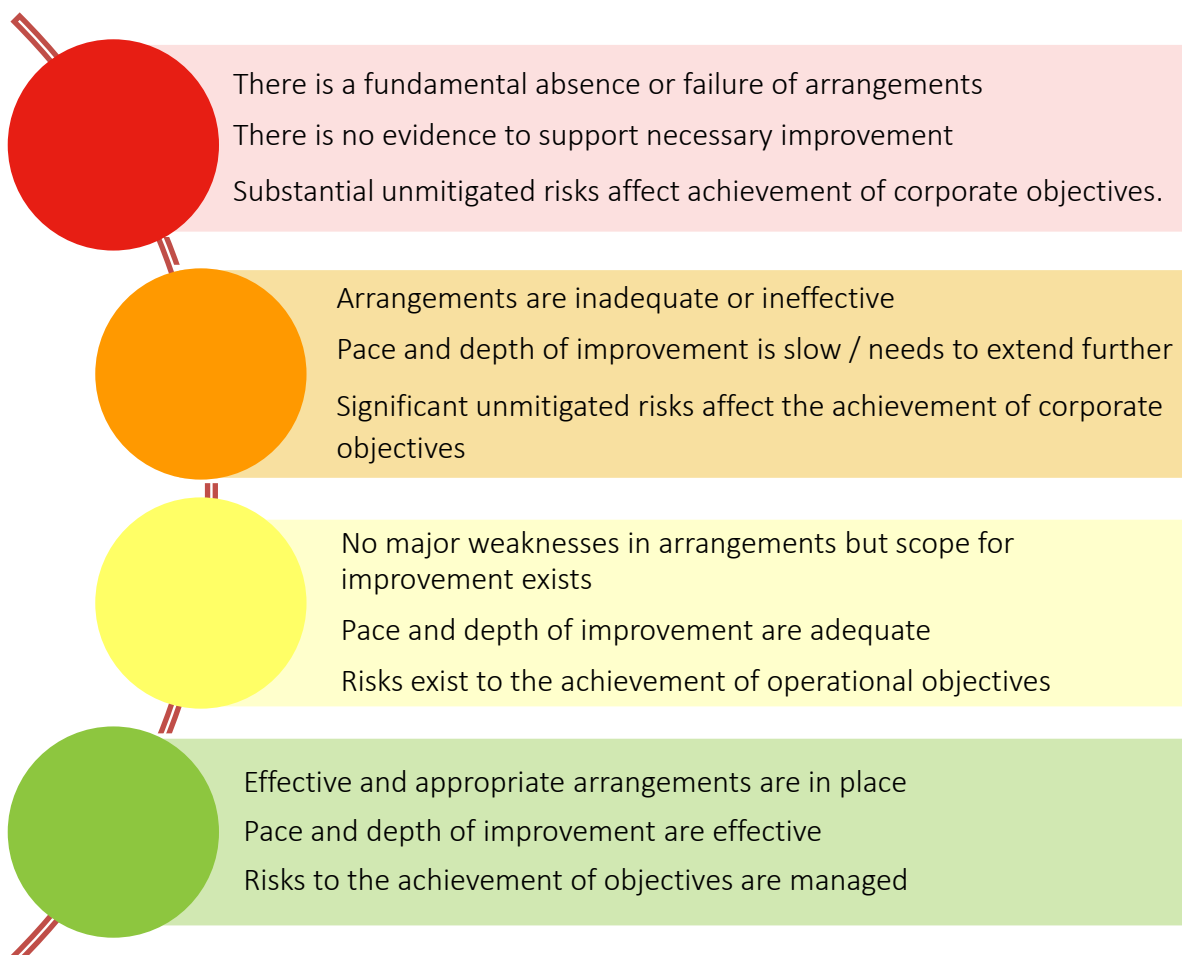


NHS Fife continue to have appropriate performance management processes in place that support the achievement of value for money. Despite this, the ongoing effects of the COVID 19 pandemic continue to exacerbate already tough core service delivery challenges, and performance against the majority of KPIs have declined again since the prior year.

There is a risk that the level of transformation required to achieve a financially sustainable position may impact further on service performance, availability and quality.

Definitions

We use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



Introduction

Scope of audit

The annual external audit comprises the audit of the financial statements and other reports within the annual report and accounts, and the wider-scope audit responsibilities set out in Audit Scotland's Code of Audit Practice. [Code of Audit Practice 2021 | Audit Scotland](#)

We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit and Risk Committee at the outset of our audit.

Responsibilities

The Board is responsible for preparing annual report and accounts which show a true and fair view of the results for the year and position at the year end, and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on, the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent, and our objectivity has not been compromised in any way.

We set out in Appendix 1 our assessment and confirmation of independence.

Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In

this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team or to Audit Scotland.

Openness and transparency

This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Financial statements audit

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	We conduct our audit in accordance with applicable law and International Standards on Auditing. Our findings / conclusions to inform our opinion are set out in this section of our annual report.	The annual report and accounts were considered by the Audit and Risk Committee on 19 June 2025 and were approved by the Board on 24 June 2025. Our independent auditor's report is unqualified in all regards.
Going concern basis of accounting	When assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body. We assess whether there are plans to discontinue or privatise the Board's functions. Our wider scope audit work considers the financial sustainability of the Board.	We reviewed the financial forecasts for 2025/26. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Board will have continued provision of service for at least 12 months from the signing date. Our audit opinion is therefore unqualified in this respect.
Regularity of income and expenditure	We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts.	We have not identified any instances of irregular activity. In our opinion, in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with applicable

Opinion	Basis for opinion	Conclusions
		enactments and guidance issued by the Scottish Ministers.
Opinions prescribed by the Auditor General for Scotland: • The audited part of the Remuneration and Staff Report • Performance Report • Governance Statement	We plan and perform audit procedures to gain assurance that the audited part of the Remuneration and Staff Report, Performance Report and Governance Statement are prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.	The annual report contains no material misstatements or inconsistencies with the financial statements. We have concluded that: • the audited parts of the Remuneration and Staff Report have been properly prepared. • the information given in the performance report is consistent with the financial statements and has been properly prepared. • the information given in the Governance Statement is consistent with the financial statements and our understanding of the organisation gained through our audit.

Opinion	Basis for opinion	Conclusions
Matters reported by exception	We are required to report on whether: • adequate accounting records have not been kept; or • the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or • we have not received all the information and explanations we require for our audit; or • there has been a failure to achieve a prescribed financial objective.	We have no matters to report.

An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Risk Committee in December 2024. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Board. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. This includes:

- An evaluation of the Board's and group's internal control environment, including the IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including procedures outlined in this report in relation to our key audit risks.

Quality indicators

We have applied a suite of quality indicators to assess the reliability of the Board's financial reporting and response to the audit.

Metric	Grading (Mature / developing / significant improvement required)	Commentary
Quality and timeliness of draft financial statements	Mature	We received the unaudited financial statements of a good standard in line with our audit timetable. Revisions were processed promptly where required.
Quality of working papers provided and adherence to timetable	Mature	Working papers were provided on time and were of good quality. The audit was able to start on time as planned. Audit requests / inquiries were turned around promptly and accurately.
Timing and quality of key accounting judgements	Mature	We did not identify any issues with the timing and quality of key accounting judgements.
Access to finance team and other key personnel	Mature	We received full access to the finance team and other key personnel. All audit queries and requests were responded to in a timely manner. Following our 2023-24 audit we held a debrief meeting with the NHS Fife finance team in November 2024. As a result of actions agreed in this meeting, along with the provision of a development session on external audit for the wider NHS Fife team, there has been an improvement in collaborative working from both the finance and audit teams and more efficient audit

Metric	Grading (Mature / developing / significant improvement required)	Commentary
		fieldwork. We are grateful to NHS Fife finance staff for supporting and delivering continuous improvement in the accounts and audit process.
Quality and timeliness of the - audited part of the Remuneration and Staff Report - Performance Report - Governance Statement As well as the quality and timeliness of supporting working papers for those statements.	Mature	We did not identify any issues with the timeliness of the audited part of the Remuneration and Staff Report, Performance Report and Governance Statement. We noted several adjustments that were made following our audit work; however revisions were processed promptly where required. The adjustments identified were in relation to the opening CETV figures, real increase in CETV and other rounding amendments.
Volume and magnitude of identified errors	Mature	We identified one minor classification audit adjustment and no unadjusted misstatements in year. This is a decrease in errors from the previous year but is broadly in line with our expectations.

Significant risk areas and key audit matters

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Audit procedures are designed to mitigate these risks.

As required by the Code of Audit Practice and the planning guidance issued by Audit Scotland, we considered the significant risks for the audit that had the greatest effect on our

audit strategy, the allocation of resources in the audit and directing the efforts of the audit team (the 'Key Audit Matters'), as detailed in the tables below.

Our audit procedures relating to these matters were designed in the context of our audit of the annual report and accounts as a whole, and not to express an opinion on individual accounts or disclosures.

Our opinion on the annual report and accounts is not modified with respect to any of the risks described below.

The table below summarises each significant risk. Detail behind each risk and the work undertaken is set out on the following pages.

Risk area	Financial statement / Assertion level risk	Fraud risk	Planned approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Management override of controls	Financial statement	Yes	Assess design & implementation	N/A	Satisfactory
Fraud in revenue recognition	Assertion level	Yes	Assess design & implementation	Low	Satisfactory
Fraud in non-pay expenditure recognition	Assertion level	Yes	Assess design & implementation	Low	Satisfactory
Valuation of land and buildings	Assertion level	No	Assess design & implementation	High	Satisfactory
Provisions	Assertion level	No	Assess design & implementation	High	Satisfactory

Significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
Significant risk description	Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Specific areas of potential risk include manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business. This was considered to be a significant risk and Key Audit Matter for the audit. Inherent risk of material misstatement: High
How the scope of our audit responded to the significant risk	Key judgement There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions. Audit procedures • Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determined criteria for selecting high risk and / or unusual journals. • Tested high risk and / or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and ensured approval has been undertaken in line with the Board's journals policy. • Gained an understanding of the accounting estimates and critical judgements made by management. We challenged key assumptions and considered the reasonableness and

Risk area	Management override of controls
	indicators of management bias which could result in material misstatement due to fraud. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Key observations	We have not identified any indication of management override of controls in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area	Fraud in revenue recognition and expenditure
Significant risk description	Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240. Having considered the nature of the revenue streams at the Board, we consider that the risk of fraud in revenue recognition can be rebutted on Scottish Government funding, but cannot be rebutted on other income streams due to the financial pressures facing the public sector as a whole, creating an inherent fraud risk associated with the recording of income and expenditure in the financial statements. We have also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of manipulating revenue. We have therefore also considered the risk of fraud in expenditure at the Board. We consider that the risk can be rebutted on payroll expenditure of permanently employed staff but cannot be rebutted on bank and agency expenditure and other operating expenditure for the reasons set out above. This was considered to be a significant risk and Key Audit Matter for the audit. Inherent risk of material misstatement: Revenue (occurrence) and Expenditure (completeness): High

Key risk area	Fraud in revenue recognition and expenditure
How the scope of our audit responded to the significant risk	Key judgements Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income and expenditure around the year end. Audit procedures • Documented our understanding of the Board's systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Evaluated the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems. • Evaluating the Board's accounting policies for recognition of income and expenditure and compliance with the FreM and NHS Scotland Annual Accounts Manual and Capital Accounts Manual. • Substantively tested material income and expenditure streams using analytical procedures and tests of detail.
Key observations	We identified no significant issues in testing income, debtors, expenditure and creditors. We have gained reasonable assurance over the occurrence of income and completeness of expenditure recorded in the accounts and are satisfied that income is fairly stated. We have identified no indication of fraud in recognition of revenue or expenditure.

Key risk area	Valuation of land and buildings (key accounting estimate)
Significant risk description	The Board undertakes a full revaluation of its land and buildings annually, with external valuations completed on a five-year rolling basis, to ensure that the carrying value is not materially different from the fair value at 31 March 2025. Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations during the year.

Key risk area	Valuation of land and buildings (key accounting estimate)
	The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations. This was considered to be a significant risk and Key Audit Matter for the audit. Inherent risk of material misstatement: Land and Buildings (valuation): Very High
How the scope of our audit responded to the significant risk	Key judgements Boards are required to ensure fixed assets are held at a carrying amount that does not differ materially from the current value at 31 March, alongside appropriate additional disclosures. Audit procedures • Evaluated management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Considered the basis on which the valuations are carried out and challenged the key assumptions applied. • Evaluated the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. • For unusual or unexpected valuation movements, tested the information used by the valuer to ensure it is complete and consistent with our understanding.

Key risk area	Valuation of land and buildings (key accounting estimate)
	- Ensured revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct. - Evaluated the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.
Key observations	We have gained assurance that the carrying value of the Board's estate in the financial statements is in line with the reports received from the external valuers (VOA). The valuer prepared the valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. We evaluated the competence, objectivity and capability of management's expert in line with the requirements of ISA (UK) 500 and concluded that use of the expert was appropriate. We confirmed that the basis of valuation for assets is appropriate based on the usage and reviewed the reasonableness of valuation assumptions applied. Overall, the valuation movements were in line with supporting evidence. We reviewed the keys estimates and judgements that management made in respect to the valuation of land and buildings for any indication of bias and assessed whether the judgements used by management are reasonable. We concluded that estimates and judgements are balanced. Our audit work has not identified any issues in respect of the valuation of land and buildings as at 31 March 2025.

Key risk area	Provisions (key accounting estimate)
Significant risk description	The Board's financial statements include provision for legal obligations in respect of participation in CNORIS (Clinical Negligence and Other Risks Indemnity Scheme). There is a significant degree of subjectivity in the measurement and valuation of these provisions. This subjectivity represents an increased risk of misstatement in the financial statements.

Key risk area	Provisions (key accounting estimate)
	For 2024-25 we anticipate that the Board will recognise a new provision as a result of the review of Band 5 nursing roles recommended following the Agenda for Change review. This provision is anticipated to be subjective and based on a high degree of management judgement and estimation. This was considered to be a significant risk and Key Audit Matter for the audit. Inherent risk of material misstatement: Provisions (valuation): High
How the scope of our audit responded to the significant risk	Key judgements Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of provisions around the year end. Audit procedures • Reviewed management's estimation for the provisions and related disclosures. • Considering compliance with the requirements of the FrEM and NHS Scotland Annual Accounts Manual and Capital Accounts Manual.
Key observations	We are satisfied that the amount recognised as a CNORIS provision appropriately reflects the amounts notified by the Central Legal Office (CLO) and the band 5/6 provision appropriately reflects the value of applications received at 31 March 2025. We have assessed management's estimation technique for the provisions and related disclosures and are satisfied that these comply with the requirements of the FrEM and NHS Manual for Accounts. We reviewed the key estimates and judgements that management made in respect to the provisions for any indication of bias and assessed whether the judgements used by management are reasonable. We have concluded that estimates and judgements are balanced. Audit Scotland undertake an annual review of the work carried out by the CLO to establish the extent to which the information they provide as a management expert can be used as audit evidence

Key risk area	Provisions (key accounting estimate)
	under ISA (UK) 500 and evaluate the appropriateness of the methodology adopted by Scottish Government to estimate the total national obligation. Audit Scotland has concluded that the CLO is objective, has sufficient expertise and the capability, time and resource to deliver reliable information.

Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor’s report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Board and the needs of users. We reviewed our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Our initial assessment of materiality for the group financial statements was £31.957 million and the Board’s financial statements was £31.935 million. On receipt of the 2024/25 unaudited financial statements, we reassessed materiality and kept it at the same level as our initial assessment. We consider that our updated assessment has remained appropriate throughout our audit.

	Group £million	Board £million
Overall materiality for the financial statements	31.957	31.935
Performance materiality (75% of materiality)	23.967	23.951
Trivial threshold	1.597	1.595
Materiality	Our assessment is made with reference to the group and Board’s gross expenditure. We consider this to be the principal consideration for users of the financial statements when assessing financial performance. Our assessment of materiality equates to approximately 2% of gross expenditure as disclosed in the 2023/24 unaudited annual report and accounts.	

	In performing our audit, we apply a lower level of materiality to the audit of the Remuneration & Staff Report and Related Parties disclosures. For the Remuneration & Staff Report we consider any errors which result in a movement between the relevant bandings on the disclosure table to be material. For Related Party transactions, in line with the standards, we consider the significance of the transaction with regard to both the Board and the counter party, the smaller of which drives materiality considerations on a transaction by transaction basis.
Performance materiality	Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
Trivial misstatements	Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Group audit

As group auditors under ISA (UK) 600 we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

For periods commencing on/after 15 December 2023 the auditing standard for group engagements has been revised. The key changes that are reflected in the audit findings have been outlined below:

- Revisions to the definitions of a group and component now encompass a wider range of group scenarios. This means that a single legal entity could fall under the scope of the group ISA based on its internal structure, while multiple legal entities may sometimes be defined as a single component.
- There is increased leadership responsibilities and involvement requirements for the group engagement leader, particularly when component auditors are utilised.
- In the UK, there is a specific requirement for all component auditors to confirm their ability and willingness to comply with the FRC's Ethical Standard, regardless of their local jurisdiction.
- The analytical/desktop review designation has been removed from the scope of procedures performed over a component in response to risk.

Group audit findings

The following table sets out the components within the group and our audit findings in respect of each component.

Component	Scope	Planned audit approach	Audit findings
NHS Fife	Full Scope	Full scope statutory audit as set out in this annual audit report	As set out in this annual audit report
Fife Integration Joint Board (IJB)	None	No procedures planned	None
Fife Health Board Endowment Fund (Fife Health Charity)	None	No procedures planned	None

Full Scope: Design and perform further audit procedures on the entire financial information of the component.

Specific Scope: Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures.

None: No further audit procedures required.

Risks at the component-level

The risks identified at the Board are set out in this report. There are no other risks identified in any of the other components above in respect of the Group audit

Note that a component may require a statutory audit under UK or overseas company law irrespective of whether an audit is required for group reporting purposes. Management

should therefore satisfy themselves that all UK and overseas company law requirements are adhered to on a company-by-company basis.

Audit differences

Audit differences identified during the audit are detailed in Appendix 2.

We also identified disclosure and presentational adjustments during the audit, which have been reflected in the final set of financial statements and are disclosed in Appendix 2.

Internal controls

As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these at Appendix 3. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Service auditor reports

The Board utilise a number of shared IT systems, IT applications and processes with other Scottish Health Boards. Assurance reports are prepared by service auditors in the health sector under ISAE (UK) 3402 covering the national systems/arrangements.

Shared service	Service assurance
National IT contract This contract covers the services provided by ATOS IT Services UK Limited e.g. controls over the principal IT service delivery supporting eFinancials.	NHS National Services Scotland (NSS) procures a service auditor report from PwC. PwC reported a qualified audit opinion in relation to review of access controls, although no actual breaches of access were noted. We have considered the findings of the report, and additional assurances provided to management from the service provider and are satisfied that the findings do not represent a material risk to our audit approach or conclusions.
National Single Instance (NSI) eFinancials	NHS Ayrshire and Arran procure a service auditor report from BDO. The service auditor

Shared service	Service assurance
NHS Ayrshire & Arran provide the eFinancials service with the IT service delivery being provided via the 'National IT contract' including the Real Asset Management system on behalf of all Scottish Health Boards	report highlighted no critical or significant risk findings and reported an unqualified opinion.
Provision of payroll services National Services Scotland (NSS) provide payroll services for NHS Lothian, NHS Fife, NHS Forth Valley and the Scottish Ambulance Service.	NHS National Services Scotland (NSS) procures a service auditor report from PwC. PwC reported a qualified audit opinion in relation to controls related to employee additions and amendments to ePayroll and also controls related to review of payroll exceptions and temporary payroll changes within ePayroll. No actual errors were noted in payments as a result of these control failings. We have considered the findings of the report, and additional assurances provided to management from the service provider and are satisfied that the findings do not represent a material risk to our audit approach or conclusions.
National Practitioner Services This contract supports accurate payments and patient registration for NHS services to GPs, dentists, pharmacists, and optometrists.	NHS National Services Scotland (NSS) procures a service auditor report from PwC. PwC reported an unqualified audit opinion. We have considered the findings of the report and are satisfied that the findings do not have a material impact on our audit approach or conclusions

Other communications

Other areas of focus

Area of focus	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management.
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	There were no other significant management judgements which required additional audit work, where there was disagreement over the judgement or where the judgement is significant enough that requires reporting, in addition to those reflected in this report.
Prior year adjustments identified	There were no prior year adjustments identified.
Concerns identified in the following: • Consultation by management with other accountants on accounting or auditing matters • Matters significant to the oversight of the financial reporting process • Adjustments / transactions identified as having been made to meet an agreed system position / target	No concerns were identified in relation to these areas.

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the Board.

The accounting policies, which are disclosed in the financial statements, are in line with the NHS Scotland Annual Accounts Manual and Capital Accounts Manual and are considered appropriate.

Presentation and disclosures

There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

Key judgements and estimates

As part of the planning stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements.

Consideration was given to asset valuations, impairment, depreciation and amortisation rates, provisions for legal obligations and doubtful debts and accruals. Other than asset valuations, provisions for legal obligations in respect of clinical and medical obligations and the band 5/6 obligations we have not determined the accounting estimates to be significant. See the section above on "Significant risks at the assertion level for classes of transaction, account balances and disclosures" for detailed findings in relation to key accounting estimates.

We reviewed the key estimates and judgements that management made in respect to the identified key accounting estimates for indication of bias and assessed whether the judgements used by management are reasonable. Overall, we concluded that those key accounting estimates were balanced and appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management and the Audit and Risk Committee. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting the Board. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations.

Written representations

We will issue the final letter of representation to the Board to sign at the same time as the financial statements were approved.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested third party confirmations have been received.

Wider scope of public audit

Public sector audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management

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

Auditor judgement

Risks exist to the achievement of operational objectives



Significant audit risk

Our audit plan identified the following significant risk in relation to financial management:

Financial management (extract from 2024/25 External Audit Plan)

In March 2024, the Board approved the 2024/25 financial plan which showed a projected budget gap of £29.8million after an ambitious cost improvement plan totalling £25million. The remainder of the funding gap will require to be addressed through further service change initiatives delivered through the Re-form, Transform and Perform framework.

he latest forecast (September 2024) projected a forecast deficit of £36.763million at March 2025, resulting from an anticipated risk share of £13.4million due to the deteriorating financial position of Fife IJB and challenges associated with delivering the in-year savings target in full. As at September 2024, only £8.103million of the £25million cost improvement plan had been delivered.

NHS Fife has been reliant on Scottish Government brokerage in both 2022/23 and 2023/24 to achieve financial balance; however, Scottish Government has capped NHS Fife's brokerage for 2024/25 at zero. This puts substantial pressure on NHS Fife to deliver unprecedented levels of recurring savings to achieve financial balance. NHS Fife has had difficulty in previous year in delivering its annual cost saving targets.

There is therefore a continued risk that the 2024/25 statutory financial targets will not be achieved.

Financial management (extract from 2024/25 External Audit Plan)

Our detailed findings on NHS Fife's approach to identifying and responding to financial challenges faced during the year are set out below.

Financial performance 2024/25

All health boards have to work within the resource limits and cash requirements set by the Scottish Government.

NHS Fife met all its key financial targets in 2024/25, as shown in the table below. This position was achieved through over-delivery of the Board's savings target, slippage in the Board's funding allocation for Agenda for Change non-pay reform and a share of a national reduction to CNORIS costs. Additionally, for the third consecutive year, repayable financial brokerage was required from the Scottish Government. At £20.513million, the value of brokerage requested in 2024/25 was significantly lower than the brokerage cap advised by Scottish Government in January 2025 (£37million).

Performance against resource limits 2024/25

Financial target	Limit £000	Actual £000	Variance £000
Core revenue resource limit (RRL)	1,054,635	1,054,635	0
Non-core revenue resource limit	37,846	37,846	0
Core capital resource limit (CRL)	19,380	19,380	0
Non-core capital resource limit	1,489	1,489	0
Cash requirement	1,130,725	1,130,725	0

At the start of the year, NHS Fife forecast a funding gap of £29.8million after assuming the achievement of a challenging savings target of £25million. In July 2024, the funding gap reduced to £26.350million after receipt of non-recurring New Medicines funding. Throughout 2024/25, significant deficits were forecast in each Financial Performance Report presented to the Finance, Performance and Resources Committee and the Board. However, the final

outturn deficit of £20.513million represents a significant improvement on the Board's initial projected forecast overspend.

NHS Fife considers that a key driver contributing to the deficit in 2024/25 is the financial position of the IJB, as the Board's 2024/25 overspend includes an overspend on health delegated services of £16.165million and risk transfer from Fife Council of £4.728million.

No risk share from the IJB was included in the Board's financial plan for 2024/25 due to a 2024/25 balanced budget being approved by the IJB in March 2024. However, in developing NHS Fife's financial plan for 2025/26, risk share cost of up to £8.5million has been included to reflect the risk associated with delivering the budgets identified in the financial plan of the IJB.

Fife Health and Social Care System

The outturn position as at 31 March 2025 for the services delegated to the IJB was £34.017million with the main drivers of this overspend position being Prescribing Costs, Care Packages and Mental Health Services. Due to the IJB having no useable reserves in 2024/25, the overspend had to be funded through additional allocations from both partner bodies, NHS Fife and Fife Council, in the form of a risk share agreement, as outlined in the Integration Scheme.

This is a worsened position compared to 2023/24, and is consistent with the Audit Scotland report on Integration Joint Boards: Finance bulletin 2023/24, which highlighted that the weakening financial health of IJBs is a challenge nationally. As also outlined in Audit Scotland's bulletin, the increasing demand for services is one of the key financial pressures impacting on the health and social care sector, which Fife IJB has identified is primarily due to a significantly ageing population.

The Fife health and social care system are working collaboratively to tackle the financial and demand driven challenges through developing and implementing new initiatives, including:

- Introduction of the new system Liquidlogic which provides better quality management information to allow weekly monitoring of the position of cost pressures, alongside supporting with management decisions.
- Scrutiny panels over assigning care packages which allows greater scrutiny and control over ensuring that the most appropriate care packages are provided.
- Increased public communications and other early intervention tools in relation to areas including Medicines.
- Increased tripartite communication between NHS Fife, Fife IJB and Fife Council, where the Directors of Finance meet with the CFO of the IJB monthly.

NHS Fife, working alongside Fife IJB and Fife Council have demonstrated good collaboration and partnership working through taking a whole system approach to these challenges. It is

crucial that this continues as difficult decisions continue to be made across health and social care nationally to sustain vital services over the medium to longer term.

In addition, delivery of a balanced in-year financial position continues to be recognised as a high risk, and above the board's risk appetite, in the corporate risk register. The impact in future years of not achieving the Board's statutory target of financial balance is considered further in the financial sustainability section below.

Savings plans

In line with Scottish Government's Sustainability and Value Programme, NHS Fife's 2024/25 financial plan included a cost improvement programme to deliver recurring savings of 3% (£25million) through the Board's Reform, Transform and Perform (RTP) Framework. The 2024/25 savings target represented a significantly larger and more challenging target than in previous years.

NHS Fife over-delivered on this target by achieving £26.592million of savings. This represents a notable achievement at a time when NHS Fife and the health sector faces substantial financial challenge and uncertainty. The key drivers of this improved position were increased grip and control, economies of scale, reduction in waste and more effective ways of working. In addition, a survey of other Scottish health boards conducted by Audit Scotland indicates that NHS Fife's savings delivery for 2024/25 is within the top third of health boards in Scotland.

The proportion of savings achieved on a recurring basis is approximately 70% which represents a significant improvement compared to the Board's 2023/24 position where only 36% of savings were delivered on a recurring basis. However, this means that the remaining savings achieved on a non-recurring basis will need to be achieved again in 2025/26 and future years, which places substantial additional pressure on the future financial position of the Board and therefore requires careful management.

The table below shows performance against the savings target including the proportion of savings achieved on a recurring basis.

Savings plans 2024/25

Plan	Target £	Actual £	Recurring Saving £
Medicines Optimisation	2,000,000	2,194,892	1,567,420
Unscheduled Care Bundle	700,000	653,924	600,000
PFI Contract	600,000	600,000	0

Plan	Target £	Actual £	Recurring Saving £
Estates Rationalisation	2,000,000	2,408,000	500,000
Non-Compliant Rotas	1,000,000	1,597,000	1,982,000
Legacy Covid Costs	1,000,000	818,196	537,894
Supplementary Staffing	5,000,000	6,381,745	6,381,745
Procurement	500,000	461,951	530,205
Corporate Directorates	1,500,000	1,500,000	1,500,000
Business Transformation	2,400,000	1,728,171	168,245
Surge Reduction	1,850,000	438,357	438,357
Planned Care	1,200,000	2,709,000	2,200,000
SLA & External Activity	5,000,000	2,000,000	2,000,000
In Year Financial Opportunities	0	3,101,624	0
Total	25,000,000	26,592,860	18,405,866

Source: Financial Performance Report to 31 March 2025 - May 2025

Systems of internal control

We have evaluated the Board's key financial systems and internal financial controls to ensure internal controls are operating effectively to safeguard public assets.

We did not identify any significant weaknesses in NHS Fife's accounting and internal control systems during our audit.

Internal audit

An effective internal audit service is an important element of a Board's overall governance arrangements. NHS Fife's internal audit service is provided by FTF Internal Audit Service. During our audit we considered the work of internal audit wherever possible to inform our risk assessment and our work on the governance statement.

Prevention and detection of fraud and irregularity

We found NHS Fife's arrangements for the prevention and detection of fraud and other irregularities to be adequate.

Regular updates on fraud related matters (including Counter Fraud Services updates), and the National Fraud Initiative (NFI) are presented to the Audit and Risk Committee.

National fraud initiative

The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error. The most recent NFI exercise commenced in 2024, with matches received for investigation in early 2025.

NHS Fife engaged well with the NFI exercise and we have concluded that its arrangements with respect to NFI are satisfactory. NHS Fife uploaded all relevant data for the 2024 NFI exercise by the timescale of 31 October 2024 and a good level of activity is being carried out in relation to reviewing and investigating matches.

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services and the way in which they should be delivered.

Auditor judgement

Significant unmitigated risks affect achievement of corporate objectives



Significant audit risk

Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Financial sustainability (extract from 2024/25 External Audit Plan)

The Board's medium term financial plan for 2024/25-2026/27 was approved by the Board in March 2024 but remains unapproved by the Scottish Government.

The plan shows that delivery of a breakeven at the end of this three-year period, in line with the board's statutory financial duties, will require achievement of £125.3million of cost savings. The Board's Re-Form, Transform, Perform framework provides an approach for identifying, selecting and implementing the required actions to achieve the savings target.

We understand, based on a survey of other Scottish health boards, that NHS Fife's forecast financial gap is broadly typical across the country. However, it still represents one of the biggest financial challenges NHS Fife has ever faced.

NHS Fife continues to face major risks to achieving financial balance and transformational service redesign is essential to medium and longer-term financial sustainability and performance improvement. The Board's financial sustainability is now at serious risk in the short and medium term.

Our detailed findings on NHS Fife's financial framework for achieving long term financial sustainability are set out below.

Medium Term Financial Plan

NHS Fife's medium term financial plan (2025/26 to 2027/28) was submitted to the Scottish Government in line with set deadlines and approved by the Board in March 2025. The financial plan shows that delivering breakeven at the end of this three-year period, in line with the board's statutory financial duties, will require achievement of £121.184million of cost savings.

NHS Fife received approval from Scottish Government on its financial plan in March 2025, on the basis of being within 1% of Core Revenue Resource Limit (RRL) in 2025/26 and continuing to work towards a balanced position by year end.

2025/26 to 2027/28 forecast financial position

	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total savings required £'000
Recurring Financial Gap brought forward	-32,238	-31,292	-39,637	
Funding anticipated in year	49,182	28,138	28,983	
Expenditure uplifts anticipated in year	-54,726	-37,983	-31,611	
Forecast Financial Gap Before Savings	-37,782	-41,137	-42,265	
Planned Savings	28,573	6,500	5,500	40,573
Forecast Financial Gap After Savings	-9,209	-34,637	-36,765	80,611
Total savings required	37,782	41,137	42,265	121,184

Source: Medium-Term Financial Plan 2025/26- 2027/28- March 2025

Key financial risks and challenges set out in the plan include:

- Ability to fully identify the level of recurring savings required in 2025/26 and beyond.
- An assumed level of risk-share associated with Fife IJB which continues to be assessed and reviewed with the IJB.
- Risk that not all allocations are received at the level anticipated.
- The impact of the 2025/26 pay deal and the increase to Employers National Insurance.
- Risk that price inflation increases beyond assumed levels.
- The impact of safe staffing is still to be finalised in relation to the Health and Care (Staffing) (Scotland) Act 2019 (HCSA).
- Significant cost risk in supplementary staffing because of both workforce challenges and system-wide capacity issues.

Financial Brokerage

Financial brokerage receipts from the Scottish Government are essentially repayable loans to help boards achieve breakeven. For 2024/25, Scottish Government initially advised that the brokerage would be capped for NHS Fife at zero, following confirmation of additional New Medicines Funding which for NHS Fife was higher than the previously advised brokerage cap of £5 million. However, in January 2025 Scottish Government confirmed they would provide NHS Fife with a maximum amount of repayable brokerage up to £37million for 2024/25 of which £20.513million was used to achieve NHS Fife's financial targets. The Scottish Government have advised that no brokerage will be available to Boards in 2025/26.

NHS Fife has been reliant on Scottish Government brokerage from 2022/23 to 2024/25 to achieve financial balance, and the value of brokerage received in 2024/25 has doubled since 2022/23. Total brokerage received to date is now over £44million.

The Scottish Government has informed Boards that if they cannot deliver a break-even financial position in 2025/26 then there would be an expectation that an overspend position would be presented within the financial statements, which could result in boards breaching their statutory financial duty to break even year on year.

Savings Plans

NHS Fife approved the projects required to save £28.573million across both retained and delegated services (representing 3% efficiency savings) of the 2025/26 target, which will continue to be delivered through the RTP programme. Service transformation will feature highly in the projects for 2025/26 onwards, with a sharper focus on recurring savings, workforce redesign, digital transformation and system-wide efficiencies. The transformational system-wide programmes being developed by NHS Fife are:

- People and Change
- Service Redesign
- Infrastructure

- Business transformation.

All programmes of work have established Programme Boards during 2024/25 and interdependency between the areas has been reflected in the design of the strategic portfolio. NHS Fife has recognised the importance of ensuring transformation plans strike a balance between delivering recurring savings and maintaining service quality.

Consistent with NHS Scotland's Staff Governance Standard, NHS Fife has recognised partnership working as fundamental to successful workforce transformation, and is committed to system-wide collaboration through working across both the IJB and local authority services for 2025/26 and beyond. This will include taking a whole system approach to delivering the financial plan through collective oversight of all budgets and resource allocations.

It is crucial that the pace of the transformation work is effective in reducing the risk to the Board's financial sustainability in the medium to longer term.

Vision, leadership and governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Auditor judgement

Effective and appropriate arrangements are in place



Leadership

The following changes in board composition occurred during the year:

- Jo Bennett was appointed as a Non-Executive Director to the Board during 2024/25.
- Kirstie MacDonald, Non-Executive Director, left the Board during 2024/25.
- Aileen Lawrie and Councillor Graeme Downie, Stakeholder Members, left the board during 2024/25 and were replaced by Nicola Robertson and Councillor Mary Lockhart.

The Director of Finance, Margo McGurk, retired in April 2025 and Susan Dunsmuir was appointed as the new Director of Finance. We are satisfied that appropriate handover arrangements were in place, including regular meetings between the outgoing and incoming Director of Finance and the new Director of Finance attended and observed NHS Fife meetings prior to commencement of post including Board Development Sessions and meetings of the Systems Leadership Group; Finance, Performance and Resources Committee; and Audit and Risk Committee.

We reviewed the induction process and concluded that it provides those charged with governance with the information and platform to do so effectively. The induction sessions included meetings with Executives and Board Members and covered areas including an introduction to the Board and its Committees, an overview of financial governance, stewardship and risk management, an overview of the services devolved to the Fife Health and Social Care Partnership and an overview of staff governance.

In addition, the Board continued to hold bi-monthly development sessions during 2024/25. From review of the Board development sessions, we have concluded that they provided board members with appropriate and relevant information and a suitable platform to continue to discharge their leadership responsibilities effectively.

Governance arrangements

The Board is responsible for ensuring the overall governance of NHS Fife, driving forwards the strategic direction.

The Board continues to be supported by six committees:

- Audit and Risk Committee;
- Finance, Performance and Resources Committee;
- Staff Governance Committee;
- Public Health and Wellbeing Committee;
- Remuneration Committee; and
- Clinical Governance Committee.

All Committees are required to provide an Annual Statement of Assurance to the Audit and Risk Committee and Board describing their membership, attendance, frequency of meetings, business addressed, outcomes and extent of assurances provided. These statements seek to demonstrate how each Committee has fulfilled its role and remit during the reporting year, providing assurance over the effectiveness of the committees to the Board. The 2024/25 Annual Statements of Assurance are planned to be presented to the June 2025 Audit and Risk Committee.

Board and Committee meetings

Committee meetings have continued to be held virtually rather than in person, to comply with requirements for non-essential travel, and the preferred mechanism is now through MS Teams. Board meetings and development sessions have continued to take place in-person.

Throughout 2024/25, we have seen evidence that the Board has maintained all key aspects of board governance, including its regular schedule of board and committee meetings.

Through our review of committee papers we are satisfied that there continued to be effective scrutiny, challenge and informed decision making throughout the financial period.

Blueprint for Good Governance

The refreshed Blueprint for Good Governance (second edition) was published by the Scottish Government in December 2022. The Board approved an improvement plan at the April 2024 Board development session and submitted to Scottish Government thereafter. The plan includes renewal of the Board's risk appetite statement, finalising a stakeholder engagement strategy, increasing the benchmarking information available to the Board, and facilitating more opportunities for Board members to engage with staff and stakeholder groups.

Progress against the improvement plan actions continues to be regularly reported to the Board. The latest progress tracker presented in March 2025 highlighted that good progress is

being made, with 75% of actions completed. The two outstanding actions in relation to Diversity and Equality and the Assurance Framework are currently on track to meet the deadlines.

Population Health and Wellbeing Strategy

NHS Fife's Population Health and Wellbeing Strategy was approved by the Board in March 2023.

The strategy sets out the proposed strategic ambitions for NHS Fife over the next five years and recognises the challenges currently facing the health sector including the level of partnership working required to improve population health and wellbeing.

The strategy takes cognisance of the Board's overarching vision, values and principles and is structured under four strategic priorities:

- Improve health and wellbeing - to close the inequality gap ensuring that all people of Fife can flourish from cradle to grave.
- Improve the quality of health and care – to provide the safest and best possible health and care services.
- Improve staff experience and wellbeing - to value and look after staff.
- Deliver value and sustainability – to use resources wisely to ensure services are sustainable and meet the population's needs.

Management presents a mid-year and annual report on the Strategy each year. The mid-year report, presented to the Board in November 2024, illustrated the work carried out for each strategic priority in the first half of 2024/25 alongside the work planned to be carried out by 31 March 2025. The Annual Report for 2024/25, which also includes NHS Fife's performance against its population health and wellbeing metrics, is due to be presented to the Board after July 2025.

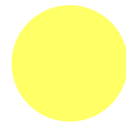
We are satisfied that appropriate arrangements are in place to oversee and monitor the delivery and impact of the Population Health and Wellbeing Strategy.

Use of resources to improve outcomes

Audited 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. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Auditor judgement

Risks exist to the achievement of operational objectives



Performance Management Arrangements

Performance management framework

The Board has developed a performance management framework which comprises updates on key performance indicators (KPIs) at each meeting of the board and committees through the Integrated Performance and Quality Report (IPQR). This report provides assurance on the Board's performance against national standards and local KPIs.

Through review of board and committee papers, we concluded that performance is given the appropriate level of scrutiny and challenge.

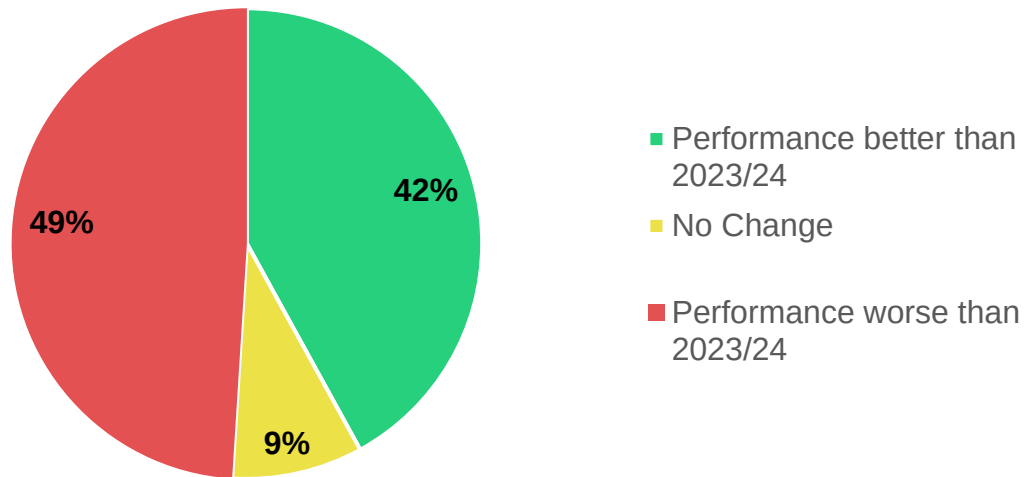
Performance in 2024/25

The 2024/25, IPQRs present performance against 52 KPIs. The May 2025 IPQR, which contains March 2025 performance data, was presented to the Board in May 2025.

The graph below shows a mixed picture of performance compared to the prior year. Performance for 42% of KPIs improved, 9% of KPIs were consistent with the prior year and 49% worsened since 2023/24.

This is similar to 2023/24 when NHS Fife's performance against the majority of KPIs declined compared to 2022/23.

Comparison of 2024/25 performance with 2023/24



Source: Fife Integrated Performance & Quality Report - May 2025

Of the 27 KPIs which had 2024/25 targets set, 15 were on schedule to meet target, 5 were behind (but within 5% of) the target and 7 were more than 5% behind target.

In line with the previous year, the key performance indicators which were significantly behind the 2024/25 target are in relation to waiting and treatment times, where performance against the 2024/25 targets to date are as follows:

- 4-Hour Emergency Access (A&E): actual 71.2% (2024/25 target of 95%)
- 4-Hour Emergency Access (ED): actual 61.4% (2024/25 target of 75%)
- Delayed Discharges (Standard) Acute/Comm: actual 58.2 (2024/25 target of 39)
- Cancer 62-Day RTT: actual 68.9% (2024/25 target of 95%)
- Patient TTG % <= 12 weeks: actual 43.1% (2024/25 target of 100%)
- New Outpatients % <= 12 weeks: actual 37.6% (2024/25 target of 95%)
- Diagnostics % <= 6 weeks: actual 88.2% (2024/25 target of 100%)

As illustrated through the Board's performance reporting, the legacy of the COVID-19 pandemic continues to have a significant impact on health and care in Fife, specifically waiting times for services and the number of referrals. In addition, there continues to be significant risks nationally and locally around the delivery of the backlog of referrals which developed during the pandemic, with recovery and improvement plans being discussed within the Board and with the Scottish Government. The Board has acknowledged that recovery against the backlog will require additional investment to deliver in full.

Risk management

As described in the Financial Sustainability section, there is a risk that the level of transformation required to achieve a financially sustainable position may impact further on service availability and quality.

The Re-form, Transform, Perform (RTP2) portfolio has been designed to act as a mitigating framework, targeting cost reduction, service sustainability, and operational efficiency. The programme structure supports overall risk reduction by embedding clear governance, defined outcomes, and structured assurance routes. Each programme within RTP2 — Clinical Services, Infrastructure, People and Change, and Business Transformation — has a dedicated risk register which is owned and reviewed regularly by the relevant programme board and is escalated as necessary through to the relevant governance committees. This provides visibility of interdependencies including impacts on performance and allows for targeted intervention where delivery risk emerges.

Best Value

All standing committees completed a Best Value Framework assessment alongside their Annual Statement of Assurance. The assessments set out the Best Value characteristics and list measures, expected outcomes and evidence against each characteristic. The results of the 2024/25 assessments are to be presented to the Audit and Risk Committee in June 2025. We are satisfied that NHS Fife has organisational arrangements in place to secure Best Value.

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Appendix 1: Responsibilities of Boards and Auditors

Board responsibilities

The Code of Audit Practice (2021) sets out the following responsibilities:

Area	Board responsibilities
Corporate governance	The Board is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.
Financial statements and related reports	The Board has responsibility for: • preparing financial statements which give a true and fair view of the financial position of the Board and its group and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and • preparing and publishing, along with the financial statements, an annual governance statement, governance compliance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements and prepared in accordance with prescribed requirements. Management commentaries should be fair, balanced and understandable. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about NHS Fife and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting

Area	Board responsibilities
	framework. The relevant information should be communicated clearly and concisely. The Board is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The Board is also responsible for establishing effective and appropriate internal audit and risk-management functions.
Standards of conduct for prevention and detection of fraud and error	The Board is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.
Financial position	The Board is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to: • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
Best value	The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure Best Value. Accountable Officers are required to ensure accountability and transparency through effective performance reporting for both internal and external stakeholders.

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland.

The Code outlines the responsibilities of external auditors and it is a condition of our appointment that we follow it.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Board and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.



Financial management

Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

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.

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Vision, leadership and governance



Audited 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.

Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Use of resources to improve outcomes



Audited 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. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

Best Value

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. Through our wider scope audit work, we consider the arrangements put in place by the Accountable Officer to meet these Best Value obligations.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an Audit Quality Framework.

The most recent audit quality report can be found at Quality of public audit in Scotland: Annual report 2023/24 | Audit Scotland

Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to report full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements and further to our external audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw attention to. We consider an objective, reasonable and informed third party would take the same view.

Other threats and safeguards

Other potential threats for which we have applied appropriate safeguards include:

Other threats to objectivity and independence	Safeguard implemented
An Azets employee's father is a senior employee at NHS Fife and has a Non-Executive Director role at Fife Coast & Countryside Trust.	We confirm that we have implemented internal safeguards to ensure this employee has no involvement in our audit work and that no members of staff working on the audit discuss any aspects of the audit with them.

We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

In particular:

Non-audit services: There are no non-audit services provided to the Board.

Contingent fees: No contingent fee arrangements are in place for any services provided

Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any member of the Board, senior management or staff

Relationships: We have no other relationships with the Board, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Our period of total uninterrupted appointment as at the end of 31 March 2025 was three years.

Audit fees

Our 2024/25 audit fee has been agreed with management as £235,300. This represents an increase of 2.3% on the 2023/24 fee of £229,930.

We negotiate the audit fee during the planning process. The fee may be varied above the expected fee level by up to 10% to reflect the circumstances and local risks within the body.

The key factors we took into account when setting the 2024/25 audit fee were:

- NHS Fife's very challenging financial position, which will increase the amount of work we require to perform on financial sustainability and financial management as part of our wider scope audit.
- The continued increase in the complexity and volume of audit work required to carry out audits in line with the revised auditing standards (ISA 240 and ISA 315).

The audit fees charged reconcile to the fees disclosed in the financial statements.

Appendix 2: Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management

Adjusted misstatements

One adjustment to the financial statements was identified from our audit work. This was a misclassification of assets and is set out within the misclassification section below.

No adjustments were made as a result of our audit that impacted on the bottom line of the Statement of Financial Position or the Statement of Comprehensive Net Expenditure.

Unadjusted misstatements

From our work completed, we have not identified any unadjusted misstatements over our reporting threshold which require reporting to the Board.

Misclassification and disclosure changes

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the Board.

We identified a number of reclassification adjustments and some minor presentational issues in the accounts, and these have all been amended by management. Details of all disclosure changes amended by management following discussions are as below.

No	Detail
1.	Remuneration and Staff Report Disclosures Pension values have been updated following SPPA calculator guidance from Audit Scotland, which was provided to NHS Fife after the draft account was submitted for audit. Remuneration values for one employee have been updated for 2024/25 and restated for 2023/24 to encompass total earnings.
2.	Fair pay disclosures Amounts in relation to the 75th Percentile pay and ratio and ratio figures disclosed have been updated, as result of minor arithmetic error. Ratios have been updated for 2024/25 and restated for 2023/24 to encompass total earnings.

No	Detail
3.	Assets Under Construction Correction of misclassification of £3.475m intangible assets under construction, which had been recorded within the Property, Plant and Equipment note to the accounts, rather than within the Intangible assets note.

Appendix 3: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our 2024/25 audit, which we feel are of sufficient importance to merit reporting.

The recommendations are categorised into three risk ratings:

Key:

- Significant deficiency
- Other deficiency
- Other observation

1. Payroll reconciliations		Other deficiency
Observation	During the audit we noted that NHS Fife do not reconcile their payroll costs recorded in the finance system to the reports received from the payroll provider. This resulted in some delay in being able to undertake our detailed payroll testing as we required management to reconcile a difference of £8m between the costs attributed to payroll in the accounts and the underlying payroll reports.	
Implication	A timely reconciliation would ensure that the amounts recognised as payroll expenditure, that are not included in payroll reports, are identifiable and can be explained. This enhanced understanding of what these transactions are within the ledger would help provide tighter control over these costs.	
Recommendation	Monthly payroll reconciliations should be completed and reviewed on a timely basis.	
Management response	Whilst we believe we maintain a variety of sufficient controls in relation to our payroll process, we remain open to enhancing our controls and will carry out a review with other equivalent boards to establish what possible controls already exist and what can be adapted for use locally. Responsible officer: Susan Dunsmuir, Director of Finance Implementation date: March 2026	

2. Employment contracts	Other deficiency
Observation	During our audit work, NHS Fife was unable to provide evidence that some staff members who had joined in the year had agreed to the terms and conditions of their employment. This is completed through the job train system, which is utilised across the NHS in Scotland, and ultimately replaces the need to sign paper contracts. Employees are requested to log into this portal and confirm agreement to terms, but where this is not provided, NHS Fife do not chase this signoff, as starting employment and providing bank details for payment is considered sufficient to imply acceptance. Other supporting documentation was able to be provided to confirm the existence of the employee to support our testing.
Implication	This could indicate correct processes are not being followed and potential control weaknesses. While unsigned contracts can still be enforceable, without clear evidence of acceptance it may be challenging to prove that both parties agreed to the terms. This can lead to disputes and legal complications.
Recommendation	As best practice, we recommend NHS Fife obtains documentary evidence from all new starters that they accept the terms and conditions of their employment.

2. Employment contracts	Other deficiency
Management response	An employment contract does not have to be signed to be legally binding. An employment contract can be formed through verbal agreement or implied by the actions and conduct of both parties. Forcing postholders to sign a contract goes against the very concept of contract law. We have given consideration to this recommendation and we will continue to ensure we have sufficient controls in place whilst we adopt digital solutions and national systems provided by Scottish Government. Responsible officer: David Miller, Director of Workforce Implementation date: Done

Appendix 4: Follow up of prior year recommendations

As part of our audit work we have followed up on control weaknesses and recommendations either raised in last year's Annual Audit Report or carried forward from prior years.

1.	Accounts Production Process
Recommendation	As part of undertaking our 2023/24 audit we experienced a number of difficulties in reconciling the disclosures made in the financial statements with the supporting information provided, most significantly within the income and expenditure notes. These issues arose as a result of adjustments being required by the Board to ensure that the nature of the transactions held within the Trial Balance were included within the appropriate financial accounts mapping. This therefore required some transactions and balances to be manually realigned for financial reporting purposes. However, this process was completed without a clear audit trail, resulting in additional work for the audit team to understand the adjustments made to ensure that the populations to be tested would provide sufficient appropriate audit assurance over the balances disclosed within the financial statements. Work completed to understand the adjustments made by management identified that the adjustments were to reallocate costs as a result of a mixture of historic mappings which were no longer correct and aligning transactions to overarching budgets. We concluded that the classification of transactions was materially correct, in line with the high level account coding, and no classification errors were identified as a result of our substantive testing. We did however identify a minor, £502k misclassification error between pay and non-pay costs, which remains unadjusted in the financial statements. This adjustment understates pay expenditure and overstates non pay expenditure, there is nil net impact on overall performance.

1.	Accounts Production Process
Implementation date	31 March 2024
Closed	As part of our 2024/25 audit we were able to fully reconcile the disclosures made in the financial statements with the supporting information provided, including within the income and expenditure notes.



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