

NHS Tayside

2017/18 Annual Audit Report



 AUDIT SCOTLAND

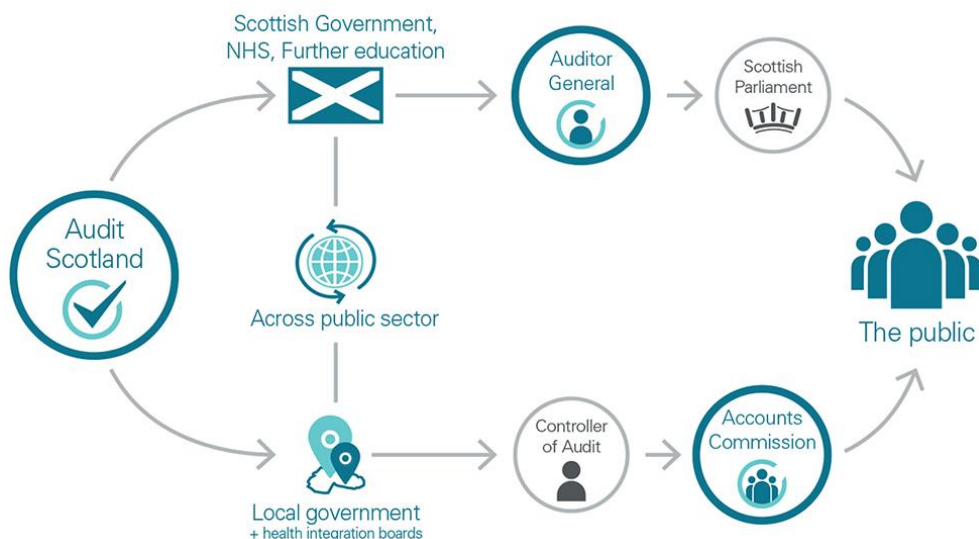
Prepared for the Board of NHS Tayside and the Auditor General for Scotland

28 June 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages	4
Introduction	6
Part 1 Audit of 2017/18 annual report and accounts	9
Part 2 Financial management	14
Part 3 Financial sustainability	21
Part 4 Governance and transparency	28
Part 5 Value for money	38
Appendix 1 Action plan 2017/18	42
Appendix 2 Significant audit risks identified during planning	49
Appendix 3 Summary of national performance reports 2017/18	54

Key messages

Ministerial intervention

- 1 Since 2013/14, NHS Tayside's financial position has been unsustainable and it has only achieved its financial targets after receiving Scottish Government brokerage. The worsening financial position has been reported in the board's Annual Audit Reports. It has also been the subject of three reports by the Auditor General to the parliamentary audit committees since October 2015.
- 2 In April 2018, as a result of the financial position and issues identified with the eHealth funding and endowment fund monies, the Cabinet Secretary for Health and Sport exercised her Ministerial powers of intervention and moved NHS Tayside to the highest level of escalation. As a result the Chair of the NHS Tayside Board stood down. The Chief Executive was replaced and is currently not at work and the Director of Finance retired. A new Chairman and Chief Executive were appointed to the NHS Tayside Board from April 2018.

2017/18 annual report and accounts

- 3 Our audit opinions are all unqualified. The financial statements give a true and fair view of the board's financial transactions and financial position. They are free from material misstatement and were properly prepared in accordance with accounting regulations.
- 4 We have accepted that it is reasonable for the accounts to be prepared on a going concern basis due to the Scottish Government's ongoing funding commitment to the board.

Financial management

- 5 Financial management in 2017/18 has been weak. The board failed to achieve its financial plan. The board initially planned for a deficit of £4.0 million for 2017/18 but due to a shortfall in planned savings and removal of eHealth funding not due to the board, this increased to £12.5 million by March 2018.
- 6 In order to meet its 2017/18 financial targets, the board received brokerage of £12.7million. An underspend of £0.2 million against the Revenue Resource Limit (RRL) is reported.
- 7 The board's net revenue expenditure increased by £8.7 million compared to the previous year. There is therefore no evidence of the board reducing its cost base.
- 8 In the year to 31 March 2018, senior management and committee members received regular, timely and up to date financial information on the board's financial position. However, the board's budget and projection of its financial outturn were overly optimistic. The board consistently fails to achieve its savings target. It delivered £46.8 million of efficiency savings. Whilst this is a very significant sum, it was still £1.0 million below target and only 36% of these were recurring savings against a target of 50%.

- 9** Budget monitoring report formats are being improved to support understanding and transparency of the financial position.

Financial sustainability

- 10** The board's cost model remains too high. It is unaffordable and despite cost reducing measures the board's net expenditure has increased this year. Transformational change is essential to balance delivery of services with available resources.
- 11** Since 2013/14, the board has received total brokerage of £45.9 million to meet its financial targets. The board has identified that £48.1 million of savings are required for 2018/19, with only £21.6 million of savings currently identified. Achievement of financial balance in 2018/19 without further brokerage will be extremely challenging.
- 12** The Scottish Government has agreed that the repayment of brokerage will be suspended until the board can achieve financial balance on a recurring basis. Financial plans do not currently show when this will be.
- 13** The board's transformation programme is critical to delivering efficiency savings, to achieve financial balance in the future. It is recognised that further savings will be required on a recurring basis which can only come from service redesign. Early progression with the clinical strategy is key to this.
- 14** The board should develop a medium to long term financial plan and ensure that this plan includes scenario planning or modelling. The impact of EU withdrawal should be covered in the plan.

Governance and transparency

- 15** NHS Tayside has a governance framework in place, however a number of weaknesses have been identified in 2017/18 in how the governance arrangements have been operating. In the Corporate Governance Statement, the Chief Executive says that he is not able to conclude that corporate governance was operating effectively in 2017/18.
- 16** Internal audit are a key part of the board's governance and assurance arrangements. We have concluded that the internal auditors, FTF generally operate in accordance with the Public Sector Internal Audit Standards (PSIAS). We have placed reliance on the work of internal audit where it is relevant to our work. An external assessment of their work is currently being carried out, which is the outstanding requirement for PSIAS compliance.
- 17** Compliance with Freedom of Information legislation has been poor. The board has produced an improvement action plan which is being considered by the Office of Scottish Information Commissioner.

Value for money

- 18** At the same time as its financial position is worsening, the board is reporting deteriorating performance in its delivery targets compared to 2016/17. The board's performance against its 19 non-financial LDP Standards is poor, with only 6 (32%) of the standards being met as at March 2018. In the prior year 9 of the standards were met.
- 19** Improvements are required to NHS Tayside's performance arrangements to support the performance and resources committee in scrutinising its performance.

Introduction

1. This report summarises the findings from our 2017/18 audit of Tayside Health Board, commonly known as NHS Tayside.
2. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and [the Code of Audit Practice \(2016\)](#), and guided by the auditing profession's ethical guidance.
3. The scope of our audit was set out in our Annual Audit Plan presented to the 14 December 2017 meeting of the Audit Committee. This report comprises the findings from:
 - an audit of the board's annual report and accounts
 - consideration of the wider dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

4. As public sector auditors we give independent opinions on the annual report and accounts. We also review and provide conclusions on the effectiveness of the board's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. In doing this, we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#). The other main elements of our audit work in 2017/18 have been:

- a review of the board's main financial systems
- consideration of the four audit dimensions.

5. NHS Tayside has been subject to significant parliamentary scrutiny in 2017/18. We have attended a number of Public Audit and Post Legislative Scrutiny Committee meetings in 2017/18 to support the Auditor General in providing evidence on her Section 22 Statutory Report on Financial Sustainability in NHS Tayside which was published in October 2017.

6. We also attended additional committee meetings when new issues were uncovered relating to NHS Tayside's receipt of Scottish Government eHealth funding allocations and alleged misuse of endowment monies. NHS Tayside's Director of Finance exercised his right to early retirement after the eHealth issue was discovered.

7. As a result of the deteriorating financial position and the issues raised with the eHealth funding and endowment fund monies, on 5 April 2018, the Cabinet Secretary for Health and Sport exercised her Ministerial powers of intervention and moved NHS Tayside to the highest level of escalation. The Chair of the NHS Tayside Board stood down and the Chief Executive was replaced. The previous Chief Executive is currently not at work. A new Chairman and Chief Executive were appointed to the NHS Tayside Board from April 2018.

8. Interim arrangements were also put in place to manage the board's financial arrangements following the departure of the Director of Finance. These arrangements have involved the Strategic Director of Finance (the NHS Grampian Director of Finance), who was already providing external support to the board, stepping in to take on an extended senior finance role at NHS Tayside. The day to day operational finance role was in turn delegated to the Associate Director - Financial Planning & Operational Services.

9. The circumstances leading up to the replacement of the senior management team at NHS Tayside were reported in our interim management report which was presented to management on 30 April 2018.

10. This report raises matters from the audit of the annual report and accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to their attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

11. NHS Tayside has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. The board's annual report and accounts includes the following:

- Performance Report
- Accountability Report (which includes the Directors' Report, Governance Statement and Remuneration and Staff Report)
- Financial statements and supporting notes.

12. The board is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

Adding value through the audit

13. Our aim is to add value to NHS Tayside by providing insight and foresight on financial sustainability, risk and performance and by identifying areas of

improvement and recommending / encouraging good practice. In so doing, we aim to help the board promote improved standards of governance, better management and decision making and more effective use of resources.

14. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

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

16. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £192,896, as presented to the Audit Committee on 15 March 2018, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

17. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2017/18 annual report and accounts



Main judgements

The financial statements give a true and fair view of the board's financial transactions and financial position and have been properly prepared in accordance with accounting regulations.

The board's income is fairly stated and agrees to the Scottish Government funding allocation letters. Expenditure and income are reported in accordance with applicable enactments and guidance.

The audited part of the remuneration and staff report, performance report and governance statement are all consistent with the financial statements and properly prepared in accordance with the accounts direction.

We have accepted that it is reasonable for the accounts to be prepared on a going concern basis due to the Scottish Government's ongoing funding commitment to the board.

The accounts explain that the board plans to discuss approval of a £3.6 million repayment to the Tayside endowment fund in 2018/19 to compensate for retrospective payments made to the board in earlier year.

Due to pressures on senior staff and the finance team, a full set of financial statements including the Performance Report, Accountability Report and Governance Statement, were not fully available until June, late in the audit process. This hindered the audit process but we have now received all necessary information required to conclude our audit opinion.

Audit opinions on the annual report and accounts

18. The annual report and accounts for the year ended 31 March 2018 were approved by the board on 28 June 2018. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- an unqualified opinion on regularity of expenditure and income
- the audited part of the remuneration and staff report performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction
- we have nothing to report in respect of the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements
- we have nothing to report in respect of those matters which we are required by the Auditor General to report by exception.

The board's annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Submission of annual report and accounts for audit

19. We received an unaudited accounts template on 7 May 2018, in line with our agreed audit timetable and this allowed us to start the audit of the financial statements for 2017/18. The template was incomplete, mainly due to the unavailability of Integration Joint Board (IJB) financial results for consolidation and remuneration and staff costs disclosures. The information received by the board from Dundee City and Perth & Kinross IJBs required further explanation from the IJBs to allow the results to be consolidated.

20. The preparation of the 2017/18 annual report and accounts was carried out in a period of extreme pressure for staff in the organisation following the senior management changes introduced in April 2018. We recognise that officers worked tirelessly to prepare the draft annual report and accounts, however much of the annual report part of the document e.g. Performance Report, Accountability Report and Governance Statement, were not fully available until late in the audit process. In addition, IJB results were not available for consolidation into the group accounts until 1 June 2018. Although the audit was completed timeously, this considerably hindered the audit process.



Recommendation 1

The board should review its process for preparing the draft annual report and accounts in 2018/19 to ensure a full version is available earlier in the audit process.

21. The working papers provided were of a good standard and finance staff provided good support to the audit team.

Risks of material misstatement

22. [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed. Also included within the appendix are wider dimension risks.

Materiality

23. If a material mis-statement is identified in the financial statements it would impact on the audit opinion. Mis-statements are considered to be material if they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

24. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). With regards to the annual report and accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality	£10.5 million
Performance materiality	£5.3 million
Reporting threshold for mis-statements	£100,000

Source: NHS Tayside Annual Audit Plan 2017/18

25. On receipt of the annual report and accounts we reviewed our planning materiality calculations and concluded that the overall materiality level and reporting threshold remained appropriate.

26. Performance materiality acts as a trigger point whereby, if the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we initially calculated performance materiality at 50% of planning materiality for NHS Tayside.

27. As a result of significant issues identified during the course of the 2017/18 audit, which are reported later in this report, we reduced our performance materiality from 50% to 40% of overall materiality. This lowered performance materiality to £4.2 million, thereby reducing the trigger level.

How we evaluate misstatements

28. There were two adjustments to the unaudited financial statements arising from our audit which were above our reporting threshold. The impact of these adjustments was an increase in net assets and the board's surplus of £0.128 million.

29. It is our responsibility to request that all mis-statements, other than those below the reporting threshold, are corrected although the final decision on this lies with those charged with governance, taking into account advice from senior officers and materiality. Management agreed to adjust for the items above.

Significant findings from the audit in accordance with ISA 260

30. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

31. The findings include our views about significant qualitative aspects of the board's accounting practices including:

- Accounting policies
- Accounting estimates and judgements
- Significant financial statements disclosures
- Timing of transactions and the period in which they are recorded

- The impact on the financial statements of any uncertainties
- Misstatements in the annual report and accounts
- The effect of any unusual transactions on the financial statements
- Disagreement over any accounting treatment or financial statements disclosure

Exhibit 3

Significant findings from the audit of the financial statements

Finding	Resolution
<p>1. eHealth funding</p> <p>Early in March 2018, Scottish Government staff identified that NHS Tayside was holding money intended to fund eHealth in NHS boards. NHS Tayside had accounted for this funding as its own in prior years.</p> <p>For 2016/17 a sum of £2.5 million had been received by NHS Tayside for NHS National Services Scotland eHealth underspends, with a net sum of £1.9 million (i.e. net of a 2015/16 repayment of £0.6 million). It was correctly included in the 2016/17 NHS Tayside financial statements, as it was included in the Scottish Governments funding allocation letters, as funds due to the board. Whilst it was recently identified that these funds should not have been paid to Tayside, because of its inclusion in the funding letters no change to prior year accounts would be appropriate.</p> <p>We have concluded that the board's 2017/18 income has been fairly stated and no eHealth monies have been received by NHS Tayside this year.</p>	<p>For information</p>
<p>2. Health and social care integration</p> <p>The three IJBs within the Tayside area have been reflected in the board's accounts.</p> <p>The IJBs have been consolidated into the group accounts as joint ventures. The board's share of the IJB net assets are shown as investments in joint ventures totalling £2.8 million.</p> <p>£444.4 million has been included in the board's clinical services expenditure, which represents the board's payments to the IJBs to provide services on its behalf. This is offset by £444.4 million of income from the IJBs for the commissioning of services by the IJBs.</p> <p>The IJB figures are based on unaudited information received from each IJB. We do not anticipate any material changes to the draft figures used in consolidation.</p>	<p>For information.</p>
<p>3. Tayside Health Fund (endowment fund)</p> <p>The Tayside Health Fund figures included in the group accounts are based on the unaudited accounts. We have received written assurances from the auditor of the endowment fund that no material changes are anticipated to the draft figures used in consolidation.</p>	<p>Audited accounts will be presented to NHS Tayside's audit committee on 21 June 2018. The implications of any changes to the draft figures will be considered prior to signing the audit opinion.</p>

Finding	Resolution
<p>4. Going concern</p> <p>The accounts have been prepared on a going concern basis i.e. the board expects to continue operations for the foreseeable future, at least 12 months from the accounts signing date.</p> <p>As reported throughout this report the Board's financial position is unsustainable and has been supported in recent years with significant brokerage. Despite NHS Tayside's continuing financial challenges, we have accepted that it is reasonable for the accounts to be prepared on a going concern basis due to the Scottish Government's ongoing funding commitment to the board.</p>	<p>For information.</p>
<p>Source: Audit Scotland</p>	

32. Post Balance Sheet Event – Endowment Fund repayment: The annual report and accounts contain a Post Balance Sheet Event for proposed repayment of monies to the endowment fund. This sum is to reimburse the fund for £3.6 million of monies transferred to NHS Tayside retrospectively in 2013/14. Approval for the repayment is to be discussed by the Board on 28 June 2018.

Good practice in financial reporting

33. Our audit also identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual report and accounts

34. The revised annual report and accounts reflects much of the good practices set out in Audit Scotland's good practice notes.

Follow up of prior year recommendations

35. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

36. In total, 7 agreed actions were raised in 2016/17 (updates are provided in [Appendix 1](#)). Of these:

- 4 were highlighted as ongoing actions which would not be completed in 2017/18, relating to financial sustainability (efficiency savings), the transformation programme, the clinical strategy and financial capacity within NHS Tayside and these issues feature once again in this report.
- 2 are not actioned or have only partly been actioned relating to risk management regarding Integrated Joint Board activities and public performance reporting which are also reflected in this report and carried forward in the action plan at Appendix 1.
- 1 has been fully implemented relating to the accounting treatment of depreciation.

37. Overall the board's progress in implementing these actions has been slow. For those actions not yet implemented, revised responses and timescales have been agreed with management in [Appendix 1](#)

Part 2

Financial management



Main judgements

Financial management in 2017/18 has been weak. The board failed to achieve its financial plan.

The board initially planned for a deficit of £4.0 million for 2017/18 but due to a shortfall in planned savings and the recognition that e-Health funding was not due to the board, this increased to £12.6 million by March 2018.

The board's savings targets were overly optimistic. The board delivered £46.8 million of efficiency savings. Whilst this is a very significant sum, it was still £1.0 million below target, 36% of these were recurring savings against a target of 50%.

In order to meet its 2017/18 financial targets, the board received brokerage of £12.7million. An underspend of £0.2 million against the Revenue Resource Limit (RRL) is reported.

Net expenditure in 2017/18 is reported as £900.7 million, this is an increase over the prior year level of £892.0 million. There is therefore no evidence of the Board reducing its cost base.

Senior management and committee members received regular, timely and up to date financial information on the board's financial position. However, the board's budget and projection of its financial outturn was overly optimistic. Budget monitoring report formats are being improved for 2018/19.

Whilst weaknesses in the board's governance arrangements have been reported, no significant internal control weaknesses were identified during the audit which impacted on NHS Tayside's financial statements.

Financial performance in 2017/18

38. Since 2013/14, NHS Tayside's financial position has been unsustainable and it has only achieved its financial targets following receipt of Scottish Government brokerage. The board's worsening financial position has been reported over time in Annual Audit Reports. It has also been the subject of three reports by the Auditor General to the parliamentary audit committees since October 2015.

39. NHS Tayside, as required by statute, must work within the resource limits and cash requirements set by the Scottish Government Health and Social Care Directorates (SGHSCD) annually. As illustrated in [Exhibit 4](#), the board operated within all limits during 2017/18, however this was only achieved after the receipt of further brokerage of £12.7 million from the Scottish Government. The final

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

allocation letter which included the additional £12.7 million of brokerage was received by the Board on 6 June 2018.

40. In 2017/18 NHS Tayside has continued to experience significant cost pressures. In 2017/18 net expenditure is reported as £900.7 million, this is an increase over that of £892.0 million reported in 2016/17. In 2016/17, we reported that the board's operating model remains too high and this continues to be the case. This will need to be a key focus in the board's transformation programme.

41. The board's Local Delivery Plan for 2017/18 identified a potential deficit of £4.0 million for 2017/18, but due to a shortfall in planned savings and the removal of the eHealth funding allocation, this deficit increased to £12.5 million by March 2018 resulting in the need for additional Scottish Government brokerage. Additional brokerage of £12.7 million was formally approved in June 2018.

42. The board's most significant over/(under)spends occurred in:

- Workforce costs, overspent by £6.2 million
- Primary care prescribing, overspent by £6.7 million
- Other non-pay costs, resulting mainly from a step down of elective activity over the festive period and a reduction in discretionary expenditure, underspent by £4.3 million
- Disallowed funding for eHealth, resulting in an overspend of £5.3 million
- Injury cost recovery scheme income underspend of £2.5 million.

Exhibit 4

Performance against resource limits in 2017/18

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	(Over)/ Underspend £m
Core revenue resource limit	820.8	820.6	0.2
Non-core revenue resource limit	34.1	34.1	0
Total revenue resource limit	854.9	854.7	0.2
Core capital resource limit	8.5	8.5	0
Non-core capital resource limit	16.7	16.7	0
Total capital resource limit	25.2	25.2	0
Cash requirement	887.7	887.7	0

Source: NHS Tayside Annual Report and Accounts 2017/18

Efficiency savings

43. NHS Tayside was required to make efficiency savings of 6.5% in 2017/18 to achieve its planned deficit of £4.0 million. This is equivalent to a savings target of

£47.8 million. Whilst savings of £46.8 million is a very significant sum, it was still £1.0 million below target.

44. In its 2017/18 financial plan, NHS Tayside set a target of 50% of savings being on a recurring basis. This target was not achieved, with 36% of savings being achieved on a recurring basis, with the remaining 64% on a non-recurring basis. Recurring savings are savings, that once achieved, recur year-on-year from that date. Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years. The board's reliance on non-recurring savings is discussed further at paragraph 82.

Funding allocations – eHealth funding

45. Early in March 2018, Scottish Government staff identified that NHS Tayside was holding money intended to fund eHealth in NHS boards. This came to light when the Scottish Government finance team were asked to process an allocation adjustment relating to the eHealth national programme budget.

46. The Scottish Government commissioned a review by Grant Thornton which highlighted that an arrangement had been in place since 2012/13 to route eHealth money from the Scottish Government through NHS National Services Scotland then on to the NHS boards. Since that time, underspent funds on the eHealth programme were passed to NHS Tayside and were used to fund its annual expenditure. It was then returned to the Scottish Government as funding allocation credits the following year.

47. For 2016/17 a sum of £2.5 million had been received by NHS Tayside for NHS National Services Scotland eHealth underspends, with a net sum of £1.9 million (i.e. net of a 2015/16 repayment of £0.6 million) included in the 2016/17 NHS Tayside financial statements. Whilst it was identified that these funds should not have been paid to the board, the eHealth funding was shown in the Scottish Government funding allocation letters as belonging to NHS Tayside, with no indication that it belonged to other boards or that it was repayable. As a result, no change to prior year accounts would be appropriate.

48. Based on the work of Grant Thornton, and recent disclosures, there is evidence that the Director of Finance at NHS Tayside (both the most recent and the previous postholders), the Director of Finance at NSS and eHealth leads were aware of the arrangements but that this was not shared more widely. The details were not shared with the NHS Tayside Board, its Audit Committee, or the auditors.

49. A further £2.7 million of eHealth monies was anticipated by the board for 2017/18 and included in its budget for 2017/18 resulting in a financial position which was £5.3 million more optimistic than was justified. This increased the amount of brokerage needed by the board at the year end.

50. We have been provided assurances by the board that all funding in the Scottish Government allocation for 2017/18 belongs to the board. In addition, audit testing has not revealed any funding that has not been properly accounted for. We have concluded that the board's 2017/18 income has been fairly stated

51. The Grant Thornton report identified five areas where action should be taken by NHS Tayside, all of which have been responded to by management. The steps taken by management to improve controls over funding include:

- The financial forecasts for 2017/18 were rebased to exclude £5.3 million of eHealth funding allocations that had been previously made or indicated would be made available.
- A change to the Standing Financial Instructions to ensure that any alterations to the Revenue Resource Limit will be signed off by the Director of Finance and the Chief Executive.

- The format of the financial reports has been changed to improve understanding and transparency regarding the financial position including detail of, and the extent to which, non-recurring measures or Board 'reserves' are being utilised.
- Increased transparency in reporting the extent of reliance on non-recurring allocations received for specific purposes but spent on other areas in the year of receipt. These are known by the board as 'deferred expenditure,' and are being utilised to manage the financial position.

52. Grant Thornton were subsequently commissioned to carry out a review of financial governance within NHS Tayside on behalf of the Scottish Government. Their report, issued in May 2018, made further recommendations in respect of budgeting and financial reporting, including:

- Management should continue to review the revised financial reporting adopted by NHS Tayside (see paragraph 63) focusing on clearly articulating the financial performance and reflecting an honest opinion assessment of the associated risks of delivery.
- Finance should undertake a review of how in particular it forecasts the likely financial position and how robust this is and whether there is a consistent approach so that month on month information is comparable and that the Board members can take confidence in the forecasting. Accurate forecasting will ensure sound financial decisions are taken and potential areas of overspending captured earlier in the year.
- A more robust recommendation tracker should be introduced for internal audit and external audit recommendations. All recommendations should be captured, progress evidenced and action evidenced to close off actions once complete. This will be a key responsibility of the audit committee.

53. An action plan has been prepared to take forward the recommendations of Grant Thornton and this has been endorsed by the Executive Management Team. The Strategic Director of Finance is to oversee the implementation of the agreed actions with the aim that all are completed by 30 September 2018.

Tayside Health Endowment Fund

54. In April 2018 allegations were made in the media about the misuse of Tayside Endowment Fund monies by NHS Tayside (with temporary suspension of the fund's policy and procedures to facilitate approval of retrospective expenditure proposals). This allegation relates to retrospective approval of funding in the 2013/14 financial year.

55. The Tayside NHS Board Endowment Fund 2013/14 accounts report the Trustees' approval of retrospective funding on projects that Tayside Health Board had commenced. The amount funded retrospectively was £3.6 million. The Endowment Fund Board minutes of 24 January 2014 document the Board's agreement to '*a temporary variation in the Endowment Fund's Policy and Procedures to allow retrospective applications to be considered.*'

56. On 5 April 2018 it was announced that the Office of the Scottish Charity Regulator (OSCR) are conducting a formal inquiry into the specific circumstances of the use of funds by Tayside NHS Board Endowment Fund. We will consider the result of OSCR's review when their report is published.

57. The Grant Thornton report on financial governance at NHS Tayside included a review of the use of endowment fund monies. It included further recommendations most of which relate to the culture, leadership and member support within NHS Tayside:

- Linked to the wider organisational cultural change programme and focus on leadership, management should ensure that internal audit play a pivotal role in supporting cultural change and that their input and recommendations are valued and actioned by management.
- Finance reports, which are clear and easy to understand by a non-finance person should be presented on a timely basis to the Board to allow Board members effective insight and scrutiny of the financial position.
- There is an opportunity for the leadership team and the Board to further set out the culture it expects to be in place and demonstrated across NHS Tayside, including continuing to encourage open and honest conversations based on the promotion of doing the right thing and the wider NHS in Scotland values.
- The Board should explore what additional training and support is needed to support the Non-Executive Directors in their role to ensure effective scrutiny and leadership, including ensuring their voice is heard and acted on by management.

58. Actions in respect of these recommendations have been included in the board's action plan referred to in paragraph 53.

59. On 12 April 2018 we were informed that NHS Tayside's Board had met to discuss a proposal for a repayment to be made to the endowment fund to cover funds used by NHS Tayside in 2013/14 and 2014/15. The plan is for Scottish Government funding to be provided to cover this repayment.

60. The Board meeting scheduled for 28 June 2018 will consider the approval of the repayment of the £3.6 million (quantified in Grant Thornton's report on financial governance). Board members should satisfy themselves on the specific statutory references that the board has used to support the transfer of board funds to the endowment fund. Board members should seek these assurances before approving the repayment.



Recommendation 2

Before approval of the repayment to Tayside Health Endowment Fund, Board members should satisfy themselves on the specific statutory references that the board has used to support the transfer of board funds to the endowment fund.

Budgetary processes

61. We reviewed NHS Tayside's budgetary processes and budget monitoring arrangements. From our review of budget monitoring reports, review of committee papers and attendance at committees we observed that senior management and members received regular, timely and up to date financial information on the board's financial position.

62. The Strategic Director of Finance undertook an internal review of the circumstances relating to the allocation of eHealth funding and reported his findings to the former Chief Executive on 27 March 2018. His report included a recommendation relating to the budgetary process.

63. The Strategic Director of Finance recommended that the format of the financial reports should be changed to improve understanding and transparency regarding the financial position. The revised financial reports submitted to the Directors and the Performance and Resources Committee of the Board should clearly state the underlying financial performance of the Operating Divisions and the detail of, and

the extent to which, non-recurring measures are being utilised. The format of the reports was changed with immediate effect.

64. We noted in our 2016/17 Annual Audit Report that concerns had been raised by members about the timing of information on the proposed annual budget with information on the 2017/18 budget not being presented to the Committee and the Board until March 2017. This remains an issue at NHS Tayside with the Scottish Government allowing an extension to 31 May for the submission of NHS Tayside's financial plan. We note that the 2018/19 budget is scheduled to be reported to the Board on 28 June 2018.

65. In our 2016/17 Annual Audit Report we reported that enhanced business planning and budget reporting (BPB) was being introduced for the 2018/19 budget process. This process is linked to enhanced service planning and based on a longer term commitment to the delivery of transformational change and financial sustainability.

66. The NHS Tayside Transformation Support Team (TST) staging report, issued in January 2018, recognised that the BPB process was underway and would be available to inform the preparation of the Board's forward plans for 2018/19 and beyond. Much work has been carried out to achieve a better understanding of the board's cost base and to promote better ownership of budgets but the board recognises that further work is necessary to link its plans with its efficiency savings targets and with the objectives of the organisation.

Systems of internal control

67. As part of our audit we identify and inspect the key internal controls in the accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that NHS Tayside has sound systems of recording and processing transactions which provide the basis for the preparation of the financial statements.

68. Our findings were included in a report to management presented to the Audit Committee on 10 May 2018 and a further report to management presented to the Audit Committee on 21 June 2018.

69. We identified some weaknesses in the key controls within financial systems in relation to changes to suppliers' bank details, journal authorisation, payroll validation controls, family connection controls, registers of interests and internal audit work slippage.

70. None of these areas were considered significant enough to include in the board's Governance Statement. Additional work was carried out in some of the areas to enable us to conclude on our audit of the 2017/18 financial statements. Action plans were agreed with management which were included in the reports to management. As a result, we have concluded that no significant internal control weaknesses were identified during the audit which impacted on NHS Tayside's financial statements.

Financial capacity

71. Pressure on finance officers has intensified in 2017/18 with the departure of the Director of Finance, the need to embed the changes to the finance structure put in place before his departure, as well as the need to provide financial support for the transformation programme alongside delivery of the ongoing finance function duties.

72. Interim arrangements are currently in place to manage the board's financial arrangements following the departure of the Director of Finance. These arrangements have involved the Strategic Director of Finance (the NHS Grampian Director of Finance), who was already providing external support to the board, stepping in to take on an extended senior finance role at NHS Tayside. The day to

day operational finance role was in turn delegated to the Associate Director - Financial Planning & Operational Services

73. The transformation programme is critical to delivering efficiencies and therefore it is essential that an appropriate finance structure is in place, and staff have the necessary skills, to support the transformation process in a timely manner. The filling of the vacant Director of Finance role and ongoing review of the finance structure will be essential to ensuring that the board has sufficient financial capacity to support the delivery of the board's objectives.



Recommendation 3

The board should monitor the arrangements within the finance directorate to ensure appropriate financial capacity is in place to carry out its day to day functions and provide support for the transformation programme.

Part 3

Financial sustainability



Main judgements

The board continues to face an extremely challenging position. Since 2013/14, the board has only achieved its financial targets through receipt of brokerage. The total brokerage received by the Board over this period is £45.9 million.

The board has identified that £48.1 million of savings are required for 2018/19, with only £21.6 million of savings currently identified. Achievement of financial balance in 2018/19 without further brokerage will be extremely challenging.

The Scottish Government has agreed that the repayment of brokerage is suspended until the board can achieve financial balance on a recurring basis.

The board's new transformation programme will be critical to delivering efficiency savings, to achieve financial balance. The previous programme has delivered substantial cost reductions to date through efficiency and productivity reviews, but further savings will be required on a recurring basis which can only come from service redesign.

An overarching clinical strategy is key to the board's transformation and should be developed as soon as possible and form the basis for the board's service, workforce and financial planning.

The board should develop a medium to long term financial plan and ensure that this plan includes scenario planning or modelling. The impact of EU withdrawal should be covered in the plan.

Financial planning

74. Since 2013/14 NHS Tayside has only achieved financial balance after receipt of brokerage from the Scottish Government. Realistic savings will be required going forward if the board is to return to financial stability.

75. Brokerage is an advance of funding from the Scottish Government which has to be repaid. NHS Tayside received brokerage funding of £12.7 million in 2017/18. This brings the total outstanding brokerage due to be repaid by the board to £45.9 million. The Scottish Government has agreed that the repayment of this brokerage is suspended until the board can achieve financial balance on a recurring basis.

76. The existence of brokerage adds further pressure on NHS Tayside as it strives to maintain financial balance in future. Based on our review of financial and savings plans we concluded that there is a risk that the board will be unable to repay brokerage in the short to medium term. The board's 2018/19 revised financial plan is a one year forecast only and does not set out when this is to be achieved.

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

77. NHS Tayside has not approved a medium term financial plan for the period from 2018/19. The Scottish Government allowed an extension of the deadline for producing its financial plan to 31 May 2018. A draft 2018/19 financial plan has been prepared and it is scheduled to be presented to the Board on 28 June 2018. Although the aim of the 2018/19 plan is to achieve financial balance in 2018/19, it will be extremely challenging to achieve this without further brokerage.

78. There are significant cost pressures facing the board, including staff pay costs, prescribing costs and the cost of using medical locums. There will also be significant funding pressures over the short to medium term with the basic funding uplift for 2018/19 being 1.5%.

79. Overall, we concluded that the board is facing an extremely difficult situation in the short to medium term. Its operating model remains too high and this is exasperated by rising costs, and dependency on increased efficiency savings, which will make it difficult to achieve financial balance.

Medium to long term efficiency savings

80. The board's financial plan forecasts that cash efficiency savings of £48.1 million (6.5% of baseline funding) will be required for 2018/19. This sum excludes the £3.6 million for the proposed repayment to the endowment fund which the Scottish Government has committed to fund from further brokerage.

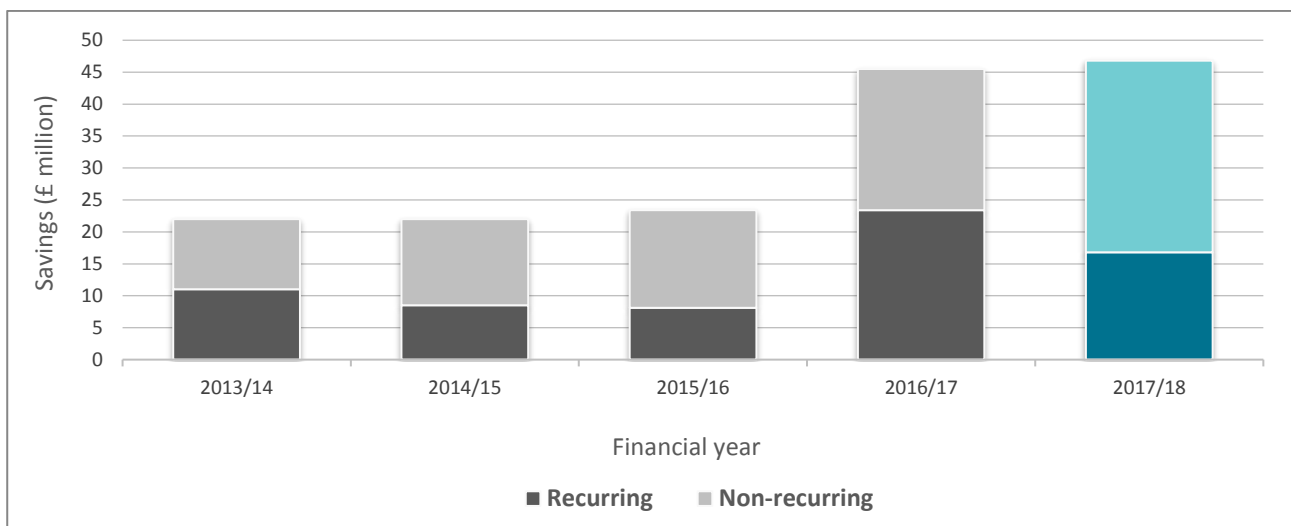
81. £26.5 million of the £48.1 million of savings has been identified, with £14.7 million being assessed as higher risk. The source of the remaining £21.6 million of savings has yet to be identified.

Reliance on non-recurring savings

82. NHS Tayside remains reliant on non-recurring savings, as illustrated in [Exhibit 5](#). Non-recurring savings are one-off savings which do not provide longer term benefit to the financial position. In its 2018/19 financial plan, NHS Tayside has identified recurring savings of £16.5 million (only 34% of its total savings requirement). In our opinion, this situation is not sustainable for the board in the longer term.

Exhibit 5

Savings – recurring and non-recurring



83. The high level of medium to high risk savings identified and the high level of unidentified savings for 2018/19, presents a significant challenge for the board in

achieving financial balance in 2018/19. The high level of non-recurring savings in 2018/19 will not assist the longer term achievement of financial balance.



Recommendation 4

The board should ensure that savings plans are urgently developed which detail the delivery of the full 2018/19 savings requirement and how the higher risk element will be delivered. Detailed plans showing how future years' savings requirements will be achieved should also be prepared. Going forward the board should aim to identify more savings of a recurring nature which have an ongoing benefit to the financial position.

Non-recurring income

84. Each year NHS boards receive non-recurring Scottish Government allocations for specific purposes. The Scottish Government has confirmed in discussions with Audit Scotland that any objectives or policy outcomes stipulated in the allocation letters for these amounts are not conditions that would result in deferral of income or clawback. As a result, these amounts do not meet the conditions requiring deferral of income in the accounts. NHS Tayside correctly accounts for these amounts as income for the year with no deferral or accrual of these funds.

85. Whether the Boards spend these specific amounts on these programmes or fund the programmes from their general allocation is a matter for the board's financial management and budgetary control. Where slippage on a programme is identified and these funds have been utilised (on other areas) and the board still has the programme outcomes to achieve, this would need to be funded from general allocations in future years. This would lead to financial pressures in future years. NHS Tayside recognise and refers to these amounts as 'deferred expenditure,' for budget monitoring purposes. They recognise that these funds are non-recurring and have reported on the value of these funds in reports to the Finance and Resources Committee in 2017/18.

86. These allocations were considered as part of Grant Thornton's review of the board's governance arrangements. Their report says these balances totalled £15.676 million at 31 March 2018. In response to the review the board is implementing improvements in the clarity of reporting of these amounts.

Transformation Programme

87. NHS Tayside initially established a five year transformation programme in 2015. The current transformation programme covers the period 2017/18 to 2021/22 and aims "to improve the sustainability of services and enhance the quality of care". The focus of the plan is based on improved productivity and efficiency, service redesign and transformation. The service transformation is also key to supporting the board's aspirations for improved patient outcomes.

88. The transformation programme has delivered substantial cost savings through efficiency and productivity measures but has not yet delivered the recurring savings necessary through service redesign and transformation.

89. In April 2017, the Scottish Government established an independent Assurance and Advisory Group (AAG). The group's terms of reference and work plan are designed to provide independent scrutiny and challenge on NHS Tayside's financial planning and the deliverability of its transformation programme.

90. In its initial staging report on 27 June 2017, the AAG identified 10 recommendations for management to take forward in delivering the board's transformation programme. The Scottish Government has also set up an NHS

Tayside Transformation Support Team (TST) to report on progress made by NHS Tayside in implementing the recommendations.

91. In its report to the AAG in January 2018, the TST reported that progress had been made with the first 5 of the 10 recommendations. The next 5 recommendations are longer term and will take more time to evidence delivery. The TST reported that NHS Tayside has worked hard to implement the recommendations of the AAG report but that there was still much work to do, particularly to further develop the integrated clinical strategy. A further update is due from the AAG in September 2018.

92. The board is currently developing a new transformation programme. A Transformation Status Report is scheduled to be presented to the Board on 28 June 2018 and will advise of progress towards the introduction of a new transformation programme later in the year. The integrated clinical strategy will be a key enabler for the transformation programme. The AAG has been retained to provide support to the board in regard to taking forward its transformation programme.

Asset disposal

93. NHS Tayside planned to generate £2.9 million of capital receipts as part of their efficiency savings targets for 2017/18. £2.5 million of this sum had been identified as 'low risk'. The actual amount generated in 2017/18 was £0.94 million. The deficit in capital receipts is an example of optimism bias and has contributed to the large overspend incurred in the year. We note that the use of capital receipts has not been identified as a savings measure in the 2018/19 financial plan.

Workforce planning

94. In July 2017 the Auditor General for Scotland published a data briefing on Scotland's NHS Workforce Planning. It highlighted that NHS staff numbers are at their highest ever level, but there are key issues relating to the workforce. These include an ageing workforce, vacancy rates, increased spending on agency staff and sickness absence levels. NHS Tayside faces all of these workforce challenges.

95. The AAG included a recommendation in its staging report for NHS Tayside to undertake an early and comprehensive review of staffing levels across services and sites (including HSCPs), with the review aiming to clarify key drivers of NHS Tayside's workforce levels compared to peer boards and to identify safe options for bringing redesigned services and sites within available resources.

96. The TST reported in January 2018 that NHS Tayside had made some progress with this recommendation, particularly in relation to undertaking an early and comprehensive review of staffing levels across all services and sites. Other positive observations include NHS Tayside having access to an extensive range of data about its existing workforce which provides a better understanding of key cost drivers, updated benchmarking on workforce information to understand challenges and direct longer term transformation activity.

97. The report also states that it is less evident how work force data is being used effectively to identify safe options for redesigning services and sites. It highlights the further development of the Integrated Clinical Strategy as an opportunity to consider workforce models within a broader picture of the strategic principles driving the overall consideration of services.

98. NHS Tayside has a high level of ageing workforce, which presents a risk to longer term sustainability of the workforce and its capacity to deliver effective services. As at May 2018, 40.7% (April 2017, 39.7%) of NHS Tayside's workforce is aged 50 or over and this is set to rise further. NHS Tayside is also facing significant challenges in recruiting and retaining staff with turnover rates increasing. In 2017/18 the rate was 8.2% compared to the national average of 6.6%.

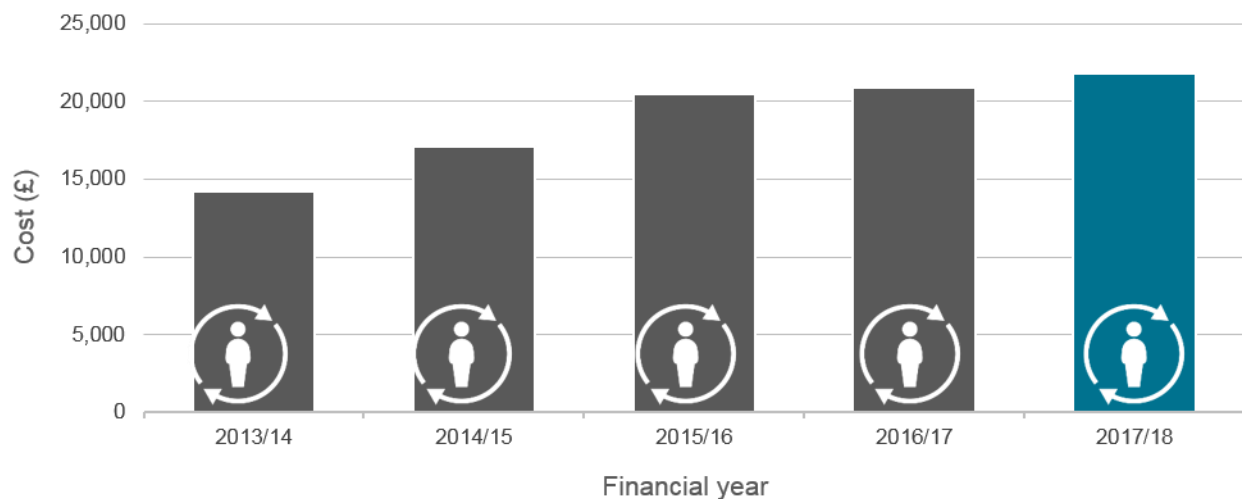
99. Nursing and midwifery workforce continues to provide the biggest workforce challenge due to a national shortages and local workforce demographics. NHS Tayside has identified a risk that it will be unable to recruit and retain sufficient numbers of registered nurses and midwives, which could result in a failure to maintain safe and effective nursing and midwifery staffing levels.

100. The board has plans in place to reduce the risk in these areas by developing its retention initiatives with a view to encouraging staff to NHS Tayside, including enhancing work practices through extending part time working and encouraging nurses to 'return to practice' through assisting re-accreditation.

101. As a result of recruitment and retention problems and pressures to meet waiting time targets, expenditure on temporary staff has increased over the last five years as illustrated in [Exhibit 6](#). Although temporary staff provide flexibility in the short term it comes at a cost with spending on temporary staff increasing from £14.2 million (1.8%) in 2013/14 to £21.8 million (2.4% of net expenditure) in 2017/18.

Exhibit 6

Temporary staff costs



Source: Audit Scotland

102. Despite measures put in place to control cost in 2016/17, the increasing use of temporary staff is putting pressure on the board's budget and does not represent value for money. The comprehensive review of staffing levels across services is key to addressing this.

103. Supplementary staff expenditure for 2017/18 was £21.8 million, compared to £20.8 million for 2016/17. A breakdown of supplementary staff costs is included at [Exhibit 7](#).

Exhibit 7

Supplementary staff costs breakdown

	2017/18 £ million	2016/17 £ million	Change £ million
Excess part time hours	3.3	3.2	0.1
Overtime	3.5	3.3	0.2
Bank staff	6.9	5.3	1.6
Agency costs	8.1	9.0	-0.9
Total	21.8	20.8	1.0

Source: NHS Tayside Corporate Finance Report June 2018

104. The increase in bank costs reflects more extensive use of the nurse bank with the aim of reducing premium agency costs. Non-contract nursing agency costs have also risen over the period by £1 million. The agency costs reduction is £0.9 million but this masks significant movements in nursing and medical agency costs. Nursing agency costs have increased by £0.6 million (14%) in 2017/18 through increased use of nurse bank whereas medical agency show a decrease of £1.0 million (24%) compared to 2016/17.

105. NHS Tayside, like most NHS boards, is continuing to find it difficult to achieve the national performance standard of 4% for sickness absence, despite measures to maximise attendance at work. At March 2018, the sickness absence rate was 5.0%. This is a deterioration compared to the March 2017 rate of 4.8% but is a better position than the Scottish average of 5.4%. NHS Tayside aims to improve sickness absence levels through supporting positive attendance and promoting employee wellbeing.

EU withdrawal

106. There remains significant uncertainty about the detailed implications of EU withdrawal (i.e. Brexit). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce - the extent to which changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.
- Funding – the extent to which potential changes to funding flows are likely to affect the finances of the organisation and the activity that such funding supports.
- Regulation – the extent to which potential changes to regulation across a broad range of areas overseen at an EU level are likely to affect the activities of the organisation.

107. The medium to longer term financial position is difficult to predict given the uncertainty around EU withdrawal and new financial powers. The board needs to do more to plan for these events including scenario planning or modelling.



Recommendation 5

The board should develop a medium to long term financial plan from 2019/20 and ensure that this plan includes scenario planning or modelling. The impact of EU withdrawal should be covered in the plan.

Part 4

Governance and transparency



Main judgements

In April 2018, the Cabinet Secretary for Health and Sport moved NHS Tayside to the highest level of escalation following which, the Chair of the NHS Tayside Board stood down. The Chief Executive was replaced and the Director of Finance retired. A new Chairman and Chief Executive were appointed to the NHS Tayside Board from April 2018.

NHS Tayside has a governance framework in place, however a number of weaknesses have been identified in 2017/18 in how the governance arrangements have been operating, reducing the effectiveness of the framework.

In the Corporate Governance Statement, the Chief Executive says that after taking into account the governance framework and the assurance from the board's committees he is not able to conclude that corporate governance was operating effectively in 2017/18.

Internal audit are a key part of the board's governance and assurance arrangements. The internal auditors, FTF, generally operate in accordance with the Public Sector Internal Audit Standards. An external assessment of their work is currently being carried out, which is the outstanding requirement for PSIAS compliance. This being carried out by an independent consultant and will be reported in 2018/19.

There are some areas where the board could be more open and transparent. Compliance with Freedom of Information legislation has been poor. The board has produced an improvement action plan which is being considered by the Office of Scottish Information Commissioner.

Ministerial intervention

108. As a result of the board's worsening financial position and issues identified with the eHealth funding and endowment fund monies, in April 2018, the Cabinet Secretary for Health and Sport exercised her Ministerial powers of intervention. She moved NHS Tayside to the highest level of escalation following which, the Chair of the NHS Tayside Board stood down. The previous Chief Executive is currently not at work and the Director of Finance retired. A new Chairman and Chief Executive were appointed to the NHS Tayside Board from April 2018.

Governance arrangements

109. The board has a governance framework in place covering decision making and scrutiny activities. The board has recently created a performance and resources committee (replacing the finance and resources committee) which now links operating performance with financial performance. The first meeting of the Performance and Resources Committee took place on 24 April 2018.

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

110. Despite the existence of a framework for corporate governance, a number of weaknesses have been identified in 2017/18 in the way in which the governance arrangements have been applied, which impact on the effectiveness of the framework. Weaknesses have been identified in the following areas (the latter three being identified in the Grant Thornton report on the eHealth allocation issue):

- Board meetings are lengthy with a high volume of committee papers to read and understand.
- Financial monitoring reports are not easily understandable and transparent.
- Key financial information on eHealth funding was withheld from senior management and Board members by the then Director of Finance.
- A lack of challenge or effective monitoring of allocation adjustments and committed earmarked funding.

111. Implementation of the actions identified in the board's response to the recommendations in the Grant Thornton report will address some of these weaknesses if implemented effectively. The Strategic Director of Finance has already introduced improvements to the financial reporting to the Board in 2018/19.

112. In addition, the new Chair of the Board has commissioned an independent risk assessment of the corporate governance arrangements in NHS Tayside. The report on the risk assessment is scheduled to be presented to the Chair of the Board by 22 June 2018.

113. Training of members to support them in their role in scrutinising the board's activities effectively is key. This helps ensure there is clarity over their responsibilities and that they are kept up to date on current issues. The risk assessment of the corporate governance arrangements may identify any further development requirements. Training and development will play a key role in improving the effectiveness of the corporate governance arrangements.

114. Despite the existence of a framework for corporate governance, weaknesses in the processes and behaviours within that framework have adversely impacted on good governance and accountability. In the Corporate Governance Statement, the Chief Executive says that after taking into account the governance framework and the assurance from the Board's committees he is not able to conclude that corporate governance was operating effectively in 2017/18.

115. It is important to note that despite these conclusions on the governance arrangements, no significant internal control weaknesses were reported by either the Chief Executive or internal audit relating to controls in the financial systems which produce the boards financial statements. The Internal Auditor in his Annual Report stated that whilst their work is not specifically designed to assess the accuracy of year-end accounts, throughout the year they did not identify any issues which would result in any concerns around the ability of NHS Tayside's systems to generate accurate annual accounts. This is consistent with the results of our audit testing.

Transparency

116. Transparency means that the public, in particular, local residents have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources such as money, people and assets.

117. There is evidence from a number of sources which demonstrate the board's commitment to transparency including the annual accountability review (where members of the public can attend). Board meetings are also open to the public (subject to sensitive or confidential items held in private session(s)) and minutes are made available on the board's website. However, we have identified some areas where the board could improve current arrangements, including:

- Transparency of reporting
- A number of papers which we would consider appropriate for public session are unnecessarily considered in private.
- Failure to respond within the timescales laid down within the Freedom of Information (Scotland) Act 2002.

118. In regard to the timescales for Freedom of Information requests data provided by NHS Tayside shows that the number of request received and the percentage not dealt with timeously for the second half of the 2017/18 year are as follows:

- October – December 2017 : 203 requests (31% failure)
- January – March 2018 : 206 requests (27% failure)

119. Although the scale of this issue is routinely included in reports to the Information Governance Committee and local actions taken to improve practice, compliance continues to be poor.

120. The poor performance has resulted in the Office of the Scottish Information Commissioner opening a Level 2 Intervention in relation to concerns regarding NHS Tayside's compliance with Freedom of Information legislation and associated statutory codes of practice. As part of this intervention, NHS Tayside has undertaken a self-assessment and produced a summary of findings and draft action plan which is being considered by the Office of Scottish Information Commissioner. Continuing failure to meet statutory deadlines is a reputational risk and we will continue to monitor this area.

121. Overall, we concluded that there are some areas where the board could improve current arrangements for openness and transparency. The current independent risk review of corporate governance will consider the transparency arrangements and the action plan being considered by the Office of Scottish Information Commissioner will consider the FOI breaches. We shall review the outcome of both reviews as part of our 2018/19 audit.

Risk management

122. NHS Tayside's risk management arrangements revolve around a Board Assurance Framework (BAF) Strategic Risk Profile which aims to identify the strategic risks that could impact on the delivery of NHS Tayside's objectives. These arrangements include the provision of regular risk management reports to the Audit Committee throughout the year.

123. In their 2017/18 interim review, Internal Audit concluded that risk identification and recording processes are generally strong but that actions to mitigate risk have not always been effective. Internal Audit encouraged continuous review of the BAF and reiterated the important role of the Strategic Risk Management Group (SRMG) in this. Internal Audit also noted the poor attendance by the SRMG members throughout 2017/18. Internal Audit has included a recommendation in its Annual Report on these issues.

124. Management has also advised Internal Audit that "the board's risk management arrangements require to be reviewed and refreshed in order that the Board are aware of new and emerging risks and the mitigating action implemented, in line with the Board's appetite" with an action date of September 2018.

125. Some improvement to the risk management arrangements has already been made with the introduction of revised Key Performance Indicators for Risk Management which have been approved and endorsed by the SRMG and Audit Committee respectively. Reporting has commenced with effect from 1 April 2018.

126. Internal audit previously reported on ‘inadequate’ arrangements relevant to the IJBs’ governance arising from a lack of clarity of the impact of Health and Social Care Integration (HSCI) on the accountability structures in place and a number of elements of the Integration Schemes and risk management systems in each organisation which do not appear to be consistent.

127. An action plan point was raised by Internal Audit recommending that the responsibilities should be agreed and copied into the board’s BAF framework as a matter of urgency. Progress in this area has been slow.



Recommendation 6

The board should ensure that Internal Audit’s recommendation in relation to risks arising from IJB related responsibilities is fully implemented and that the respective board and IJB responsibilities are agreed and incorporated into the BAF framework as a matter of urgency.

128. While risk identification and recording processes are generally strong in NHS Tayside, some areas have been identified for improvement. The board is already reviewing its risk management arrangements.

Internal audit

129. The board’s internal audit function is carried out by FTF Audit and Management Services (FTF). We reviewed the board’s internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors), to ensure that it is sufficient in terms of documentations standards, reporting procedures and quality, and is performed in accordance with Public Sector Internal Audit Standards (PSIAS).

130. We concluded from our assessment that FTF generally operates in accordance with the PSIAS and has appropriate documentation standards and reporting procedures in place. We could only conclude the service as “generally” operating in accordance with the standards in 2017/18, due to the absence of an external assessment of FTF’s processes, which is a requirement of PSIAS.

131. FTF undertook a structured self-assessment against the PSIAS standards in 2017/18 in preparation for a full independent peer review and a review is currently underway with an external partner. We will review this assessment as part of our 2018/19 audit work.

132. The Grant Thornton report on financial governance at NHS Tayside included a review of internal audit’s 2013/14 audit work on the endowment fund. One of the recommendations made in their report is that management should ensure that internal audit play a pivotal role in supporting cultural change and that their input and recommendations are valued and actioned by management.

133. A more robust process for tracking internal audit (and external audit) report recommendations is being introduced in 2018/19, to ensure that all recommendations are captured and progress reported and action evidenced to close off actions once complete. The process will be subject to independent audit verification.

134. For 2017/18, we planned to place reliance on aspects of internal audit work in the following areas for our financial statements responsibilities:

- financial process compliance
- national payroll maintenance.

135. Due to a re-assessment of resourcing priorities within internal audit, and a review of the risk profile of the planned 2017/18 work, work on financial process compliance has been restricted to a follow-up of last year's findings. Therefore, we have not placed reliance on internal audit in this area and have relied on our own work in reviewing the key controls in the main financial systems. We did place reliance on the work of internal audit on national payroll maintenance for the purpose of our financial statements work.

136. In our interim management letter we reported on some slippage in the delivery of the overall internal audit plan for 2017/18. The mid-year report was issued but internal audit resources had been redirected towards a number of emerging risks and working with board staff to respond to them. This, together with staff shortages within internal audit and pressures on management and staff to engage with and respond to internal audit queries, delayed some internal audit work. Internal Audit risk assessed their remaining audit work and are comfortable that the work that will not be concluded by the end of June 2018 has no impact on their assurances on the board's control environment. We concur with that conclusion.

Governance statement

137. Our review of the governance statement assessed the assurances which are provided to the Chief Executive as Accountable Officer regarding the adequacy and effectiveness of the board's system of internal control which operated in the financial year.

138. As noted above, in the Corporate Governance Statement, the Chief Executive says that after taking into account the governance framework, and the assurance from the Board's committees he is not able to conclude that corporate governance was operating effectively in 2017/18.

139. A number of risks are set out in the governance statement including financial sustainability and brokerage, eHealth funding allocations, allegations in 2018 of misuse of endowment fund monies in previous years and weaknesses in financial governance. The statement also summarises internal audit findings and key reports issued in the year and provides the Internal Auditor's overall opinion.

140. The Internal auditor's overall opinion in the annual internal audit report is that "the Board did have adequate internal controls but these were not effective in all areas" and that "it is not possible to conclude that the Accountable Officer in place during 2017/18 had implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of her role, although we would note that there is considerable work underway to ensure that this framework will be in place for 2018/19".

141. Overall, we are satisfied that the information in the governance statement is consistent with information gathered during the course of our audit work.

Quality of financial and performance reporting

142. Our review of financial reporting in 2017/18 revealed that the financial information included in the financial monitoring reports provided to members was broadly consistent with the information provided to the Scottish Government in NHS Tayside's FPRs.

143. However, financial reporting has been identified in 2017/18 as an area for improvement in NHS Tayside. We have noted earlier that the Strategic Director of Finance has already introduced a new format of reporting.

144. In terms of performance reporting, performance information is reported to the newly constituted Performance and Resources Committee on a (quarterly) basis in the form of a key metrics report which summarises performance trends and comparisons with other Health Boards. The board recognises that there is scope

for improvement in this area and plans to extend its reporting to the Performance and Resources Committee to provide a single performance report which gives a holistic view of overall performance across NHS Tayside including operational and financial performance.

145. Reporting to the Performance and Resources Committee will introduce a mechanism for bringing the scrutiny of operational and financial performance together, to explore how the board can improve its performance, including performance against Local Delivery Plan (LDP) Standards, within the available resources.

146. We will monitor the impact on the effectiveness of scrutiny and challenge, of the changes to both the financial reporting and performance reporting processes during our 2018/19 audit.

National Fraud Initiative

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

148. NFI activity is summarised in [Exhibit 8](#). [NFI activity in NHS Tayside is summarised in Exhibit 5 and highlights that the board made good progress in investigating those matches issued to the board in January 2017 that were recommended for investigation.

Exhibit 8

NFI activity



6,341

Matches



542

Recommended
for investigation



565

Completed/closed
investigations

**(NHS Tayside investigated
more than the recommended
matches)**

Source: NFI secure website: www.nfi.gov.uk

149. No frauds or errors were found by the board through the NFI process. The results of NFI activity were reported to the Audit Committee on 15 March 2018.

150. NHS Tayside is proactive in investigating matches and there are no issues of concerns at the current time which we would require to highlight in this report.

Standards of conduct for prevention and detection of fraud and error

151. The board has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

152. We concluded that the board has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention

Cyber security

153. Following the ransomware cyber-attack that caused minor impact to some patient services in NHS Tayside, a short life working group (SLWG) was formed to determine what the board should learn from this incident and what improvements were necessary to reduce the prospect and impact of future incidents. In parallel, the Scottish Government published the national Cyber Resilience Action Plan mandating that all Scottish NHS boards should complete a Cyber Essentials Pre-assessment early in 2018, with a view to proceeding to full certification by the end of the year.

154. A report from NHS Tayside's appointed third-party assessor identified a number of areas of improvement that are required if the board is to achieve the mandated Cyber Essentials Plus certification. A further SLWG was formed to consider this report and develop an appropriate action plan.

155. To provide assurance that this approach to addressing cyber threats was effective, internal audit were asked to review this approach. Our observations concur with the Internal Audit opinion that the actions taken are adequate to meet business objectives, although some formal improvements to the governance arrangements would be beneficial.

156. The key observation is that while both SLWGs met regularly and agreed the required action plans, neither had formal terms of reference or kept formal meeting notes. In response to these recommendations a new Cyber Resilience Public Sector Action Plan Group, reporting to the Information Governance Committee, has been formed. The creation of this group, which has a formal term of reference, to oversee the Cyber Essentials Work Plan (incorporating the actions from both SLWGs) has improved the board's cyber security governance arrangements.

Trakcare (Patient Information System)

157. We have previously reported on the significant delays to the programme to migrate the board's legacy disparate inpatient, outpatient and Accident and Emergency systems to the integrated TrakCare Electronic Patient Record (EPR) system.

158. Although a successful migration to the new system was achieved in June 2017 it was not without challenges. Many aspects of the new system did not operate as staff expected, leading to poor user adoption of the system. Key impacts included the inability of the board to submit routine waiting times reports and a number of patient discharge letters not being automatically generated.

159. The reputational and clinical significance of these issues was fully recognised with progress towards their solution actively monitored at a senior level (by the executive team). Creation of a new "Business-as-Usual" team within eHealth to provide a focus for monitoring system use, identifying potential training issues and improving user adoption was a significant factor to resolving these issues. The operation of TrakCare is now stable and the associated risk has been removed from the risk register.

General Data Protection Regulation

160. The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. This replaced the UK Data Protection Act 1998. All EU member states have to implement the Regulation in the same way. GDPR has introduced new and significantly changed data protection concepts.

161. GDPR introduces a wide range of new rights for individuals in respect of their personal data. These include the right to be forgotten, the right to object to certain processing activities and decisions taken by automated processes. Failure to comply with new GDPR data handling arrangements could result in the board incurring significant fines.

162. To plan for compliance, all NHS Tayside has adopted a template based on the Information Commissioners Office “12 steps” guidance. Scottish Government requested updates from all boards on GDPR using a readiness checklist based on the 12 steps. NHS Tayside’s progress with GDPR compliance was notified to the Scottish Government in January 2018 and April 2018.

163. Information has been aggregated by the Scottish Government and reports shared with key senior managers/stakeholders within the NHS, including those responsible for information security, Caldicott Guardians, Senior Information Risk Owners and Chief Executives.

164. NHS Tayside continues to work towards full implementation of the GDPR requirements, as detailed in its readiness checklist. The checklist also notes areas where further work is required. NHS Tayside has set up a GDPR working group to take forward activities required under GDPR and the group met for the first time in May 2018.

165. Progress with ongoing developments in this area will continue to be monitored by the Information Governance Committee which in turn reports to the Performance and Resources Committee. Similar to other organisations, NHS Tayside will need to continue to progress actions towards full compliance with GDPR.

166. We have concluded that NHS Tayside has made progress with planning for and implementing GDPR requirements and is working with other health boards to develop national solutions relevant to the implementation of the GDPR.

Health and social care

167. There are three Integration Joint Boards (IJBs) within NHS Tayside’s catchment area, Angus IJB, Dundee City IJB and Perth & Kinross IJB, all of which became fully operational on 1 April 2016.

168. For 2017/18, NHS Tayside incurred an overspend of £4.3 million on IJB spend which was fully funded by NHS Tayside in accordance with the three IJBs’ integration schemes.

169. The draft 2018/19 financial plan anticipates a funding gap of £10.0 million across the three IJBs and the IJBs are being asked to identify collective savings. This sum is built into NHS Tayside’s overall savings requirement of £48.1 million. From 2018/19, any overspend will be met by parent bodies based on the parent bodies’ respective shares of the overall IJB budget.

170. There has been a lack of clarity and understanding around the governance arrangements in place with the IJBs. Two models of governance operate in Tayside, one in Angus and Dundee City IJBs and one in Perth and Kinross IJB. Angus and Dundee City IJBs, have taken responsibility for the governance of operational services whereas Perth & Kinross IJB that responsibility sits with the parent bodies, NHS Tayside and Perth & Kinross Council.

171. At a meeting of the Audit Committee in December 2017, the underlying principles to the two models were agreed and work was to continue to update NHS Tayside’s governance arrangements to allow these to be in place by April 2018.

172. Work is ongoing to ensure the robustness of the governance arrangement and it is anticipated that this work will be completed and reported back to the Audit Committee by August 2018.

173. In 2016/17, under transitional arrangements approved by the Scottish Government, NHS Tayside calculated a 'large hospital set-aside' of £50.5 million. The set-aside sum is in relation to any functions carried out in a hospital setting. In 2017/18 the board re-assessed the methodology for calculation of the set-aside sum in line with initial Scottish Government guidance. This resulted in a reduced set aside sum of £38.2 million in 2017/18.

174. The set aside sum is included in the board's clinical services expenditure, which represents the board's total payments to the IJBs to provide services on their behalf, of £444.4 million. This sum is offset by £444.4 million of income from the IJBs for the commissioning of services (2016/17 £443.2 million).

175. The small increase in IJB expenditure and income of £1.1 million would have been considerably higher, but for the reduction in set-aside costs of £12.3 million.

2020 Vision – clinical strategy

176. In 2011 the Scottish Government set out an ambitious vision for health and social care that by 2020 everyone is able to live longer, healthier lives at home or in a homely setting. In August 2015 the Cabinet Secretary for Health, Well-being and Sport opened a national conversation on creating a healthier Scotland which aimed to increase the pace of progress towards the 2020 vision.

177. As well as providing a plan to achieve financial sustainability, the transformation programme has also been designed with the intention of supporting the delivery of changes to: improve patient outcomes, quality and safety as indicated in the NHS Tayside 2020 Vision.

178. NHS Tayside does not yet have an overarching integrated clinical strategy, which clearly articulates and prioritises its clinical aims. Work is ongoing in this area and the board aim to have an integrated clinical strategy in place by December 2018.

179. An interim Director of Strategic Planning has been appointed to support the Board to establish a sustainable transformation programme aligned to an integrated clinical strategy. The board acknowledges that it needs to enhance both its service and capital planning capacity and capability to address the challenges facing the organisation in the medium term.

180. Until the board puts an integrated clinical strategy in place, there is a significant risk that any transformation programme will not deliver the right change, at the right time.



Recommendation 7

An overarching clinical strategy should be developed as soon as possible and should be approved by the Board. This should form the basis for the board's service, workforce and financial planning.

181. We have concluded that the board gives the 2020 Vision the appropriate profile and has plans in place to work towards the delivery of the 2020 Vision. However, the absence of an up to date, over-arching clinical strategy puts the effectiveness of the transformation programme at risk which could hinder progress towards the 2020 vision.

Local inspections

182. An unannounced inspection of Perth Royal Infirmary was carried out in July 2017 by Healthcare Improvement Scotland (HIS). The HIS report was published in September 2018. The report highlighted positive leadership of infection prevention

and control in the theatre departments and good compliance with the management of linen, waste and sharps but also contained two required improvements (one on removal and disposal of personal protective equipment and one on positioning pieces storage) and two recommendations (one on storage of sterile instrument trays, instruments and packs and one on reviewing theatre cleaning practices).

183. An action plan was agreed by management in September 2017 and the report was considered by management in October 2017. The action plan was signed off as complete in December 2017.

Mental Health Services Inquiry

184. Following the death of a local resident, who took his own life in 2010 after he was twice rejected for treatment for mental health issues at the Carseview Centre in Ninewells Hospital, in May 2018 the board's Chairman and the Chief Executive announced an independent inquiry into the psychiatric unit.

185. Following debate at the Scottish Parliament, the inquiry was widened to cover mental health services across all of Tayside. The wider inquiry will include a review of how NHS Tayside is implementing the recommendations from the recent Health Improvement Scotland and Mental Welfare Commission inspection reports. The scope and the timelines of the inquiry are currently being developed in partnership with staffside representatives and families. We shall monitor the progress of the inquiry as part of our 2018/19 audit.

Director of Finance departure

186. References to the departure of the previous Director of Finance have been made elsewhere in this report. Following the Director of Finance informing the previous Chief Executive about the treatment of the eHealth funding on 26 February 2018, he was immediately suspended, pending an internal investigation. The Chief Executive had the authority to make the suspension and took the decision after receiving advice from the Director of Workforce of NHS Grampian & Orkney and following discussions with the Scottish Government and the Board's vice chair.

187. The following day, the Director of Finance requested that his retirement be progressed. An employee who is a member of the 1995 pension scheme can choose to retire at any time after the age of 55, with actuarial reduction of their pension and this does not require the employers consent.

188. Taking advice from the Director of Workforce of NHS Grampian & Orkney, the Chief Executive negotiated and progressed the Director of Finance's retirement. He was paid his normal salary and a payment of 3 months' salary in lieu of notice. This notice period was in accordance with his contract of employment. The Board were advised of this action in an extraordinary meeting held on 5 March 2018.

189. Had the Director of Finance not volunteered to retire, there would have been a full investigation process and he would have remained suspended on full pay until the investigation was complete. In these circumstances, the time required to conclude the investigation and the ultimate costs to the Board are uncertain. The Director of Workforce of NHS Grampian & Orkney has explained that the priority was to progress the retirement to secure promptly, a clarity around the Director of Finance's position. The option to progress disciplinary action against the Director of Finance was therefore not pursued.

190. Appropriate advice was sought and followed by the previous Chief Executive in managing the Director of Finance's departure. The decision taken to secure his immediate departure rather than pursue potentially more costly and lengthy disciplinary procedures is a reasonable one. The downside is that it did not clarify accountability for any conduct issues around the actions taken by the Director of Finance prior to his departure.

Part 5

Value for money



Main judgements

The board's cost model remains too high. Transformational change is required to balance delivery of effective services with available resources.

At the same time as its financial position is worsening, the board is reporting deteriorating performance in its delivery targets since 2016/17. The board's performance against its 19 non-financial LDP Standards is poor, with only 6 (32%) of the standards being met as at March 2018. In the prior year 9 standards were met.

Improvements are required to NHS Tayside's performance arrangements to support the performance and resources committee in scrutinising its performance. The board is already carrying out further work to improve its framework.

Best value

191. The Best Value Framework was approved by the Board on 26 October 2017 following Audit Committee update and approval. Internal Audit has undertaken a review of the Best Value Framework during 2017/18 which it has assessed as a grade 'C', which equates to compliance with minimum control standards. This was assessed as a B in 2016/17 and the deterioration reflects the Chief Internal Auditor's view that "the Board did not have adequate and effective internal controls in place in all areas and it was not possible to conclude that the Accountable Officer in place during 2017/18 had implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of the role".

192. The Audit Committee's Annual Report which is presented at the Audit Committee meeting in June 2018 states that "It was originally envisaged that the Audit Committee would receive an assessment against the best value characteristics delegated from each Standing Committee and also from the Board for 2017/18. It is felt, however, that the evidence available this year would not be sufficient to complete a robust exercise. Best Value guidance that forms the basis of the Framework is a number of years old and there are now opportunities along with the outcome of the risk review of corporate governance in NHS Tayside to review the use of the Best Value Framework. This review will be undertaken in 2018/19".

193. We will review the arrangements put in place as part of our 2018/19 audit.

Performance management

194. The Scottish Government monitors how NHS Tayside performs against the targets it set in its national performance framework. These include targets and their trajectories (plans) including waiting times for accessing treatment such as the

Value for money is concerned with using resources effectively and continually improving services.

proportion of patients that were seen within 12 weeks, otherwise known as the Treatment Time Guarantee.

195. Performance information is reported to the newly constituted Performance and Resources Committee on a quarterly basis in the form of a key metrics report. The latest key metrics report as at 31 March 2018 was submitted to the Performance and Resources Committee on 5 June 2018. The report contains performance information on a variety of key indicators with performance trends and comparisons with other Health Boards. The board recognises that the current framework for reporting performance information does not provide a holistic view of performance.

196. In January 2018, Internal audit submitted an Interim Evaluation of Internal Control Framework 2017/18 report with recommendations relating to performance management. The recommendations included considering how best to maintain effective performance management in an environment where the majority of Scottish Government targets are not being met by most mainland NHS Boards and providing realistic, challenging targets achievable within available resources in the context of statutory requirements and national targets.

197. Internal Audit also recommended that the Board should identify an independent senior officer with responsibility for the production of objective, comprehensive, holistic, transparent and balanced performance reports to the newly constituted Performance and Resource Committee which provide a holistic picture of performance across all areas.

198. An update on the recommendations in April 2018 noted that the 2018/19 financial plan would include a clear statement on the performance trajectories that can be delivered within available resources and the priority areas for the Board and that the development of a single integrated performance, finance and workforce report will follow from agreement of the financial plan.

199. The update also notes that steps have been taken to improve the financial reporting, and the new format was implemented from the February financial report. We have been advised that the current General Manager Public Health is to redeploy into an Assistant Chief Executive role with responsibility for Systems Performance Management, supported by the Business Unit, with immediate effect. This role will support the development of the performance management arrangements.

200. We noted in our 2016/17 Annual Audit Report that the board's performance information is not accumulated and made readily available on the NHS Tayside website. The board agreed to further develop its public performance reporting and make it readily available on its website by December 2017. This action has not yet been implemented.



Recommendation 8

The board should consider its arrangements for public performance reporting, including developing a performance page that local residents can access on the board's website. The performance page should be well sign posted.

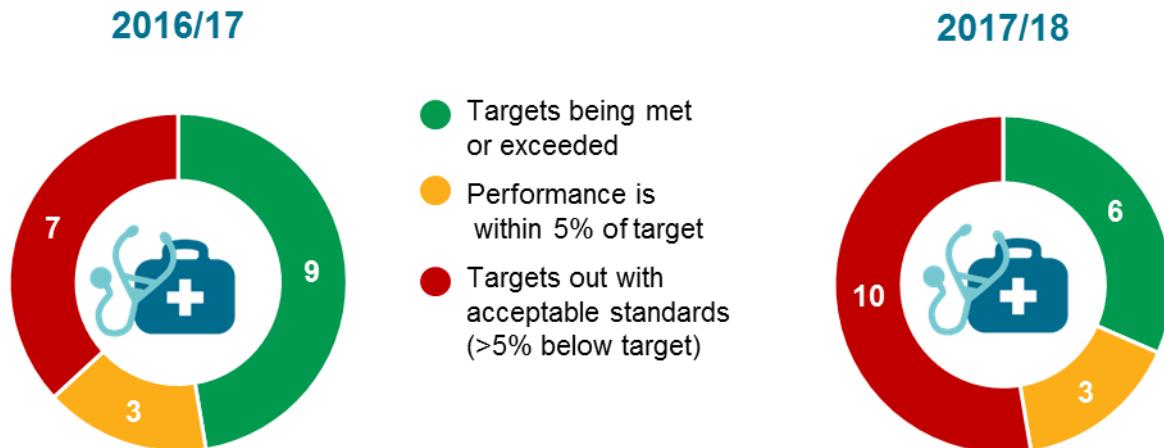
201. We concluded that improvements are required to NHS Tayside's performance arrangements to support the performance and resources committee in scrutinising its performance. The board is already carrying out further work to improve its framework.

Overview of service performance

202. The board's performance against its 19 LDP Standards based on the most up-to-date position at the end of March 2018 is summarised in [Exhibit 9](#).

Exhibit 9

Overall performance against LDP standards



Source: NHS Information Services Division

203. NHS Tayside performs poorly, with the majority of targets failing to meet the target. Its performance has deteriorated since 2016/17. The performance that falls furthest from acceptable standards is detailed in [Exhibit 10](#).

Exhibit 10

Performance against key LDP standards

Target/standard		Performance at March 2018 ¹	Performance at March 2017
Treatment Time Guarantee (TTG) Proportion of patients that were seen within 12 weeks TTG	Target 100%	69.8%	81%.
Faster access to Child and Adolescent Mental Health Services (CAHMS) 95% of young people to commence treatment for specialist CAMHS within 18 weeks of referral	Target 90%	40.7%	95.2%
12 weeks first outpatient appointment	Target 95%	70.7%	86.3%

Target/standard		Performance at March 2018 ¹	Performance at March 2017
95% of patients to wait no longer than 12 weeks from referral to a first outpatient appointment			
Advance booking GPs	Target 90%	63.9%	73.9%
GPs to provide 48 hours access or advance booking to an appropriate number of the GP team.			
Faster access to psychological therapy	Target 90%	59.4%	72.1%
95% of patients to commence psychological therapy based treatment within 18 weeks of referral			
Alcohol brief intervention	Target 90%	70.8%	90.9%
Clients wait no longer than three weeks from referral received to appropriate drug or alcohol treatment that supports their recovery.			

Note: 1. Figures still to be validated by NHS Information Services Division.

Source: NHS Information Services Division

204. The board has recently established a Performance and Resources Committee. Part of its remit is to review the key performance metrics of the board (including the LDP standards performance), bringing the scrutiny of operational and financial performance together, to explore how the board can improve its performance, including performance against Local Delivery Plan (LDP) Standards, within the available resources. We shall monitor developments in this area and the impact on performance in 2018/19.

NHS Tayside's cost base

205. We reported in our 2016/17 Annual Report that the board's cost base remains too high. The Auditor General for Scotland's reports on the 2015/16 and 2016/17 reports on NHS Tayside's Financial Sustainability also reported on the expensive operating model deployed in NHS Tayside in comparison to other Health Boards.

206. NHS Tayside recognises its outlier position and through its BPB process has developed a greater understanding of its costs. The board's transformation programme will be key to reducing the board's cost base.

National performance audit reports

207. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2017/18 a number of reports were published which are of direct interest to the board and are highlighted in [Appendix 4](#).

208. NHS Tayside has processes in place to ensure that all national performance reports and their impact on the board are considered by the Audit Committee and other governance committees, as appropriate.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Submission of annual report and accounts for audit</p> <p>Much of the Annual Report part of the document e.g. Performance Report, Accountability Report and Governance Statement, were not fully available until late in the audit process. In addition, IJB results were not available for consolidation into the Group Accounts until 1 June 2018. This hindered the audit process.</p> <p>Risk</p> <p>The 2018/19 annual report and accounts may not be audited by the statutory deadline of 30 June 2019.</p>	<p>The board should review its process for preparing the draft annual report and accounts in 2018/19, to ensure the full draft is available earlier in the audit process.</p> <p>Page 11</p>	<p>Following completion of the year end audit a full debrief will be undertaken involving the senior finance team and the external audit team. The outcome of the debrief session will be to identify lessons learnt and opportunities to revise the process for next year. This include having a clear timetable for production of the Annual Report and Accounts.</p> <p>Responsible officer: Head of Finance – Governance and Assurance</p> <p>Agreed date: 30 September 2018</p>
2	<p>Tayside Health Endowment Fund</p> <p>NHS Tayside’s Board met to discuss a proposal for a repayment to be made to the endowment fund to cover funds used by NHS Tayside in 2013/14 and 2014/15.</p> <p>The Board meeting scheduled for 28 June 2018 will consider the approval of the repayment of the £3.6 million (quantified in Grant Thornton’s report on financial governance). Board members should seek assurances on their legal power before approving the repayment.</p> <p>Risk</p>	<p>Before approval of the repayment to Tayside Health Endowment Fund, Board members should satisfy themselves on the specific statutory references that the board has used to support the transfer of board funds to the endowment fund.</p> <p>Page 19</p>	<p>The Board members will consider a paper at the next Board meeting setting out how they can be assured on the specific statutory references that enable the transfer of board funds to the endowment fund.</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: 30 June 2018</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Board members will be exposed to legal action if appropriate assurances are not provided on the legality of the repayment to the endowment fund.</p>		
3	<p>Financial capacity</p> <p>Pressure on finance officers has intensified in 2017/18 with the departure of the Director of Finance, the need to embed the changes to the finance structure put in place before his departure, as well as the need to provide financial support for the transformation programme alongside delivery of the ongoing finance function duties.</p> <p>The filling of the vacant Director of Finance role and ongoing review of the finance structure will be essential to ensuring that the board has sufficient financial capacity to support the delivery of the board's objectives.</p> <p>Risk</p> <p>The board may not have sufficient financial capacity to support the transformation programme as well as the ongoing, routine financial activities.</p>	<p>The board should monitor the arrangements within the finance directorate to ensure appropriate financial capacity is in place to carry out its day to day functions and provide support for the transformation programme.</p> <p>Page 20</p>	<p>Following formal appointment of the Director of Finance, a comprehensive review of the finance team will be undertaken and steps taken to ensure that there is the appropriate capacity in place to carry day to day functions and provide support for the transformation programme in a timely manner.</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: 30 June 2018</p>
4	<p>Financial planning : Efficiency savings/reliance on non-recurring savings</p> <p>The board's financial plan forecasts that cash efficiency savings of £48.1 million (6.5% of baseline funding) will be required for 2018/19 (this excludes the proposed endowment fund repayment of £3.6 million). £26.5 million of the £48.1 million of savings has been identified, with £14.7 million being assessed as higher risk. The source of the remaining £21.6 million of savings has yet to be identified. Only a small</p>	<p>The board should ensure that savings plans are urgently developed which detail the delivery of the full 2018/19 savings requirement and how the higher risk element will be delivered. Detailed plans showing how future years' savings requirements will be achieved should also be prepared. Going forward the board should aim to identify more savings of a recurring nature which have an ongoing benefit to the financial position.</p> <p>Page 23</p>	<p>The Executive Leadership Team has been delegated the responsibility for developing and implementing a savings plan to deliver the forecast trajectory agreed with Scottish Government. The first iteration of the plan will be considered by the Board in June and subsequent updates on progress against the actions will be provided at subsequent meetings. The level of recurring savings will be increased in 2018/19</p> <p>Responsible officer: Director of Finance</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>proportion of the savings required have been identified as recurring.</p> <p>Risk</p> <p>The board may not be able to deliver the targeted savings in 2018/19.</p>		Agreed date: 30 June 2018
5	<p>Medium to long term financial planning - EU withdrawal</p> <p>The medium to longer term financial position is difficult to predict given the uncertainty around EU withdrawal and new financial powers. The board needs to do more to plan for these events including scenario planning or modelling.</p> <p>Risk</p> <p>The board may not plan adequately to respond to the significant financial risks presented by EU withdrawal.</p>	<p>The board should develop a medium to long term financial plan from 2019/20 and ensure that this plan includes scenario planning or modelling. The impact of EU withdrawal should be covered in the plan.</p> <p>Page 27</p>	<p>A briefing paper on the implications of EU withdrawal has been considered by the Executive Leadership Team. Steps will be taken to develop a contingency plan as soon as the Scottish Government's funding plans are clearer</p> <p>Responsible officer: Chief Executive</p> <p>Agreed date: 30 September 2018</p>
6	<p>Integrated joint boards</p> <p>Internal audit previously reported on 'inadequate' arrangements relevant to the IJBs' governance arising from a lack of clarity of the impact of Health and Social Care Integration (HSCI) on the accountability structures in place and a number of elements of the Integration Schemes and risk management systems. Action in addressing this issue has been slow.</p> <p>Risk</p> <p>Risks in relation to IJB related activities may not be fully understood and managed putting patient care at risk.</p>	<p>The board should ensure that Internal Audit's recommendation in relation to risks arising from IJB related responsibilities is fully implemented and that the respective board and IJB responsibilities are agreed and incorporated into the BAF framework as a matter of urgency.</p> <p>Page 31</p>	<p>The revised executive leadership and performance management arrangements should assist in clarifying key responsibilities and setting out how the Board and IJB will collaborate in the delivery of key priorities for the population of Tayside.</p> <p>Responsible officer: Chief Officers and Chief Executive</p> <p>Agreed date: 30 September 2018</p>
7	<p>Clinical strategy</p> <p>NHS Tayside does not yet have an overarching integrated clinical strategy, which clearly articulates and prioritises its</p>	<p>An overarching integrated clinical strategy should be developed as soon as possible and should be approved by the Board. This should form the basis for the board's service,</p>	<p>The Board has committed to considering an Integrated Clinical Strategy by December 2018.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>clinical aims. Work is ongoing in this area and the board aim to have an integrated clinical strategy in place by December 2018.</p> <p>Risk</p> <p>Until the board puts an integrated clinical strategy in place, there is a significant risk that any transformation programme will not deliver the right change, at the right time.</p>	<p>workforce and financial planning.</p> <p>Page 36</p>	<p>Responsible officer: Medical Director</p> <p>Agreed date: 31 Dec 2018</p>
8	<p>Public Performance Reporting</p> <p>The board's performance information is not accumulated and made readily available on the NHS Tayside website. In our experience other organisations have developed a performance page within their website for local residents to obtain ready access to performance information.</p> <p>Risk</p> <p>Local residents do not have access to composite performance information.</p>	<p>The board should consider its arrangements for public performance reporting, including developing a performance page that local residents can access on the board's website. The performance page should be well sign posted.</p> <p>Page 40</p>	<p>As the Board's performance management arrangements develop in 2018/19, reports will be made available on the NHS Tayside website.</p> <p>Responsible officer: Assistant Chief Executive – Systems Performance</p> <p>Agreed date: 31 December 2018</p>

Follow up of prior year recommendations (PY)

PY1	<p>Balance Sheet: Revaluation Reserve</p> <p>The NHS Scotland Unified Board Accounts Manual requires an amount equal to the excess of actual depreciation over depreciation based on the historic cost to be transferred from the revaluation reserve to the general fund. The board has not been accounting for this transfer in 2016/17 or in previous years. The board has estimated the value of the transfer for this year to be £7.2 million.</p> <p>Risk</p> <p>The classification of reserve balances reported by the board will be incorrect if the</p>	<p>The board should introduce a process to ensure the appropriate transfer is calculated and applied from 2017/18.</p>	<p>Updated response: The methodology has now been applied in 2017/18. Action is complete.</p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
	annual depreciation adjustment is not made.		
PY2	<p>Efficiency savings</p> <p>For 2018/19 the board is aiming to deliver £48.1 million (6.4% of baseline RRL) of savings. The board has considered £5 million of these savings as high risk and they may not materialise. From 2017/18, the board is required to make savings of £40 million per annum to repay brokerage and break even.</p> <p>Risk</p> <p>The board may not be able to deliver the targeted savings in 2017/18 and later years.</p>	<p>The board should ensure that savings plans are urgently developed which fully detail the delivery of the 2017/18 savings and how the £5 million high risk element will be delivered. Detailed plans showing how the savings requirements of £40 million per annum thereafter will be achieved should also be prepared and progress on savings reported to the Finance and Resources Committee and the Board.</p>	<p>Updated response: This was identified as an ongoing action in 2016/17 and has been carried forward to action plan point 4 above.</p>
PY3	<p>Transformation programme</p> <p>NHS Tayside is reliant on its five year transformation programme to improve the sustainability of services and enhance the quality of care. It is critical that the pace of change is monitored closely to ensure the programme is successful in delivering these objectives in a timely manner. The work of the Assurance and Advisory Group will inform on the deliverability of the programme.</p> <p>Risk</p> <p>The transformation programme may not deliver the changes needed to improve the sustainability of services and enhance the quality of care.</p>	<p>The board should ensure that the pace of transformational change is closely monitored and reports submitted to the Board on the transformation programme. The reports should take account of any findings reported by the Assurance and Advisory Group in their staging report.</p>	<p>Updated response:</p> <p>The board is currently developing a new transformation programme. A Transformation Status Report is scheduled to be presented to the Board on 28 June 2018 and will advise of progress towards the introduction of a new transformation later in the year. An update will be reported by audit in 2018/19.</p>
PY4	<p>Financial capacity</p> <p>2017/18 is a critical year in delivering efficiencies through the transformation programme and therefore it is essential that an appropriate finance structure is in place and is appropriately skilled to support the transformation process in a timely manner. The Finance Directorate restructuring is</p>	<p>The board should closely monitor the restructuring of the finance directorate to ensure appropriate financial capacity is in place to support the transformation programme. The board should monitor the pace of change with the restructuring to ensure support is provided in a timely manner.</p>	<p>Updated response: Further challenges have been presented this year with the retiral of the Director of Finance and the need to embed the changes to the finance structure put in place before his departure. Financial capacity has been carried forward to action plan point 3 above.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>currently in transition, with a number of vacancies remaining at management levels. We understand that the revised structure will not be fully in place before the Autumn of this year.</p> <p>Risk</p> <p>The board may not have sufficient financial capacity to support the transformation programme as well as the ongoing, routine financial activities.</p>		
PY5	<p>Risk management</p> <p>Internal Audit reported that there is a lack of clarity of the impact of HSCI on the accountability structures in place and there are a number of elements of the Integration Schemes and risk management systems in each organisation which do not appear to be consistent. An action plan point was raised by Internal Audit recommending that the responsibilities should be agreed and copied into the BAF framework as a matter of urgency.</p> <p>Risk</p> <p>Risks in relation to IJB related activities may not be fully understood and managed putting patient care at risk.</p>	<p>The board should ensure that Internal Audit's recommendation in relation to risks arising from IJB related responsibilities is fully implemented and that the respective board and IJB responsibilities are agreed and incorporated into the BAF framework as a matter of urgency.</p>	<p>Updated response: Progress has been slow. The recommendation has been carried forward to action plan point 6 above.</p>
PY6	<p>Public performance reporting</p> <p>The board's performance information is not accumulated and made readily available on the NHS Tayside website. In our experience other organisations have developed a performance page within their website for local residents to obtain ready access to performance information.</p> <p>Risk</p>	<p>The board should consider its arrangements for public performance reporting, including developing a performance page that local residents can access on the board's website. The performance page should be well sign posted.</p>	<p>Updated response: This was not actioned by the board and has been carried forward to action plan point 8 above</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	Local residents do not have access to composite performance information.		
PY7	<p>Clinical strategy</p> <p>NHS Tayside does not have an overarching integrated clinical strategy, which clearly articulates and prioritises its clinical aims. The board has recognised this and plans to address this gap by developing an overarching clinical strategy, however there is a lack of clarity over when this is planned to be delivered.</p> <p>Risk</p> <p>Until the board puts an overarching clinical strategy in place, there is a significant risk that the transformation programme will not deliver the right change, at the right time.</p>	<p>An over-arching clinical strategy should be developed as soon as possible and should be approved by the Board. This should form the basis for the board's service and financial planning.</p>	<p>Updated response: The integrated clinical strategy is still under development and is planned to be in place in December 2018. The recommendation has been carried forward to action plan point 3 above.</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the annual accounts.</p>	<p>We carried out detailed testing of journal entries.</p> <p>We reviewed accounting estimates.</p> <p>We carried out focused testing of accruals and prepayments.</p> <p>We evaluated any significant transactions that are outside the normal course of business.</p> <p>We substantively tested transactions after the year end to confirm expenditure and income has been accounted for in the correct financial year</p>	<p>Errors were identified from our testing (see para 28) but there was no evidence of deliberate manipulation by management.</p> <p>Other than the breakdown in control over eHealth funding, we did not identify any incidents of management override of controls from our detailed testing of journal entries, accruals and prepayments or our review of accounting estimates and transactions.</p>
<p>2 Risk of fraud over income</p> <p>NHS Tayside receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA 240, there is an inherent risk of fraud.</p>	<p>We carried out analytical procedures on income streams.</p> <p>We carried out detailed testing of revenue transactions focusing on the areas of greatest risk.</p>	<p>No frauds were identified in our detailed testing of income streams.</p>
<p>3 Risk of fraud over expenditure</p> <p>Most public sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure.</p> <p>The Code of Audit Practice requires consideration of risk of fraud over expenditure (excluding payroll costs which are already a core part of all annual audits). NHS Tayside incurs significant expenditure,</p>	<p>We carried out walk-through tests of controls over family health service expenditure.</p> <p>We carried out audit work on the National Fraud Initiative matches.</p> <p>We obtained assurances from the Counter Fraud Service.</p> <p>We carried out detailed testing of revenue transactions focusing on the areas of greatest risk.</p>	<p>No significant issues were identified from our testing of the family health services expenditure disclosed in the financial statements.</p> <p>We concluded that the board is proactive in following up NFI matches.</p> <p>The Fraud Liaison Officer provides an update to each Audit Committee meeting in relation to the work of the Counter Fraud Services in relation to the board</p>

Audit risk	Assurance procedure	Results and conclusions
including expenditure on family health services, which require audit coverage.		and no significant issues have been highlighted.
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Completion of 'review of the work of an expert' for the professional valuer.</p> <p>Review of information provided by the Office of National Statistics, HM Treasury, the Scottish Public Pension Agency and the Central Legal Office.</p> <p>Focused substantive testing of assets and provisions.</p>	<p>We reviewed the professional valuer in accordance with ISA 500 and undertook detailed testing of key valuations within the accounts.</p> <p>We reviewed the Office of National Statistics, HM Treasury, the Scottish Public Pension Agency and the Central Legal Office information and performed testing of provisions.</p> <p>No material misstatements were identified.</p>
<p>5 Going concern</p> <p>NHS Tayside' continues to face significant financial challenges and has required £37.5 million of brokerage from the Scottish Government since 2012/13. The Board anticipates further brokerage of £4 million for 2017/18 and thereafter plans to break even. During this time the level of brokerage has been in excess of that initially anticipated by the Board.</p>	<p>Review the board's assurances to support a going concern assumption for the preparation of the annual accounts.</p> <p>Review the funding assurances to the board from the Scottish Government.</p>	<p>We have considered the year end position and the board's draft financial plan for 2018/19 and have nothing to report in respect of the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements.</p>

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

<p>6 Financial sustainability and transformation programme</p> <p>In November 2017, the Auditor General reported (for the third year in a row) to the Public Audit and Post-Legislative Committee on the persistent significant challenges that NHS Tayside is experiencing in achieving financial sustainability. These include: challenging savings targets totalling £205.8 million (5.8 per cent of its RRL) between 2017/18 and 2021/22.</p> <p>NHS Tayside is reliant on its transformation programme to secure the sustainability of services in the future. Key areas within the programme include medicines management, workforce planning and managing the year end outturn.</p>	<p>Review financial monitoring reports and the financial position.</p> <p>Monitor transformation programme progress through the reporting of the Assurance and Advisory Group.</p> <p>Review of internal audit's work on benefits realisation and their follow up work on financial planning and financial management.</p> <p>Review of correspondence between NHS Tayside and the Scottish Government on the board's financial sustainability position.</p>	<p>We have monitored the board's financial sustainability in 2017/18 and concluded that the board continues to face an extremely challenging financial position. Since 2013/14, the board has only achieved its financial targets through receipt of brokerage. The total brokerage received by the Board over this period is £45.9 million. The Board has identified that £48.1 million of savings is required for 2018/19, with £21.6 million of savings currently identified. Achievement of financial balance in 2018/19 without further brokerage will be extremely challenging and the board's new transformation programme will be critical to delivering efficiency savings, to achieve financial balance. Repayment of the brokerage will be required once the board returns to financial stability.</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>There is a risk that the transformation programme may not deliver as intended in terms of the level of transformation, the pace of change needed and that financial sustainability does not improve.</p>		
<p>7 Integrated clinical strategy</p> <p>NHS Tayside does not have an overarching integrated clinical strategy, which clearly articulates and prioritises its clinical aims. The board has recognised this and work is underway to develop an integrated clinical strategy. A progress report will be considered by the Board at its December 2017 meeting. This report is expected to detail the planned timeline for the substantive delivery of the integrated clinical strategy.</p> <p>There is a risk that the transformation programme will not deliver the right change at the right time until it is linked to an integrated clinical strategy. This could impact on the sustainability of services.</p>	<p>Review progress in the development of the integrated clinical strategy.</p> <p>Review and consider the conclusion of the Assurance and Advisory Group.</p>	<p>The clinical strategy is still to be developed see action plan point 7 in appendix 1.</p>
<p>8 Financial management</p> <p>The board requires an appropriately skilled finance structure to be in place to support the transformation programme and ongoing financial management. We have been advised that many of the revised Finance Directorate posts have been filled, although some further recruitment is still required.</p> <p>Until the new Finance Directorate arrangements are complete and embedded, there is a risk to the transformation programme and the financial reporting processes, including the preparation of the financial statements.</p>	<p>Review the assurances to the Finance and Resources Committee and Audit Committee on the capacity and capability of the Finance Directorate.</p> <p>Review and consider the conclusion of the Assurance and Advisory Group.</p> <p>Review of internal audit's follow up work on financial management.</p>	<p>We reviewed the financial management arrangements in NHS Tayside during 2017/18 although events culminating in the departure of the Director of Finance in March 2018 have a significant impact on the arrangements going forward.</p> <p>We have reported on the financial management being weak in 2017/18 and the failure of the board to meet its financial plan. Although the board met all its financial targets this was only achieved after receipt of £12.7 million of brokerage from the Scottish Government.</p> <p>We have also concluded that it is crucial to review the financial capacity of NHS Tayside to ensure it can provide appropriate financial support for the transformation programme and have recommended that the pace of change be monitored by the Board</p>

Audit risk	Assurance procedure	Results and conclusions
<p>9 Risk management</p> <p>In 2016/17, internal audit reported a lack of clarity and consistency around the Health and Social Care Integration accountability structures and risk management systems. Internal Audit recommended that the responsibilities should be agreed and included in the Board Assurance Framework (risk management framework) as a matter of urgency. Some progress has been made in this area during 2017, however, the actions are still not fully developed and implemented.</p> <p>There is a risk that the respective responsibilities of the Board and the Integration Joint Boards may not be fully understood and managed, putting patient care at risk.</p>	<p>Review progress with the development of the health and social care integration risk management arrangements.</p> <p>Review of internal audit's follow up work in this area.</p>	<p>We have followed up the recommendation with internal audit and consider progress to be slow. Appendix 1 to this report contains an action plan point on this matter.</p>
<p>10 Information governance</p> <p>Information governance remains a high risk on the board's corporate risk register. This includes risks related to cyber security and the development and implementation of an ISO 27001 compliant Information Security Management System (ISMS).</p> <p>Internal audit's (August 2017) report on Information Security Framework assessed the board's progress on ISMS as adequate but with improvements required. An action plan is in place to help aid progress in this area.</p> <p>There is a risk that the board's information governance arrangements are not effective and fail to protect personal data</p>	<p>Undertake focussed work on cyber security in accordance with the requirements of our 2017/18 Audit Planning Guidance in terms of the Scottish Government National Action Plan on Cyber Resilience.</p> <p>Monitor progress with the implementation of the action plan from the internal audit's report on Information Security Framework and other developments in this area.</p>	<p>We carried out our focussed work which determined that NHS Tayside's appointed third-party assessor had identified a number of areas of improvement that are required if the board is to achieve the mandated Cyber Essentials Plus certification and had resulted in the creation of an action plan. To provide assurance that this approach to addressing cyber threats was effective, internal audit were asked to review this approach. Our observations concur with the Internal Audit opinion that the actions taken are adequate to meet business objectives, although some formal improvements to the governance arrangements would be beneficial.</p>
<p>11 TrakCare Electronic Patient Record (EPR) system</p> <p>The board has experienced significant challenges with its migration from its legacy patients' record system to the TrakCare Electronic Patient Record system, including delays to the implementation of</p>	<p>Monitor developments in the area including reports to the Finance and Resources Committee and the Board.</p>	<p>We have monitored the implementation of TrakCare and concluded that the reputational and clinical significance of these issues was fully recognised with progress towards their solution actively monitored at a senior level (by the executive team). Creation of a new "Business-as-Usual" team within eHealth to</p>

Audit risk	Assurance procedure	Results and conclusions
<p>the system and significant post implementation issues, since June 2017. Post implementation issues relate to: referral management processes; waiting list management; user adoption; and reporting.</p> <p>Consequently, the implementation of the next phase of TrakCare (relating to the maternity module) is being delayed until known and emerging issues are better understood and resolved.</p> <p>There is a risk that additional costs incurred to resolve the issues with TrakCare are not kept within budget. This could have a detrimental effect on the wider eHealth budget and work programme. There is also a risk to patient safety whilst issues emerge and are worked through.</p>		<p>provides a focus for monitoring system use, identifying potential training issues and improving user adoption was a significant factor to resolving these issues. The operation of TrakCare is now stable and the associated risk has been removed from the risk register</p>

Appendix 3

Summary of national performance reports 2017/18

		 2017/18 Reports	
		Apr	
		May	
Common Agricultural Policy Futures programme: further update		Jun	 Scotland's colleges 2017
		Jul	 NHS workforce planning
Self-directed support: 2017 progress report		Aug	
Equal pay in Scottish councils		Sept	
Transport Scotland's ferry services		Oct	 NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov	
		Dec	
		Jan	
Early learning and childcare		Feb	
Managing the implementation of the Scotland Acts		Mar	

NHS relevant reports

[NHS workforce planning](#) – July 2017

[Self-directed support: 2017 progress report](#) – August 2017

[NHS in Scotland 2017](#) – October 2017

NHS Tayside

2017/18 Annual Audit Report

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