

NHS Forth Valley

External Audit Progress Report



Prepared for NHS Forth Valley Audit Committee - March 2018

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Annual Audit Plan 2017/18

1. We are making good progress against our 2017/18 Annual Audit Plan as summarised in [Appendix 1](#) accompanying this report. All outputs to date have been delivered in line with agreed reporting dates and we are on target to deliver the remaining outputs for the year.
2. We have finalised our resourcing requirements to ensure that the remainder of the plan, especially the financial statements audit, is completed and reported on a timely basis.

Governance work

3. **Internal Controls.** Since our last progress report we have completed our audit work on the key financial controls. This involved us documenting the high level key controls relied on by management and then checking that they are operating as intended. This covered a wide range of controls within the main accounting systems including trade payables, trade receivables, family health services, capital accounting, payroll and general ledger.
4. We also carried out substantive testing of income, payroll, capital additions and disposals, and expenditure to provide us with assurance on the completeness, accuracy and reliability of transactions posted to the ledger.
5. On the basis of audit work undertaken, we concluded that appropriate and effective internal controls were in place for those key financial systems reviewed by us. Further details of our audit coverage is included at [appendix 2](#).
6. **Internal audit.** We meet with internal audit regularly to discuss emerging issues and share intelligence. We recently liaised with them over their audit report on controls established to manage the risks relating to the financial planning, management and savings programme; and their audit report on governance overview. This will help to ensure that this aligns with and does not duplicate our planned work on the Board's governance, financial planning and financial sustainability arrangements.
7. **National Fraud Initiative (NFI).** NFI is the biennial data matching exercise whereby computerised techniques are used to compare and match electronic data within and between participating bodies to prevent and detect fraud. The exercise is co-ordinated by staff in our Audit Strategy Division. They request that auditors complete an annual questionnaire assessing audited bodies commitment, engagement and reporting of the NFI exercise.
8. In June 2017, auditors were asked to complete and submit a questionnaire in regard to their audited bodies' engagement with the NFI 2016/17 exercise at that point in time.
9. Since completion of the June 2017 questionnaires, the Scottish Parliament's Public Audit & Post -legislative Scrutiny Committee published a [report](#) following its post-legislative scrutiny review of the NFI. The Committee concluded that the NFI is a success story in Scotland and

has improved the transparency of public finances and clawed back millions of pounds that would otherwise have been lost to fraud or error. The Committee also outlined several ways in which the NFI could be strengthened and made recommendations for improvement.

10. We submitted a follow up questionnaire to Audit Scotland in February 2018. This provided an update to the previous questionnaire, and summarised our views on the board's arrangements for complying with the NFI exercise. We concluded that NHS Forth Valley is pro-active in investigating matches. By February 2018 the health board had completed nearly all of the 250 recommended matches together with an additional random sample. No fraud or errors were identified and periodic reports regarding the NFI approach and progress are reported to the Audit Committee.
11. Bodies that have a large number of recommended matches in key NFI reports or where they have identified various errors may indicate weak or ineffective internal controls so the absence of this is re-assuring for the health board.
12. The results from both questionnaires will inform the next NFI report to be published by Audit Scotland in June 2018 and presented to the Parliament's Public Audit and Post-Legislative Scrutiny Committee and the Accounts Commission.

Performance

National Performance Studies

13. Audit Scotland's Performance Audit Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. There have been no reports published since our last progress update.
14. At the last progress update we informed you of the studies that Audit Scotland intend to carry out in 2018/19. These are outlined below, together with further information on the planned audit on Health & Social Care Integration: Part 2.
15. **Children and young people's mental health** –Improving mental health and wellbeing is a major public health challenge for Scotland. The social and economic costs of mental ill health are high. One in eight children aged ten to 15 report symptoms of mental ill health, with most adult mental health problems first occurring in adolescence. Mental health problems in childhood and adolescence are also associated with poorer outcomes in later life, such as an increased likelihood of leaving school with no qualifications, unemployment and substance misuse. The Scottish Government's Mental Health Strategy, published in March 2017, emphasises the need to improve early intervention and prevention in order to achieve improved outcomes for children and young people.
16. The overall aim of the audit is to answer the question: how effectively are children and young people's mental health services delivered and funded in Scotland? The audit will look at provision of services across all four tiers of CAMHS and consider children and young people

from birth up to the age of 18 years old, except where CAMHS services extend to the age of 25. This will include both the voluntary sector and the private sector where relevant. The audit will seek to answer the following questions:

- How effective are the delivery and funding of mental health and wellbeing services across Scotland in meeting the needs of children and young people?
- What are the main factors supporting and impeding the delivery of children and young people's mental health and wellbeing services, at both a national and local level?
- How effectively is the Scottish Government providing strategic direction to support the improvement of outcomes for children and young people's mental health and wellbeing?

17. This is due to be published in autumn 2018.
18. A national study on **Health & Social Care Integration: Part 2** is scheduled. The audit will follow up the [emerging risks highlighted in the 2015 report](#), including: governance arrangements, budget-setting, strategic planning, engagement with the voluntary sector and carers, and the development of localities. Where possible, it will also examine the evidence for significant shifts in service delivery, from acute to community-based and preventative services. This report is scheduled for publication in autumn 2018.
19. We will advise you in future progress reports of the scope of any other national studies as they are developed. Currently, a national study is planned on **workforce planning**, which will be the second part of Audit Scotland's audit on the NHS workforce (first report published in July 2017). The scope is currently being developed and will focus on community based workforce such as those employed by GP practices. We would encourage you to inform Audit Scotland, either directly or through the local audit team, of any areas of good practice or specific problem areas so that this can be incorporated into the national study. A flyer outlining the scope will be published soon, with the national report scheduled for February 2019.
20. Full copies of all our national reports are available for download from the Audit Scotland website (www.audit-scotland.gov.uk).

Financial statements

21. **Financial statements audit 2017/18.** The financial statements audit will commence on 30 April 2018. Where possible, we have brought forward substantive testing in a number of areas to ensure that some final accounts work can be undertaken before we receive the unaudited financial statements. In particular, we have already undertaken considerable substantive testing in relation to payroll and expenditure. This work provides us with assurance on the completeness, accuracy and reliability of figures included in the financial settlements and allows us to progress the audit in an efficient manner.
22. We are in discussions with senior finance staff regarding the accounting treatment and audit evidence required for the land disposal at Bellsdyke, income in relation to the Injury Recovery

Scheme, and the general bad debt provision. This will also enable us to progress the audit in an efficient manner.

23. The timeframe for completing and reporting the financial statements audit is tight given that the Audit Committee meets on the 8 June 2018 to review the audited accounts and recommend their approval to the Board, followed by a special Board meeting planned for 19 June 2018 to approve the accounts. We also plan to submit our 2017/18 Annual Audit Report to the Audit Committee on 8 June 2018. It will include any issues that we require to report to those charged with governance as required by International Auditing Standards.
24. We are liaising closely with finance staff to ensure that they understand what working papers we require. Also, as in previous years, we will be relying on the Director of Finance providing a comprehensive working papers package in support of the unaudited accounts.

Appendix 1

Progress against 2017/18 audit plan

Planned outputs	Target delivery date	Actual delivery date
Governance		
Annual Audit Plan	12 January 2018	12 January 2018
Interim Management Report (reported in this progress report)	23 March 2018	23 March 2018
NFI Update	28 February 2018	19 February 2018
Financial statements		
Annual Audit Report	1 June 2018	
Independent auditor's report on the financial statements	8 June 2018	

Appendix 2

NHS Forth Valley Management Letter 2017/18

To NHS Forth Valley Audit Committee

23 March 2018

NHS Forth Valley - Review of internal controls in financial systems 2017/18

Audit Scotland's Code of Audit Practice requires us to assess the systems of internal control put in place by management. In carrying out this work, we seek to gain assurance that NHS Forth Valley:

- has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests
- has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption
- complies with established policies, procedures, laws and regulation.

Overall conclusion

On the basis of audit work undertaken, we concluded that appropriate and effective internal controls were in place for those key financial systems reviewed by us.

System coverage

The following table summarises the key systems that we have tested in our interim audit for financial year 2017/18.

Key System	Audit coverage
Payroll	✓
General Ledger	✓
Trade Payables	✓
Trade Receivables	✓
Cash and Banking	✓
Capital Accounting	✓
Family Health Services	✓
Integration Joint Board Accounting	✓

Key findings

Our audit testing did not identify any significant control weaknesses. We did identify some less significant issues which were discussed with management so that appropriate actions could be taken.

Risk identification

The issues identified in preparing this management letter are only those which have come to our attention during the course of our normal work and are not necessarily, therefore, all the risk areas that may exist. It remains the responsibility of management to determine the extent of the internal control system appropriate to NHS Forth Valley. We would stress, however, that an effective system of internal control is an essential part of the efficient management of any organisation.

Acknowledgement

The contents of this letter have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit from NHS Forth Valley staff is gratefully acknowledged.

Paul Craig

Senior Audit Manager, Audit Scotland