NHS Tayside

2019/20 Annual Audit Report

AUDIT SCOTLAND

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

General

1 In October 2019, the Auditor General provided a fifth consecutive report to the Parliament on NHS Tayside. This reported continuing concerns with the board's financial position and concluded that much work was still required to develop the detailed savings and transformation plans to achieve a balanced financial position. It commented on the need to put in place the necessary organisational capacity to facilitate the success of the transformation programme. This report provides an updated position on issues raised in the Auditor General's report.

2019/20 annual report and accounts

2 The financial statements of NHS Tayside give a true and fair view of the state of affairs of the body as at 31 March 2020 and of the net expenditure for the year then ended and have been properly prepared in accordance with the financial reporting framework.

3 The board has valued its assets on an appropriate basis and using information provided by professional valuers. The audit opinion includes an emphasis of matter paragraph to draw attention to the board's disclosure of material uncertainty in the valuation of the board's property assets due to the impact of Covid-19 on global markets.

4 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.

5 Submission of the annual report and accounts for audit was delayed by Covid-19 but revised Scottish Government timelines have been met.

Financial management

6 NHS Tayside has effective financial management arrangements in place. An underspend of £0.21 million against the Revenue Resource Limit (RRL) is reported.   Although NHS Tayside relied on financial flexibility of £7.0 million to meet its financial target, this is within the 1% financial flexibility allowed by the Scottish Government and is £4.2 million less than the £11.2 million target included in its 2019/20 financial plan. This is the second year running that the board has exceeded its financial target.

7 As a result of the Covid-19 pandemic in March 2020, NHS Tayside incurred additional revenue costs of £2.5 million in 2019/20, which were fully met from additional funding from the Scottish Government.

8 Senior management and committee members received regular, timely and up to date financial information on the board's financial position.

9 NHS Tayside has adequate systems of internal control in place over key financial systems during the year and these were appropriate and operated effectively.

Financial sustainability

10 NHS Tayside has a medium-term financial plan which, prior to Covid-19, shows the board planning to achieve financial balance by 2020/21. However, to achieve this the board needs to achieve savings of £28.1 million in 2020/21 and £12.1 million of these are assessed as a high or medium risk of not being achieved.

11 Non-recurring savings for 2020/21 are estimated at £14.1 million, 50% of the savings required. To achieve financial sustainability the board needs to reduce its reliance on non-recurring savings, through its transformation programme.

12 From March 2020, the Covid-19 global pandemic had a significant impact on the focus and priorities of NHS Tayside and the effect of this on its financial position is still to be evaluated. The financial plan is to be reviewed and updated after the first quarter of 2020/21.

13 In May 2019 the Board approved 'Transforming Tayside 2019-22', which set out a high-level overview of its three-year programme for change, however the pace of transformation has been slow. The impact of the Covid-19 pandemic has seen an acceleration in transformation as it has been necessary to adapt services to react to the pandemic. The transformation programme will be further reviewed by the board during 2020/21.

Governance and transparency

14 During 2019/20, NHS Tayside's overall governance arrangements were adequate and improvements are planned. In March 2020 the Board approved revised governance arrangements in response to Covid-19.

15 Similar to other boards, the filling of key posts is critical to provide capacity for effective leadership and delivery of transformation.

16 Temporary staffing costs have increased significantly in 2019/20 to £30.33 million, an increase of £8.49 million (38.9%) over 2018/19. Processes are being reviewed to reduce the need for temporary staffing.

17 Following a highly critical independent inquiry on mental health services in Tayside, the Board approved a draft action plan covering the recommendations in the report.

18 The board's planned review of the risk management system to align it with the board's strategic planning and performance management arrangements has progressed slowly, but a short life working group has recently been established to strengthen the board's risk management arrangements and the links between risk and performance management.

19 There was slippage in 2019/20 against the internal audit plan but priority was given to audit work which provided assurances for the Corporate Governance Statement.

Value for money

20 NHS Tayside's performance against service standards improved in 2019/20. Improvement was on track to have been more marked but for the impact of Covid-19, which saw a direction from the Scottish Government to postpone elective treatment across all of Scotland's NHS.

21 In our opinion there is insufficient evidence presented to the board on the arrangements put in place by the accountable officer to secure best value.

Introduction

1. This report summarises the findings from our 2019/20 audit of Tayside Health Board (the board), commonly known as NHS Tayside. The scope of our audit was set out in our Annual Audit Plan presented to the 23 January 2020 meeting of the Audit and Risk Committee. This report comprises the findings from:

- an audit of the bodies annual report and accounts

- consideration of the wider dimensions that frame the 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*

2. The main elements of our audit work in 2019/20 have been:

- an audit of the board's 2019/20 annual report and accounts including the issue of an independent auditor's report setting out my opinions

- a review of the board's key financial systems

- consideration of the four audit dimensions.

3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, NHS Tayside has had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21. This has had significant implications for the services it delivers, the costs of healthcare provision and the suspension of non-essential projects and activities such as some capital construction. Our

planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit. Our audit approach was adapted to working in a 'lockdown' environment, with the audit of the accounts conducted remotely.

Adding value through the audit

4. We add value to the board through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

- sharing intelligence and good practice through our national reports (Appendix 3) and good practice guides.

5. 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.

Responsibilities and reporting

6. The board 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 the Scottish Ministers.

7. The board is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

8. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the *Code of Audit Practice 2016* and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016* and supplementary guidance.

9. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our 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.

10. Our annual audit report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers and dates for implementation. It also includes any outstanding actions from last year and progress against these.

Auditor Independence

11. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

12. 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 2019/20 audit fee of £211,738, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

13. 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. 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 2019/20 annual report and accounts

Main judgements

The financial statements give a true and fair view of the state of affairs of the body as at 31 March 2020 and of the net expenditure for the year then ended and have been properly prepared in accordance with the financial reporting framework.

The board has valued its assets on an appropriate basis and using information provided by professional valuers. The audit opinion includes an emphasis of matter paragraph to draw attention to the board's disclosure of material uncertainty in the valuation of the board's property assets due to the impact of Covid-19 on global markets.

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.

Submission of the annual report and accounts for audit was delayed by Covid-19 but revised Scottish Government timelines have been met.

The annual report and accounts are the principal means of accounting for the stewardship of resources and performance.

Audit opinions on the annual report and accounts are unmodified

14. The board approved the annual report and accounts for the year ended 31 March 2020 on 30 July 2020. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework

- expenditure and income were regular and in accordance with applicable enactments and guidance

- 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 relevant legislation and directions made by Scottish Ministers.

15. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were affected by the Covid-19 outbreak.   Examples included:

- physical verification of assets (existence)

- title deeds verification (ownership)

- asset valuation

- review of bank reconciliations.

16. We did not consider these to be material to our audit opinions and have not modified our opinion.

17. The board has valued its assets on an appropriate basis and using information provided by professional valuers. The audit opinion includes an emphasis of matter paragraph to draw attention to the board's disclosure of material uncertainty in the valuation of the board's property assets due to the impact of Covid-19 on global markets.

18. The working papers provided to support the accounts were of a good standard. Covid-19 had a significant impact on how we conducted our audit with remote working required by the audit team and we are grateful to the board's finance staff for the assistance they provided in these circumstances which helped ensure the final accounts audit process ran relatively smoothly.

Submission of annual report and accounts for audit was delayed by Covid-19 but revised Scottish Government timelines have been met.

19. Full unaudited annual report and accounts (excluding consolidation results) were scheduled to be provided for audit by 4 May 2020 (18 May 2020 for consolidation results) to allow sign off by the Scottish Government deadline of 30 June 2020. Due to the impact of Covid-19, the Scottish Government extended the deadline for submission of health boards' audited annual report and accounts to 30 September 2020.

20. We agreed a revised timetable with management for the submission of the annual report and accounts which consisted of receipt of the accounts and the narrative 'front end' Performance Report and Accountability Report (including the Governance Statement) by different dates. A revised date of 30 July 2020 was agreed for the signing of the audit opinion on the conclusion of the audit. Board members were advised of the revisions to the timetable.

21. Our 2018/19 recommendation that the accounts preparation process be reviewed to ensure a full version of the annual report and accounts is available earlier in the audit process was unachievable for 2019/20, due to the impact of Covid-19, and we have rolled forward the recommendation to this report.

Recommendation 1

The board should review its process for preparing the draft annual report and accounts in future years to ensure a full version is available at the start of the process for the audit of the accounts.

Materiality for the accounts is £11.49 million

22. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

23. We carried out our initial assessment of materiality for the annual accounts during the planning phase of the audit. On receipt of the annual accounts we reviewed our planning materiality calculations. The revised materiality levels are summarised in Exhibit 2.

Exhibit 2
Materiality values

Materiality level	Amount
Overall materiality - this is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2020	£11.49 million
Performance materiality - this acts as a trigger point. 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 have calculated performance materiality at 50% of overall materiality	£5.74 million
Reporting threshold - we are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount	£115,000
Cumulative errors and impact on financial targets – We consider all monetary errors identified through the audit process (including those below the reporting threshold) and the impact they have on the board's reported results against its financial targets. If the cumulative errors were to result in the board failing to meet its financial targets, this could impact on our audit testing and could result in a comment in the independent auditor's report	N/A

Source: Audit Scotland

24. Appendix 2 provides our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

We have reported significant findings from the audit of the accounts

25. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have no significant findings to report around the qualitative aspects of the annual report covering accounting policies, accounting estimates and financial statements disclosures. The significant findings (above our reporting threshold) 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.

Exhibit 3
Significant findings from the audit of the financial statements

Finding	Resolution
1. Health and social care integration The three Integration Joint Boards (IJBs) within the Tayside area have been reflected in the board's accounts.	For information.

Finding	Resolution
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 £5.07 million.

£477.42 million has been included in the board's other healthcare expenditure, which represents the board's payments to the IJBs to provide services on its behalf. This is offset by £478.67 million of income from the IJBs for the commissioning of services by the IJBs.

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. | |
| **2. Endowment fund**

The endowment 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.

Audited accounts will be presented to the endowment fund trustees and NHS Tayside's Audit and Risk Committee on 23 July 2020. The implications of any changes to the draft figures will be considered prior to signing the audit opinion. | For information. |
| **3. Large hospital services and set aside budgets**

In March 2019, the Scottish Government wrote to NHSS Chief Executives advising of its expectations for the annual accounts that Health Boards and IJBs agree a figure for the sum set aside to be included in their respective annual accounts. In the absence of bespoke local arrangements, data from NSS ISD may be used to enable the preparation of accounting estimates for this sum.

In 2019/20 the board used the same methodology for calculation of the set-aside sum as the previous year, in line with Scottish Government guidance. This resulted in a set aside sum of £43.12 million in 2019/20, which is included in the board's other healthcare expenditure, which represents the board's total payments to the IJBs to provide services on their behalf, of £477.42 million. | Further review of the set-aside budget is required in line with the Scottish Government's expectations for agreement of an appropriate method of calculation, as agreed between the board and the IJBs to reflect the true consumption of resources.

Recommendation 2
(refer appendix 1, action plan) |
| **4. Pay accruals**

Miscellaneous pay accruals of £0.97 million were included in the unaudited accounts. Our audit highlighted that these accruals were overstated and the figure was revised to £0.52 million. | The board has adjusted for this misstatement. The net impact of adjusting is to reduce the board's net expenditure and increase net assets by £0.45 million. The adjustment also increases the underspend against RRL by £0.45 million. |
| **5. Deferred Income – Research and Development Contracts**

The board's 2019/20 trade payables balance included £0.33 million of deferred income for research and development contracts. Deferred income is defined in the health board accounts manual as an obligation where a future service is required to be performed before the income can be recognised.

In our view, the income does not meet the definition of deferred income and, as a result, should have been | The board has adjusted for this misstatement. The net impact of adjusting is to reduce the board's 2019/20 net expenditure and increase the net assets by £0.33 million. The adjustment also increases the underspend against RRL by £0.33 million. |

Finding	Resolution
disclosed in the board's 2019/20 accounts as operating income.	
6. CNORIS Provision Errors were identified in the calculations which resulted in an understatement of the CNORIS provision and an overstatement of the related reimbursement provision. The effect of these errors was an overstatement of CNORIS provisions of £0.04m and an understatement of the reimbursements of £0.14 million.	The board has adjusted for these misstatements. The net impact of adjusting is to reduce the board's net expenditure and increase net assets by £0.18 million. The adjustment also increases the underspend against RRL by £0.18 million.
7. Invoice incorrectly accrued Subsequent to closing its 2019/20 financial ledger the board sought further information from the charging organisation for the basis of an invoice for £0.12 million received during 2019/20, which remained unpaid at the end of the year. The charging organisation was unable to provide evidence to support the charge. The board has reversed this accrual.	The board has adjusted for this misstatement. The net impact of adjusting is to reduce the board's net expenditure and reduce net assets by £0.12 million. The adjustment also increases the underspend against RRL by £0.12 million.
8. Dundee City Integration Joint Board IJB risk share Subsequent to the board closing its 2019/20 financial ledger, Dundee City Integration Joint Board finalised its year-end financial position. The final expenditure of the IJB was greater than the forecast position that had been accounted for by the board. The integration scheme risk share impact on the board's final outturn is £0.72 million of additional expenditure.	The board has adjusted for this misstatement. The net impact of adjusting is to increase the board's net expenditure and reduce net assets by £0.72 million. The adjustment also reduces the underspend against RRL by £0.72 million.
9. Service level agreement (SLA) income The board's 2019/20 operating income includes service level agreement (SLA) income from other NHS Scottish Bodies. Each year boards agree the level of transactions between them. A board disputed £0.29 million of its charge from NHS Tayside related to acute activity. The board has adjusted for this amount on the basis of prudency.	The board has adjusted for this misstatement. The net impact of adjusting is to increase the board's 2019/20 net expenditure and reduce net assets by £0.29 million. The adjustment also reduces the underspend against RRL by £0.29 million.
10. Employment tribunal accruals An accrual of £0.19 million has been excluded for outstanding liabilities for employment tribunal cases.	The board has adjusted for the misstatement. The net impact of adjusting is to increase the board's net expenditure and reduce net assets by £0.19 million. The adjustment also reduces the underspend against RRL by £0.19 million.

Source: Audit Scotland

Misstatements were identified during the audit and were adjusted by management

26. There were a number of adjustments to the unaudited financial statements identified during our audit and these were adjusted by management. The net impact of these adjustments was to increase net expenditure and decrease net assets by £0.85 million. After offsetting £0.77 million of a late allocation (after the accounts had been prepared) from the Scottish Government the impact on the surplus against the Revenue Resource Limit is to reduce the surplus by £0.08 million, from £0.29 million to £0.21 million.

27. We have concluded that the misstatements identified in our audit arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

Prior year recommendations

28. NHS Tayside has made limited progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in Appendix 1.

Part 2
Financial management

Main judgements

NHS Tayside has effective financial management arrangements in place. An underspend of £0.21 million against the Revenue Resource Limit (RRL) is reported.   Although NHS Tayside relied on financial flexibility of £7.0 million to meet its financial target, this is within the 1% financial flexibility allowed by the Scottish Government and is £4.2 million less than the £11.2 million target included in its 2019/20 financial plan. This is the second year running that the board has exceeded its financial target.

As a result of the Covid-19 pandemic in March 2020, NHS Tayside incurred additional revenue costs of £2.5 million in 2019/20, which were fully met from additional funding from the Scottish Government.

Senior management and committee members received regular, timely and up to date financial information on the board's financial position.

NHS Tayside has adequate systems of internal control in place over key financial systems during the year and these were appropriate and operated effectively.

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

The board is on level 4 of the Scottish Government's escalation process

29. In 2018/19, as result of concerns over the board's financial management and sustainability of its services, the Cabinet Secretary for Health and Sport put NHS Tayside on the highest level of government intervention at level 5. In February 2019, due to improvements made by the board, the Cabinet Secretary reduced this to level 4 escalation (level 4 escalation is where there are significant risks to delivery, quality, financial performance or safety, and senior level external support is required). NHS Tayside currently remains at level 4 escalation.

Following receipt of £7 million flexibility funding, financial targets were met in 2019/20

30. With effect from 2019/20, the Scottish Government introduced a new approach to financial planning and target setting. This removes the requirement for boards to achieve financial balance annually and instead boards are required to achieve a break-even position over a rolling three-year period. NHS boards can exercise annual flexibility within 1% of their revenue resource limit.

31. As illustrated in Exhibit 4, the board operated within all limits during 2019/20.

## Exhibit 4
Performance against resource limits in 2019/20

	Resource Limit £ million	Actual £ million	(Over)/under £ million
Core revenue resource limit	883.18	882.97	0.21
Non-core revenue resource limit	36.90	36.90	0.00
Total revenue resource limit	**920.08**	**919.87**	**0.21**
Core capital resource limit	27.45	27.45	0.00
Non-core capital resource limit	0.00	0.00	0.00
Total capital resource limit	**27.45**	**27.45**	**0.00**
Cash requirement	**958.80**	**958.80**	**0.00**

Source: NHS Tayside Annual Report and Accounts 2019/20

32. The board's 2019/20 financial plan projected a funding gap of £11.2 million, to be financed by Scottish Government 'financial flexibility' funding. Despite the imposition of additional 2019/20 costs post-budget, following improvements in the board's savings plans, the gap reduced to £6.8 million and the amount of financial flexibility funding actually requested was £7.0 million, which is within the 1% financial flexibility allowed by the Scottish Government. This is the second year running that the board has exceeded its financial target. The movement in the funding gap and the source of the changes are demonstrated at Exhibit 5.

Exhibit 5
2019/20 funding gap movement
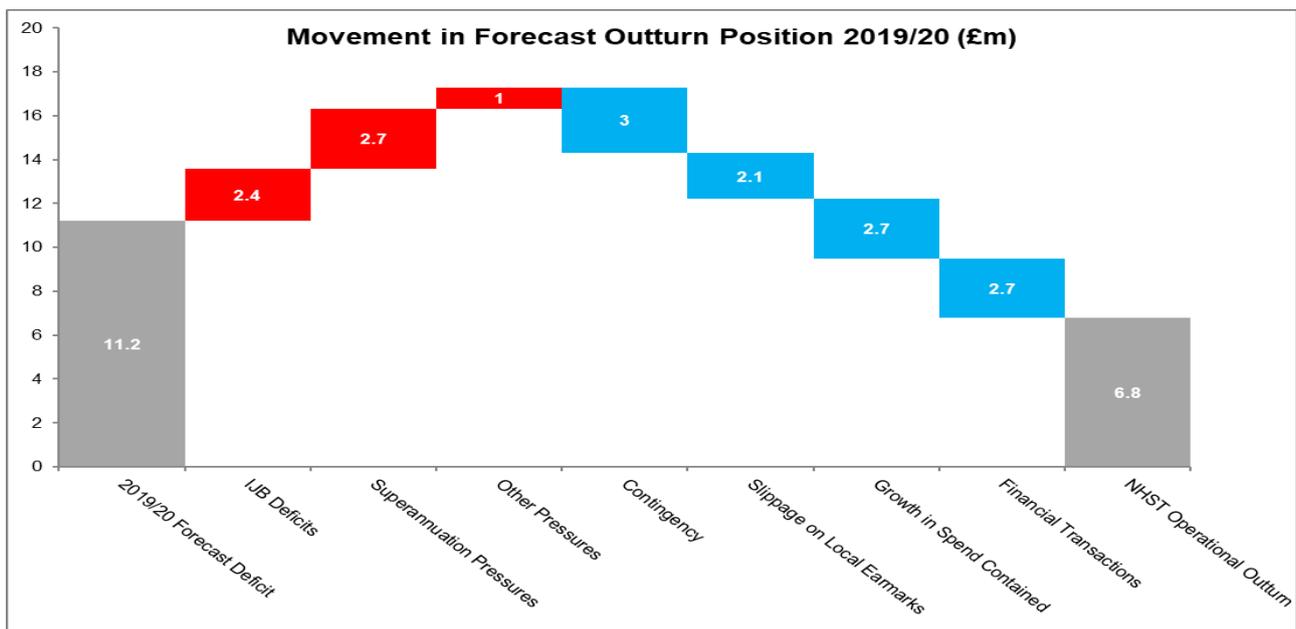
Source: NHS Tayside

The financial impact of Covid-19 was covered by additional funding

33. As a result of the Covid-19 pandemic in March 2020, NHS Tayside incurred additional revenue costs of £2.5 million in 2019/20. These costs, which were fully met from additional funding from the Scottish Government, arose from:

- an increase in community prescribing costs of £1.0 million

- increased operational costs of £0.8 million to support mobilisation of plans to manage the pandemic

- additional annual leave costs of £0.7 million.

34. More significant costs arising from the Covid-19 pandemic will impact on NHS Tayside from 2020/21.

Planned efficiency savings were achieved but the board needs to reduce its reliance on non-recurring savings

35. In 2019/20, NHS Tayside planned to make efficiency savings of £24.5 million (2.5% of its budget). These savings, together with planned Scottish Government financial flexibility funding of £11.2 million, were planned to meet the board's full funding gap of £35.7 million. Savings achieved were in excess of the planned sum resulting in a reduced Scottish Government financial flexibility funding requirement of £7.0 million.

36. The board achieved £26.3 million of savings, an increase of £1.8 million on the financial plan target savings of £24.5 million. This contributed to the overall £4.2 million improvement in the board's 2019/20 financial plan as demonstrated in exhibit 5.

37. £14.3 million of the savings (40% of the 2019/20 funding gap of 35.7 million) were on a recurring basis. This is a reduction on the 2018/19 level of 44%. 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.

38. The board's funding gap reduced from £48.1 million to £35.7 million between 2018/19 and 2019/20 and the financial plan shows a further reduction to £28.1 million in 2020/21.

39. The board has made significant savings in recent years to mitigate the gap. However, the board remains significantly reliant on non-recurring savings, as illustrated in Exhibit 6. In our opinion, this situation is not sustainable for the board in the longer term because it results in the board having to identify new savings sources each year and puts further pressure on finances.

Exhibit 6
Savings – recurring and non-recurring

Source: NHS Tayside Annual Report and Accounts 2015/16 to 2019/20

The board has effective budget setting and monitoring arrangements

40. We reviewed the board's budgetary processes and budget monitoring arrangements through review of budget monitoring reports, review of committee papers and attendance at committees. We also noted that the board's financial position improved over the year and this was clearly reported in financial monitoring reports to members.

41. In their report on Financial Management presented to the Audit and Risk Committee in May 2019, internal audit assessed the board's arrangements as Category B – Broadly Satisfactory i.e. there is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives, although minor weaknesses are present. The budgetary control process was assessed in this review. In their report on Internal Control Evaluation, presented to the Audit and Risk Committee in January 2020, internal audit also highlighted improvements to the financial monitoring reports format.

42. We have concluded that NHS Tayside has effective budget setting and monitoring arrangements. Senior management and members received regular and accurate financial information on the board's financial position.

Shared systems can be relied on for recording board costs

43. The NHS in Scotland procures service audits each year for shared systems: NHS National Services Scotland (NSS) procures service audits covering primary care payments (Practitioner Services) and the national IT contract; and NHS Ayrshire & Arran procure a service audit of the National Single Instance eFinancials service. Service auditors provide assurance reports to provide their opinion on the controls in place within these systems. We have considered the content of the service auditor assurance reports and any associated external audit report issued.

44. The NHS NSS service auditor assurance reports in relation to primary care payments and the national IT contract were both qualified in 2019/20 due to areas where there was insufficient documentary evidence of verification and reconciliation checks on which to conclude (rather than a finding that controls were absent or not operating). The board has included a reference to the qualification in its Governance Statement, stating that it has no impact on NHS Tayside's financial statements.

45. The auditor of NHS NSS has reviewed the work of the service auditor of Practitioner Services and reported that "*the service auditor has provided a qualified opinion on the system of controls in place in Practitioner and Counter Fraud Services in terms of the requirements of ISAE 3402 and has identified a number of matters where controls could be enhanced. I conclude from my review of KPMG's service audit work on Practitioner and Counter Fraud Services that this has been performed satisfactorily and that assurance can be placed thereon to support user auditors' own assessments under ISA (UK) 402*".

46. The Audit and Risk Committee are scheduled to meet on 23 July 2020 and will consider the issues identified in the service auditor assurance reports and exercise a judgement on their impact on the annual report and accounts.

Systems of internal control are operating effectively over financial systems

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

48. Our management letter presented to the Audit Committee on 23 June 2020 set out our findings from our review of the systems of internal controls. We concluded that the controls tested were operating effectively. No significant internal control weaknesses were identified during the audit which could affect NHS Tayside's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements. The Chief Internal Auditor, in his 2019/20 Annual Report, also concluded that "the board has adequate and effective internal controls in place."

The finance team needs to fill a key vacancy

49. A full time Director of Finance was appointed on a permanent basis in December 2020, replacing the previous part time Director who left the board at the end of June 2019. The replacement Director of Finance held the post on an interim basis from September 2019.

50. One of the key tasks for the Director of Finance was to continue with the review of the financial services functions as part of the implementation of the new Finance Directorate structure. This is ongoing with a Depute Director of Finance yet to be appointed.

51. During the year, the board realigned its finance structures to strengthen the department and provide support to a number of key functions and a number of additional posts were filled. Finance staff were realigned to the IJBs to directly support the CFOs, with funding being made available to CFOs to appoint a deputy. Finance staff were also aligned to key areas of Mental Health, Services, Primary Care Services and transformation.

The Capital Resource Limit was met

52. NHS Tayside received a core capital allocation for 2019/20 of £27.5 million (core funding). This is a significant increase on the £13.1 core capital outturn for last year. The main expenditure in 2019/20 relate to £17.1 million on major capital projects including Ninewells Electrical Infrastructure Zone 1, Neonatal Intensive Care Unit and the Children's Theatre Suite and £3.6 million on the Radiotherapy Replacement Program, which were new projects in 2019/20. £0.25 million of additional capital costs relating to Covid-19 was contained within the capital budget.

53. The board operated within its capital resource limit and based on our review we have concluded that the capital programme is being managed effectively.

Part 3
Financial sustainability

Main judgements

NHS Tayside has a medium-term financial plan which, prior to Covid-19, shows the board planning to achieve financial balance by 2020/21. However, to achieve this the board needs to achieve savings of £28.1 million in 2020/21 and £12.1 million of these are assessed as a high or medium risk of not being achieved.

Non-recurring savings for 2020/21 are estimated at £14.1 million, 50% of the savings required. To achieve financial sustainability the board needs to reduce its reliance on non-recurring savings, through its transformation programme.

From March 2020, the Covid-19 global pandemic had a significant impact on the focus and priorities of NHS Tayside and the effect of this on its financial position is still to be evaluated. The financial plan is to be reviewed and updated after the first quarter of 2020/21.

In May 2019 the Board approved 'Transforming Tayside 2019-22', which set out a high-level overview of its three-year programme for change, however the pace of transformation has been slow. The impact of the Covid-19 pandemic has seen an acceleration in transformation as it has been necessary to adapt services to react to the pandemic. The transformation programme will be further reviewed by the board during 2020/21.

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

The three-year financial plan aims to achieve break even each year to 2022/23

54. With effect from 2019/20, the Scottish Government introduced the new three-year financial planning process and wrote off the outstanding brokerage of all Scottish NHS boards. A sum of £62.5 million relating to NHS Tayside was written off. However, the pressures facing the NHS continue to intensify. Revenue funding to NHS Tayside for 2019/20 from the Scottish Government has grown by 5.8% in cash terms and 3.8% in real terms compared to 2018/19.

55. NHS Tayside's three-year financial plan was approved by the Board on 30 April 2020. The plan has been developed on the basis that the board reflects a breakeven position over the three-year period to 31 March 2023 (Exhibit 7). The arrangements for the repayment of financial flexibility funding are unclear and the plan excludes any repayment of the £7.0 million flexibility funding received in 2019/20.

Recommendation 3

The board should seek clarification from the Scottish Government on the arrangements for repayment of flexible funding. Any repayment should be built into the financial plans.

56. Forecasts in the financial plan are based on a number of assumptions including allocation uplifts, inflationary costs and pay growth. The plan was presented prior to the Covid-19 pandemic and the board intends to revisit the plan later in the year, after the results for the period April to June 2020 are known.

Exhibit 7
Projected financial savings 2020/21 to 2022/23

	2020/21 £m	2021/22 £m	2022/23 £m
Funding gap	(28.1)	(30.8)	(26.3)
Savings			
Transformation	4.7	13.3	9.3
Productivity and efficiency gains	5.0	0	0
Corporate	1.0	1.0	1.0
Service level agreements	2.4	1.5	1.0
Cost reduction plans	11.0	11.0	11.0
Use of set aside balances, contingencies etc.	4.0	4.0	4.0
Forecast surplus/deficit	0	0	0

Source: NHS Tayside Strategic Financial Plan 2020/21 – 2022/23

57. The board's three-year financial plan sets out the high-level savings targets needed to achieve break even. The largest element of savings over the period are planned from cost reduction plans, followed closely by transformation savings. Cost reduction plans involve an annual 2% cost reduction target for each service based on local service actions. The service cost reduction plans will be more challenging going forward, given that much of the easier savings will have already been achieved.

58. Although there is some further breakdown of the savings targets for 2020/21 there is no further detail of savings initiatives for the following two years.

59. The board has risk assessed its savings targets for 2020/21 and considers £16 million to be of a low risk of not achieving, £6.4 million to be medium risk and £5.7 million to be high risk. The high-risk savings targets are the £4.7 million for transformation and £1 million of the productivity and efficiency gains. The three-year financial plan notes that the £4.7 million high risk transformation saving is being addressed principally through the Transforming Tayside "assessment

caucus" process and a working group of Directors, Chief Officers and Chief Finance Officers set up to consider proposals for whole system change.

60. We noted in our 2018/19 Annual Audit Report that there is an opportunity to look beyond the three-year cycle to a 5-10 year financial planning cycle, reflecting the corporate and transformation priorities and incorporating scenario planning and financial modelling. This has yet to be considered by the board.

Recommendation 4

The board should ensure that savings plans are developed identifying how savings will be achieved over the course of the financial plan.

Additional financial support was received from the Scottish Government in 2019/20

61. The Scottish Government provided £7.0 million of additional financial support to NHS Tayside in 2019/20. NHS Tayside's accounts (performance report) confirm the financial position of the board before and after the additional support was received as well as disclosing that the financial outturn was within the one per cent flexibility threshold. As noted at recommendation 3, clarification over the arrangements for any repayment of the additional funding will need to be sought from the Scottish Government.

The pace of transformation is slow and needs to accelerate

62. In May 2019 the Board approved '*Transforming Tayside 2019-22*', which set out a high-level overview of its three-year programme of change. The board also set governance arrangements for the programme including a Transforming Tayside Steering Group (an advisory group) and a Transforming Tayside Programme Board (a decision taking group). A Project Management Office was established to support the programme. Clinicians were to be at the forefront of service redesign.

63. Transforming Tayside updates were presented to Board Members during 2019/20. A report to the Board in August 2019 provided an update on progress with the four transformation projects approved in May 2019, together with progress on 'Transforming Tayside's Mental Health' and ongoing assessments for 'Critical Care' and the 'Cancer Centre'. The report highlighted that a number of overarching strategies were in development covering Public Health, Mental Health and Primary Care and the Acute Care Strategy and the Prescribing Strategy were in draft. Covid-19 has impacted on the finalisation of these strategies.

64. In a presentation to the Board on 31 October 2019, the Chief Executive highlighted that the priority was to "increase the pace and scale of progress to reliably deliver service redesign and transformation". Internal audit, in their Internal Control Evaluation Report submitted to the Audit and Risk Committee in January 2020, also reiterated the need for increased pace of change while commending the initial planning work undertaken.

65. A key next step reported to the Board in October 2019 was the establishment of "assessment caucus" to critically analyse and prioritise proposals and develop these through the Transforming Tayside Steering Group and bring to the Board for approval.

66. The latest 'Transforming Tayside' update to the Board, a verbal update by the Chief Executive on 19 December 2019, outlined the process to bring the redesign programme into the next phase, testing and prioritising the ideas coming forward. "Assessment caucus" meetings were to be held during January 2020 with proposals to be reviewed with the clinical teams. These proposals were then

discussed at a two-day Board Development Session at the end of January 2020 before Covid-19 impacted.

67. Progress with transformation has been slow and the board recognises that the pace needs to increase. Covid-19 has accelerated transformation in some services, as the board looks to find new ways of delivering services in a safe environment. NHS Tayside has indicated that the board's re-mobilisation plan will be the new transformation plan.

68. Examples of transformation brought about by Covid-19 include:

- 'Near me' video and telephone consultation appointments were introduced

- use of camera pill: the use of a tracked pill journey as an alternative to aspiratory investigation processes for cancer treatments.

69. We reported in our 2018/19 Annual Audit Report that much work had yet to be done to formalise the Transforming Tayside savings proposals. This remains the case with detailed savings proposals still to be developed for the transformation savings in the three-year plan.

70. The board's re-mobilization plans will need to be reflected in a revised financial plan. This should be aligned to the asset management and eHealth strategies.

71. We have concluded that the pace of transformation remained slow over 2019/20 but that the impact of Covid-19 has accelerated some aspects of transformation. We will continue to monitor the development of a detailed, financially assessed transformation programme and the pace of transformation in the changed environment during our 2020/21 audit.

Recommendation 5

The board should continue to accelerate the transformation process and monitor and develop a revised transformation programme. Alignment of the asset management and eHealth strategies should be a key part of transformation.

The board has made reasonable plans around readiness for EU withdrawal

72. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their workforce, funding and regulatory framework.

73. EU withdrawal continues to be included on the board's strategic risk register and is rated as a 'yellow' risk (the second lowest of a four-level risk classification). A report was submitted to the Board in October 2019 which provided an update on the EU withdrawal risk and the board's preparedness. The report set out the arrangements in place, including progress with the exit readiness plan, staff engagement through 'Vital Signs', workshops and seminars.

74. We have concluded that NHS Tayside has made reasonable plans around readiness for EU withdrawal.

Part 4
Governance and transparency

Main judgements

During 2019/20, NHS Tayside's overall governance arrangements were adequate and improvements are planned. In March 2020 the Board approved revised governance arrangements in response to Covid-19.

Similar to other boards, the filling of key posts is critical to provide capacity for effective leadership and delivery of transformation.

Temporary staffing costs have increased significantly in 2019/20 to £30.33 million, an increase of £8.49 million (38.9%) over 2018/19. Processes are being reviewed to reduce the need for temporary staffing.

Following a highly critical independent inquiry on mental health services in Tayside, the Board approved a draft action plan covering the recommendations in the report.

The board's planned review of the risk management system to align it with the board's strategic planning and performance management arrangements has progressed slowly, but a short life working group has recently been established to strengthen the board's risk management arrangements and the links between risk and performance management.

There was slippage in 2019/20 against the internal audit plan but priority was given to audit work which provided assurances for the Corporate Governance Statement.

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.

Overall, governance and transparency arrangements were adequate in 2019/20. Improvements are ongoing but planned timelines have slipped

75. The governance and transparency arrangements we consider include:

- the Board and committee structure and conduct

- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption. This includes action in response to the National Fraud Initiative

- openness of the Board and its committees

- public access to information

- reporting of performance and whether this is fair, balanced and understandable.

76. The Board considered an internal report in April 2019 that stated that progress in this area has been positive but recognised that there was still work required to further strengthen the corporate governance model and an action plan was produced which was to be completed by September 2019 and monitored by the Board.

77. Actions contained within the board's action plan included:

- improving how the board communicates clear statements of intention, vision, direction of travel and priorities to stakeholders

- further develop the systems and processes for sharing financial and performance management information

- improving Board Member induction and on-going development

- improving risk escalation and understanding the Board's risk appetite

- continuing to embed recent improvements in partnership working with IJBs

- improving administration support.

78. An update on the Action Plan was presented to the Board in October 2019, which outlined the progress made with the Action Plan. While some progress had been made a number of actions were identified as ongoing work, with revised completion dates. A further update was to be carried out in early 2020 to inform work in this area during 2020/21 but this update has not yet been carried out.

79. We reported in 2018/19 that the board was undertaking a review of Board Member training and development and develop training needs analyses and personal development plans, linked to the Board's corporate objectives. This review was to be completed in 2019. Progress was reported to the Board in October 2019 where members were advised that progress was delayed due to slippage in the appraisal programme.

80. Due to changes in Board membership, including the appointment of a new Chair, the focus to date has been on member induction. A new standardised induction pack for Non-Executive Members across NHS Scotland has been developed and has been adopted and adapted by NHS Tayside.

81. A training needs analysis has yet to be developed on the basis of individual Board Members training needs which are identified through discussions between the Chair and the Non-Executive Members around their objectives and their personal input to the Board's business.

Recommendation 6

The board should develop Board Member training needs analyses and personal development plans, linked to the Board's corporate objectives, as soon as practicable.

Board members effectively discuss issues and scrutinise performance

82. NHS Tayside has a Board membership of 22 members, 17 Non-Executive Directors and 5 Executive Directors. There has been some change in membership during 2019/20, but overall, the number of changes is not significant. The Chair of

the Board stood down on 30 June 2019 and was replaced by an interim Chair. The interim Chair currently remains in post. The Board is supported by 5 standing committees, 3 other committees and 2 sub-committees.

83. Board and committee papers are well prepared and the majority are issued in sufficient time in advance of the meetings for review. We regularly attended the Board, Policy and Resources Committee and Audit and Risk Committee throughout 2019/20 and observed that sufficient time is allowed to discuss the issues on the agendas and members are well prepared and ask appropriate questions.

84. We have concluded that members effectively hold officers and committees to account.

The board conducts its business in an open and transparent manner

85. Openness and transparency means that the public have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources such as money, people and assets.

86. NHS Tayside's commitment to transparency is demonstrated by:

- public availability of board papers (although agenda papers are not placed on the website until the day of the meeting)

- the annual accountability review (where members of the public can attend)

- the availability of the annual report and accounts on the NHS Tayside website.

87. Overall, we have concluded that the board conducts its business in an open and transparent manner.

Amended governance arrangements were put in place from March 2020 as a result of Covid-19

88. The impact of Covid-19 on the board's governance arrangements from March 2020 has been set out in the Governance Statement in the accounts. The changes were significant and allowed the organisation to cope with the unprecedented nature and scale of the threat to its communities and staff. The following steps were taken to allow NHS staff to prioritise their response to the outbreak:

- reduced Board membership, while maintaining the board quorum

- the suspension of standing committees (any matter requiring a decision by a Standing Committee to be considered in agreement with the Chair, Vice Chair, and one of the Non-Executive Members and the Lead Officer of the Standing Committee and any decision taken reported to the Board by the Board Secretary)

- video/teleconferencing arrangements put in place.

89. The Board also agreed to exclude the public from physical meetings on safety grounds.

90. The Board has since returned to full membership and there has been a resumption of a number of committees including the Care Governance Committee, Performances and Resources Committee, Staff Governance and Audit and Risk Committee. Dates for the Public Health Committee are being progressed. Meetings continue with video/teleconferencing arrangements.

91. A Board Business Critical (BBC) Group consisting of senior staff from across NHS Tayside was established in March 2020 to provide executive leadership of core business critical issues across NHS Tayside including core clinical services, ongoing service issues, transformation and business issues alongside the board's response to Covid-19. With the impact of Covid-19 lessening, the BBC Group has now been stood down.

92. We have concluded that the arrangements put in place since the start of Covid-19 are appropriate.

Filling key leadership posts is critical to provide capacity for effective leadership and delivery of transformation

93. In October 2018, the Board approved 'NHS Tayside Collective Leadership and Cultural Strategic Framework 2018-23' (the leadership framework). The framework aims to help the board achieve its 'Better Workplace' objective of having "a valued and diverse workforce who are well informed and appropriately trained, can access development opportunities and have a strong voice throughout the organisation" as well as addressing many of the issues raised in the Sturrock report on bullying and harassment allegations in NHS Highland. The Board developed an implementation plan for a new Leadership Programme and the Chief Executive introduced a revised leadership/management structure.

94. In 2018/19 we reported that a number of key posts were vacant, including the Deputy Chief Executive, the Director of Facilities, the Director of Nursing and the Medical Director. This is not uncommon across the NHS in Scotland and the board has made significant effort to find suitable candidates for the vacant posts. Despite these efforts, the posts of Deputy Chief Executive and Director of Facilities remain vacant. Advertising and a long-list review for these posts continue to be progressed but the timetable has been affected by Covid-19 priorities. Alternative options are under consideration by the Chief Executive if a positive outcome is not achieved. A revised action date of 30 September 2020 has been agreed by management.

95. A report on progress with the leadership framework was presented to the Staff Governance Committee on 15 October 2019. The report contained a review of the implementation of the framework from October 2018 to October 2019 (year 1) and set out an outline of developments to be undertaken from October 2019 to March 2021 (year 2).

96. The implementation plan for the new Leadership Programme is ongoing and progress is reported to members, however programme activity has been suspended due to the priorities of the board's response to Covid-19. Progress has been impacted by social distancing and planning to support future re-engagement is underway.

Risk management arrangements are improving

97. We reported in 2018/19 that progress with risk management had been slow and further improvements were required to achieve an effective risk management system. In June 2019, internal audit also reported to the Board that risk management systems and processes are 'broadly satisfactory' but the effectiveness of those systems and processes are only 'adequate' and improvements are required in their application.

98. The Audit and Risk Committee has delegated responsibility for reviewing the organisation's risk management arrangements and receives regular reports on risk management. The Head of Risk and Resilience reports to the Director of Finance as lead officer for risk management. A Strategic Risk Management Group (SRMG) is in place with a remit which includes ensuring the risk management arrangements are robust, comply with national policy and are embedded into all aspects of service provision, planning and business management.

99. A number of enhancements have been made to the risk management arrangements in 2019/20:

- development of a rolling programme of peer review to help ensure that levels of risk are correctly assessed, appropriate mitigation identified and assurance sought

- development of a performance report on strategic risk management, with the first iteration of the report presented to the Audit and Risk Committee on 19 September 2019. The content of the report is to be further developed over time

- a programme of strategic risk 'deep dive' reviews commenced as part of the Audit and Risk Committee meetings from 21 November 2019

- Chief Officers from each of the IJBs became members of the Strategic Risk Management Group.

100. The Strategic Risk Profile Overview report to the 21 November 2019 Audit and Risk Committee reported that 7 of the 21 strategic risks had the same risk exposure for more than 12 months and 3 of the 21 had the same risk exposure for between 6 and 12 months, demonstrating that a significant number of risks were not being successfully mitigated by the existing controls. The report recommended that further work was still required to formally evidence the implementation of controls.

101. IJB strategic risk registers are now reported to the SRMG and work is also ongoing to develop IJB Risk Management Strategies which is being led by the Dundee City IJB Chief Finance Officer. Progress in this area has been slow. A response to a request by NHS Tayside for information on progress has yet to be received from the Chief Finance Officer.

102. Internal Audit in conjunction with the Head of Risk and Resilience are reviewing the Board's risk appetite. Initial progress was reported to the SRMG in November 2019 and it was planned to consider this further at a March 2020 Board Development event in March 2020. Due to Covid-19, this event did not take place and a member/officer working group has been set up to review the risk management systems and processes (including risk appetite) and report to the Board. The work of the group will include a review of the board's strategic risks and its risk appetite and will feed into the Board Development event which has been rescheduled for September 2020.

103. While we have concluded that improvements have been made to the board's risk management arrangements, work is still ongoing. The impact of Covid-19 will require a review of the board's risk profile and strategic risk register.

Asset management arrangements are being developed

104. NHS Tayside is required to have a Property and Asset Management Strategy in place which is reviewed and approved annually by the Board and provides information on the suitability of the board's estate in supporting the Board's strategic objectives.

105. A North of Scotland Regional Asset Management Plan (RAMP) was completed and approved by the Board in 2019/20. The RAMP set out the current state of the North region's asset portfolio, and the future planned developments, and an overview of the potential investment requirements.

106. In 2019 an external review of three sites (Perth Royal Infirmary, Stracathro and Kings Cross Hospital) was completed and a final draft report received by management in April 2019. The review aimed to ensure the efficient use of space across a number of NHS Tayside facilities. The consultant's report will be used to inform the use of these sites going forward, together with further considerations

regarding the impact of Covid-19 on transformation and the changes in the need for the board's real estate.

107. Work on the review of a fourth site, Ninewells Hospital has been slower than planned and remains at an early stage. Progress has been further impacted by Covid-19. For Ninewells, a Strategic Development Framework Project is being established. Its aim is to support the development and investment required to sustain the Ninewells complex for a '5 to 25 year plus' timeframe.

108. NHS Tayside's Asset Management Group (AMG) oversees the implementation of the capital programme. During 2019, a Strategic Assessment Review Group (SARG) was established to consider Strategic Assessments (SAs) for capital projects developed and submitted by the services. The recommendations from SARG were considered by the AMG and incorporated into the development of the Five-Year Capital Plan 2020/21 to 2024/25, which was approved by the Board in April 2020.

109. Capital expenditure of £153.6 million is planned over 2022/21 to 2024/25. The Five-Year Capital Plan focuses on investment in infrastructure, consistent with strategic health priorities.

110. The main capital plan projects are the new Children's Theatre Suite and significant refurbishment of the Neonatal Intensive Care Unit; a new treatment and diagnostic centre to improve access to elective care; the national radiotherapy replacement programme; reducing backlog maintenance across the estate (in particular Ninewells Hospital), and replacement of essential equipment, including medical and IT.

111. Over the course of 2019/20 the board has improved its governance in this area and its understanding of its asset base, site usage, building quality and infrastructure requirements. However, a significant amount of work is required to continue this progress, including demonstrating how the plan aligns to transformation and re-mobilisation following Covid-19 and to the board's clinical and strategic priorities. Successful recruitment to the Director of Facilities post will be critical to increasing the pace in this area.

There is a significant amount of work required to progress Health and Social Care improvement action plans, update the integration schemes and develop a Covid-19 re-mobilisation plan

112. There are three Integration Joint Boards (IJBs) within NHS Tayside's catchment area. These are commonly known as Angus Health & Social Care Partnership, Dundee Health & Social Care Partnership and Perth and Kinross Health & Social Care Partnership. Regular meetings are held between the Chief Executives of the Health Board and partner Councils and Chief Officers of the IJBs to discuss the strategic direction of the IJBs.

113. Each IJB has its own performance management framework to ensure that progress against key plans, strategies and budgets are monitored routinely in order that timely action can be taken to address any performance issues. Progress is monitored by the IJB's senior management and respective scrutiny committees.

114. The board and its partners are developing new ways of working that promote integration across Tayside e.g. a 'whole system' winter plan, however much work still needs to be done in regard to shifting the balance of care into the community setting.

115. The board's Strategic Financial Plan 2020/21 to 2022/23 includes a £2 million earmarked fund to shift the balance of care. £1 million of this has been approved to release funding from the acute hospital sector to Dundee City IJB. This has arisen from a sustained reduction in bed days based on published ISD data, equating to 19 beds with an annual cost of £1 million. Work is also ongoing with the three IJBs to identify opportunity for investment of the remaining £1 million resource, although

this resource will be required to meet potential IJB deficits if they are not addressed by the IJBs.

116. Following a national review of integration of health and social care by the Scottish Government's Ministerial Strategic Group (MSG) for Health and Community Care in 2019, self-assessments were undertaken by the IJBs and the board. A consolidated improvement action plan was presented to the Board in June 2019. Actions included areas such as leadership, financial planning and governance and accountability. It was agreed that progress would be reported on a six-monthly basis to the Board.

117. A progress update was reported to the Board in December 2019 which identified the "proposed next steps in creating the conditions and supporting the Health and Social Care Partnerships in Tayside to achieve their full potential." Another progress update was planned for June 2020 but this has been rescheduled to August 2020, due to Covid-19.

118. We have also previously reported that the IJB governance assurance arrangements and risk management arrangements, including the clinical and care governance arrangements needed to be further developed and this remains the case.

119. The three Integration Schemes between NHS Tayside and the IJBs are scheduled for review but the Scottish Government has delayed the requirement to review Integration Schemes due to Covid-19. When the reviews are reinstated, this will be an important and significant piece of work as the integration schemes detail such things as the delegated and hosted functions; operational delivery arrangements; governance arrangements; arrangements related to budgets (including the risk sharing arrangement for financial overspends); and risk management.

120. The review of the schemes will require the input from the board, the IJBs and the partner local authorities. Part of this work will also involve detailing and clarifying the operational and commissioning responsibilities for all mental health services across the whole of Tayside. In response to the independent inquiry discussed at paragraph 157, the operational management for inpatient General Adult Psychiatry Services will transfer to NHS Tayside.

121. There is a significant amount of work for the board and its partners to undertake to progress the MSG action plans, reviewing and updating integration schemes and developing a Covid-19 re-mobilisation plan.

Internal audit operates in accordance with Public Sector Internal Audit Standards. Slippage in the annual audit plan was managed to prioritise annual governance assurances

122. The board's internal audit function is carried out by FTF Audit and Management Services (FTF). FTF have concluded their 2019/20 audit work and presented their Annual Audit Report, which included the annual internal audit opinion, to the July 2020 Audit and Risk Committee.

123. We reviewed the board's internal audit function to ensure it operates in accordance with Public Sector Internal Audit Standards (PSIAS) and to determine the extent to which we could use their work in terms of International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors).

124. Following an Institute of Internal Auditors assessment in 2018, an improvement action plan was presented to management containing nine improvement actions. All of the actions are now complete except for the ongoing development of an FTF website to increase the profile of internal audit in the organisation. The preferred FTF option for this is an FTF website hosted by NHS Fife, with links to Staffnet (NHS Tayside's intranet). Completion is pending an NHS Fife website redesign and is scheduled for September 2020. Subject to completion

of the improvement action plan we have concluded that internal audit satisfies the requirements of PSIAS.

125. In June 2020, the Chief Internal Auditor presented a report to the Audit and Risk Committee on progress with the 2019/20 Internal Audit Plan. The report reflected on slippage against the plan, much of which was reported as being due to the impact of Covid-19. Key outputs that were outstanding as at 23 June 2020 have been risk assessed and, where considered appropriate, carried forward to 2020/21. Carried forward reviews include:

- property management strategy

- Child and Adolescent Mental Health Services (CAMHS)

- information assurance and information security framework

- eHealth Strategic Planning and Governance.

126. In addition, a review of the Transforming Tayside has been deferred with no date set for when the review will be carried out and reported.

127. With the slippage, priority was given to audit work which provided assurances for the Corporate Governance Statement. As a result, the Chief Internal Auditor was able to conclude in his annual report in July 2020 that "the Board has adequate and effective internal controls in place" and that "the Accountable Officer has implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of this role".

128. The internal audit plan for 2020/21 was presented to the Audit and Risk Committee in June 2020 and was prepared with an alignment to the board's strategic risk register. The Chief Internal Auditor anticipates submitting revised audit plans over 2020/21, in line with revisions of the strategic risk registers post Covid-19.

129. We have not placed reliance on the work of internal audit for our 2019/20 financial statements but did use the work of internal audit in selected areas for our wider dimensions audit responsibilities. This work has informed our views on the wider dimension risks identified in this report.

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

130. There are appropriate arrangements for the prevention and detection of fraud, error and irregularities. NHS Tayside is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, the board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

131. We have reviewed the arrangements in place to maintain standards of conduct including a whistleblowing policy, a whistleblowing 'champion' member on the Board, anti-fraud strategy and codes of conduct for members and officers. There are established procedures for preventing and detecting any breaches of these standards, including any instances of corruption.

132. Appropriate arrangements are in place for the prevention and detection of fraud, error and irregularities, bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

There are capacity issues in workforce planning

133. In their Annual Audit Report, Internal Audit noted that "strategic risks for medical, nursing and midwifery and overall workforce have all highlighted capacity

issues and issues with delays in the recruitment process and problems in the recruitment and retention of difficult to recruit posts are well known. The pandemic will require more fundamental consideration of how and where resources are deployed."

**134.** Internal audit recommended that:

- the Board should be assured that capacity and capability are sufficient to drive strategy, transformation and deliver required savings and that there should be a rigorous focus on demonstrating that workforce planning effectively supports the achievement of the Board's strategic objectives, and is overtly linked to the organisation's financial position, the achievement of organisational objectives and the mitigation of known risks. Rather than being based on the current service model, the Workforce Plan will need to take account of the post Covid-19 recovery and reconfiguration and associated service redesign

- the work of the Staff Governance Committee must reflect the importance of workforce planning and the workforce strategy as the most important factor in delivering the Board's overall strategy

- there should be robust monitoring and challenge of the effectiveness of actions taken to improve recruitment processes and management of vacancies.

135. An action plan has been agreed by management with action to be completed by 31 March 2021. We will monitor developments in this area in our 2020/21 audit.

Temporary staff costs have increased substantially compared to previous years

136. Total staff costs in 2019/20 are £591 million (2018/19 £ 551.7 million). Recruitment and retention is a challenge for many boards and these challenges, together with pressures to meet waiting time targets has resulted in expenditure on temporary staff (supplementary spend) increasing considerably in 2019/20 compared to prior years, as illustrated in Exhibit 8. For 2019/20 the supplementary spend totalled £30.33 million, an increase of £8.49 million (38.9%) on 2018/19.

Exhibit 8
Temporary staff costs

Source: Annual Report and Accounts
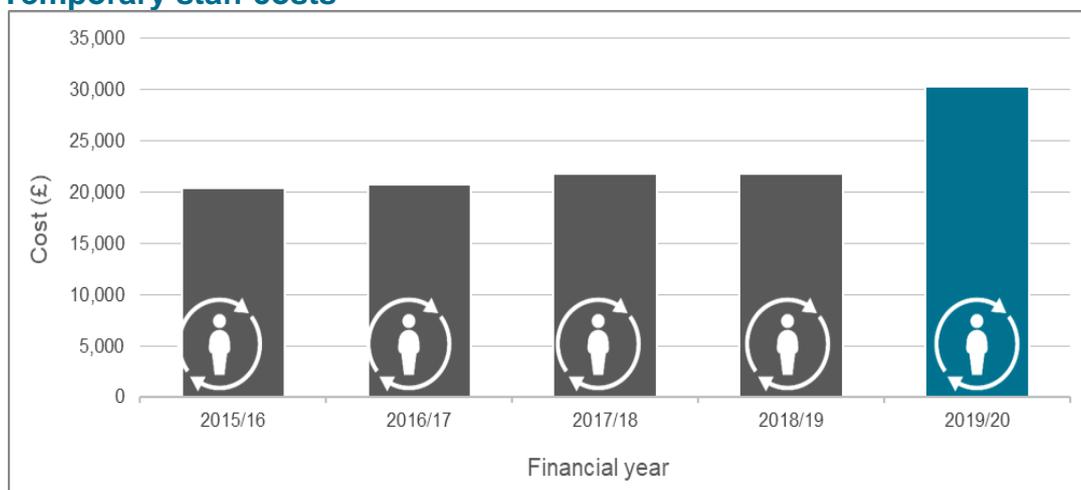
137. The increase in the level of supplementary spend has arisen from a number of factors. There has been a high number of vacancies to be filled across acute services, as well as some acute specialties operating with an increase in unscheduled demand. Delegated IJB services has required an increase in medical locums within in-patient mental health services due to increased vacancies. There has also been an increase in both nursing agency and bank costs for prison healthcare (due to increased population demand) and Perth and Kinross Health and Social Care Partnership wards (due to vacancies and sickness absence).

138. Review groups have been set up for both nursing agency staff and medical locums in Mental Health Services, both of which are high users of agency staff. A Short Life Working Group has been established for nursing agency to review the systems, policies and procedures to address the agency spend and staffing models are being revised, mitigating the need for agency staff. The review group for Mental Health Services locums has been set up to focus on the recruitment and retention of medical staff, including recruitment methods, and in line with a review of the full clinical model.

139. The continued use of temporary staff puts pressure on the board's budget and does not represent value for money. NHS Tayside is closely monitoring its supplementary spend and reports levels to Members in its financial monitoring reports. We will continue to monitor supplementary spend levels and report in our 2020/21 Annual Audit Report.

Sickness absence is a challenge for the board

140. 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. In recognition of the difficulties boards are having in this area, the Scottish Government announced that boards should work towards reducing sickness absence by 0.5% per annum over the period to March 2022 years, with the aim of achieving the overall NHS Scotland target of less than 4.0%.

141. The board's sickness absence rate has not changed significantly since March 2019 and is slightly better than the national average of 5.3%. The board's rate of absence as at March 2020 was 5.2% compared to 5.4% in March 2019.

142. Detailed absence information reports are shared with services on a monthly basis and these show that sickness levels are higher within the board's Operations Division (7.9%) and Mental Health and Learning Disabilities (6.95%). NHS Tayside aims to improve sickness levels though supporting positive attendance and promoting employee wellbeing. Regular scrutiny of areas with high levels of absence is also carried out and prior to Covid-19, processes to report progress on what actions were being taken to address individual high level absences were being developed.

Improvements have been made in eHealth (Digital Services) but much work remains

143. In 2018/19, we reported that the service faced significant challenges, ranging from: needing to develop a more strategic approach; needing to support the transformation programme; insufficient staff in place in key roles; and insufficient revenue and capital funding. Subsequently, a new Director of Digital Technology was appointed in January 2020.

144. During 2019/20 work has been ongoing to establish the governance and reporting lines for digital services to the Board, including the establishment of a Digital Transformation Board which is scheduled to hold its initial meeting by August 2020. The eHealth directorate is currently engaged in a comprehensive restructure of the service to ensure it has relevant expertise and technical skill.

145. In June 2020 the Director of Digital Technology reported to the Performance and Resources Committee that a key accelerator to NHS Tayside's transformation

strategy will be the development and implementation during 2020 of a comprehensive, overarching five-year NHS Tayside Digital Transformation Strategy, aligned with national objectives and predicated upon collaboration and co-design with key stakeholders, including clinicians, patients and communities. The Director continues to prioritise a comprehensive digital strategy and report progress to the Digital Transformation Board by August 2020.

146. Associated with this, resources have been included in the financial plan to underpin the delivery of key aspects of the eHealth programme including £6.0 million in 2020/21 and £1.3m in 2021/22. Budget requests are being developed to further support the delivery of the Digital Annual Operational Plan and Digital Strategy.

147. Improvements have been made in digital services but much work remains to ensure the Directorate can support the achievement of the board's objectives and mitigate its strategic eHealth risks. The Directorate continues to face significant challenges, however these are being mitigated by new staffing, leadership, and funding. We will monitor progress and report in our 2020/21 Annual Audit Report.

Information security has improved but much work still remains

148. All public sector bodies are required to carry out an annual review of their cyber security arrangements to ensure they are appropriate, in accordance with the Public Sector Action Plan (PSAP) on Cyber Resilience issued by the Scottish Government in November 2017.

149. In 2019/20, the board met the standard required for 'Cyber Essentials' for its managed IT network and its General Practice network under the PSAP. An accreditation was undertaken in February 2020 for the quarantined Local Area Network (LAN) and some areas failed to meet the standards. The accreditation work is to be used to identify the work required to ensure compliance in 2020/21.

150. In May 2018, the Network and Information Security Regulations 2018 (NIS Regulations) came into force. Under the regulations the Scottish Government is legally responsible, as the 'Competent Authority' for ensuring the cyber resilience and security for essential NHS Services. These regulations form part of the NHS Scotland Information Security Policy Framework (ISPF).

151. The board is required to demonstrate compliance with the ISPF and the Scottish Government will undertake a formal audit of health boards every three years, with progress reviews carried out by health boards in the intervening years. NHS Tayside's first audit is scheduled for week commencing 7 September 2020.

152. An assurance and reporting dashboard has been developed by the board to assist with compliance reporting against the ISPF. The first live dashboard reported to the Audit and Risk Committee in June 2020 noted 43.83% compliance against the 168 ISPF controls. Many of the areas of non-compliance relate to the quarantine VLAN. The Audit and Risk Committee were advised that as this is a new regulation full compliance will take time.

153. Some progress has been made in relation to information security, but much work still remains. We will monitor progress as part of our 2020/21 audit.

Internal audit conclude that overall clinical governance arrangements are effective, but improvements are to be progressed in some areas

154. Clinical governance is the system through which the NHS works to monitor and improve the quality of the care and services they deliver. Health Improvement Scotland works to ensure that NHS boards have a clear and consistent approach to clinical governance in healthcare across Scotland. Audit Scotland's role is restricted to reporting on whether the board has governance arrangements that are

appropriate and operating effectively, which includes the clinical governance arrangements.

155. In their January 2020 internal control evaluation report, internal audit concluded that "overall, clinical governance arrangements are proving effective in highlighting risks and issues, leading to detailed scrutiny through governance structures. The necessary Mental Health improvements have been clearly articulated and are being robustly monitored. Whilst work is progressing, there remains much to do. Assurance reporting arrangements from Health & Social Care Partnerships to NHS Tayside are still being developed and we have identified the need for greater consistency in reporting of performance and quality."

156. Internal audit raised two action points one of which was classified as significant and related to regular reporting of the quarterly Public Health Performance review framework to the Public Health Committee which was to be actioned by 31 May 2020. The Director of Public Health has confirmed that the actions have not yet been progressed due to the significant disruption that Covid-19 has placed on the Public Health Department and they will be progressed once the pressure subsides.

Significant improvements are required to mental health services in Tayside

157. Following concerns raised over mental health services at the Carseview Centre in Ninewells Hospital, in May 2018 the board's then Chairman and Chief Executive announced an independent inquiry into the psychiatric unit. Following debate at the Scottish Parliament, the inquiry was widened to cover mental health services across all of Tayside.

158. An interim report was received by the board in May 2019. In February 2020, Dr David Strang published Trust and Respect: Final Report of the Independent Inquiry into Mental Health Services in Tayside. The inquiry report is highly critical and concludes that there has been a breakdown of trust in many aspects of the provision of mental health services in Tayside and a lack of respect in a range of relationships. It says this has led to poor service, treatment, patient care and outcomes.

159. The independent inquiry team reports on how they were impressed with many committed staff who were delivering positive outcomes for patients. However, the positive impact of good initiatives has been undermined by the absence of joined-up working and coherent structures and strategy. Areas for improvement are identified across Crisis and Community Mental Health Services, Inpatient Services, and Child and Adolescent Mental Health Services (CAMHS). The report says that the challenges facing mental health services in Tayside have not just arisen in recent years; they are of a long-standing nature. The report identifies serious issues and areas for improvement under five cross-cutting themes that need to be addressed to improve mental health services. Examples from each theme include:

- strategic service design: too much focus has been placed on short-term issues, to the detriment of long-term strategic planning and service redesign

- clarity of governance and leadership: there is a lack of clarity in governance arrangements, which hinders good governance and effective leadership between NHS Tayside and the three Health and Social Care Partnerships. Reference is made to coordination amongst different service providers being neglected due to the 'fire-fighting' necessary to ensure services were maintained at all

- engaging with people: the potential of staff is not being realised and they feel undervalued, demoralised and not heard. Patients and carers too felt that they were not listened to or not respected nor taken seriously

- learning culture: on too many occasions, NHS Tayside has adopted a defensive position, with a blame culture, attributing fault instead of learning in a supportive environment. Patients, families and carers were told that they would be invited to contribute to a review following an adverse event, but were then not involved

- communication: there has been a breakdown in trust in Tayside, between organisations, partners, staff, patients, families, carers and communities.

160. The report details staffing issues relating to workforce numbers, and a breakdown in trust due to a culture of blame and bullying. There is a national shortage of psychiatrists, in November 2019 in NHS Tayside, there were 7.85 whole time equivalent (WTE) consultant psychiatrists in post across Tayside mental health services against a required establishment of 23.6. A significant number of consultants left over a 12-month period through retirement or leaving to work elsewhere. There were a number of services who were fully dependent on locum consultants. Staff had raised concerns about the safety of patients due to the staffing levels and use of locums, but they felt ignored.

161. Ahead of the final report, in January 2020 the Scottish Government announced that additional measures would be put in place to support NHS Tayside's mental health services:

- specialists from a range of mental health specialities and backgrounds will provide peer support to the health board

- the Royal College of Psychiatrists will assess the quality of clinical services and areas of improvement identified in the report

- Healthcare Improvement Scotland (HIS) will offer specific support in addressing the quality of adult community health services. The board is discussing how HIS can best support the partnership.

162. The Scottish Government monitor NHS Tayside's progress through the NHS Tayside Oversight group. The group last met in February 2020, prior to the impact of Covid-19. A meeting was also held in June 2020 attended by the Interim Director for Mental Health, the 4 Chief Executives and a Junior minister for mental health and public health. Dr David Strang has also agreed to report an assessment of progress improvements in February 2021.

163. In February 2020, the Board accepted the findings and recommendations of the report and said NHS Tayside and its partners are committed to 'Listen. Learn, and Change' mental health services.

164. The Chief Executive made a commitment that day to day operational service would continue until improvements were made. NHS Tayside's Chief Executive, the Chief Executives of Angus, Dundee City and Perth and Kinross Councils and the Divisional Commander of Police Scotland in Tayside, signed a Joint Statement of Intent which sets out the collective commitment to ensure people from all communities across Tayside receive the best possible mental health and wellbeing care and treatment.

165. In February 2020, NHS Tayside appointed a Director of Mental Health Strategy to lead the review and redesign of Mental Health Services. Since then the Board has discussed Mental Health and Wellbeing Programme Updates at its March, April and May meetings.

166. On 11 March 2020, the Minister for Mental Health made a statement to the Scottish Parliament on the inquiry report. This said that responsibility for leadership of the operational delivery of general adult psychiatry inpatient services delegated to Angus, Dundee City and Perth and Kinross Integration Joint Boards should be the responsibility of NHS Tayside. This requires a change in the integration schemes.

167. While the Board is developing an action plan in response to the inquiry report some immediate changes have been implemented. Following a review of the workload of the Director of Mental Health Strategy, the board assessed that there was a need for a director role dedicated to mental health services. The Director of Mental Health Strategy was subsequently appointed Interim Director of Mental Health in April 2020. Her role is to provide executive leadership to mental health services and drive progress with 'Trust and Respect' and a Tayside Mental Health and Wellbeing Strategy. This post is being supported by the Mental Health leads and a dedicated programme management team.

168. The Tayside Executive Partners, (Mental Health) Strategic Leadership Group (SLG), has been established and will act as the Governance board for the Strategy and change programme of work. Members are the Chief Executive of the NHS Board, Chief Superintendent of Police Scotland, Chief Executives of Angus, Dundee and Perth and Kinross Councils and Chief Officers of the Angus, Dundee and Perth & Kinross Health and Social Care Partnerships. The group will consider plans for redesign and service change.

169. The training programme for psychiatrists has been under scrutiny for some time. Following concerns raised at visits through 2016 and 2017, in May 2018 the General Medical Council placed medical training for psychiatry at Tayside under enhanced monitoring. To improve recruitment and retention of psychiatric specialties, changes are being made to improve the training programme. NHS Education for Scotland (NES) has undertaken a number of visits to Tayside. A monitoring visit to review in NHS Tayside due to take place in June 2020 has been deferred due to progress made.

170. Covid-19 has increased the challenges in delivering rapid progress in response to Trust and Respect, however mental health services are making improvements for the future. A Command structure was put in place to provide Tayside wide input to all mental health services. Guidance for Service Provision during Covid-19 has been provided to staff and mental health improvements remain a priority for the Board.

171. In response to the inquiry report the Board made a commitment to keep listening and learning from patients, families, carers and staff working in mental health services. Face-to-face public engagement has been curtailed by the Covid-19 response, but engagement has continued. The Interim Director, Mental Health has worked with stakeholders, including the Health and Social Care Alliance (Scotland), the Stakeholder Participation Group, the Employee Participation Group and wider groups of staff in developing the draft action plan for Trust and Respect and commenced planning for the Tayside strategy. Frequent meetings are being held with staff to hear their views and build support for actions.

172. The first meeting of the Tayside Mental Health and Wellbeing Strategy Board took place on 19 May 2020. This was attended by 33 people from a wide range of stakeholders including people with lived experience, service users and medical and nursing staff.

173. The Interim Director of Mental Health is to have monthly discussions with Dr David Strang, as a critical friend, providing views on the developing strategy and change programme. The Interim Director of Mental Health also has regular discussions with representative of the Minster for Mental Health and the Cabinet Secretary at the Scottish Government to discuss progress, agree ongoing support and provide updates on the Board's response to the inquiry report and wider strategy and change programme.

174. In May 2020 the Board discussed and approved a 'Listen, Learn, Change' draft action plan covering the 51 recommendations in the inquiry report, grouped under five themes:

- single Tayside Mental Health and Wellbeing Strategy

- whole system change redesign programme

- quality improvement, learning and care governance

- governance, leadership and accountability

- culture, engagement and communications

175. Key actions in the draft action plan include:

- a rapid review of previous redesign plans, by May 2020, to agree service change priorities, to inform the clinical and service models for mental health provision across Tayside

- drafting revised integration schemes between NHS Tayside and the three Integration Joint Boards by August 2020, for approval by the Scottish Government

- development of the plans for a programme of work for delivery of future models of care by September 2020

- development of a draft workforce plan for mental health services by September 2020

- NHS Tayside and key partners are to approve the Tayside Mental Health and Wellbeing draft strategy by October 2020, with a view to it being published early in 2021.

176. In February 2021, Dr Strang is to report an update on the Board's progress. We will report on progress made by the Board in next year's Annual Audit Report.

177. On 15 July 2020, Healthcare Improvement Scotland (HIS) published a report on the Review of Adult Community Mental Health Services in Tayside. The review took place over the period January to March 2020, coinciding with the publication of the final report of the Independent Inquiry. NHS Tayside and the three health and social care partnerships have committed to progress the report actions and recommendations through the improvement work already under way across mental health services. The final 'Listen, Learn, Change' action plan due for submission to the Scottish Government in July 2020 is to be updated to include recommendations from the HIS review.

178. The main focus of the HIS review was whether "People referred to Community Mental Health Services in Tayside have access to mental health care where and when they need it and are they able to move through the system easily so that those people who need intensive input receive it in the appropriate place and at the right time?". The report highlighted some areas of concern. A key theme was variation in service provision across the three partnerships. The report includes three immediate actions, twelve recommendations and eight areas of good practice.

Dundee Drugs Commission

179. The Dundee Drugs Commission (the Commission) is an independent drugs commission which was established by the Dundee Partnership (which includes NHS Tayside) in April 2017 (or May 2018) to tackle the city's drug problems and delivering sustainable solutions that would prevent and reduce drug use across the city.

180. The Commission carried out an independent review and published its findings in its *Responding to Drug Use With Kindness, Compassion and Hope Report*. The report included 16 recommendations split between those that could be delivered immediately (within 12 months), during a transitional period (within 3 years) and longer-term (within 5 years). They covered a wide range of areas including improving leadership, challenging stigma towards people who use drugs and their families, and a new 'system' model of care to deliver services.

181. Following the publication of the report, the Partnership appointed one of the Commission members as the Chair of the Dundee Alcohol and Drugs Partnership (ADP) to work with partners to implement the report's recommendations. Progress against the recommendations is reported to the Dundee Partnership through the ADP.

182. Good progress has been made in implementing the short-term recommendations and partners have commented positively on the impact these are starting to have at ground level. However, partners know that implementing the longer-term recommendations and delivering sustainable improvements in the city's drug problems presents a significant challenge. Links need to be made with the improvements being made to mental health services in Tayside.

Part 5
Value for money

Main judgements

NHS Tayside's performance against service standards improved in 2019/20. Improvement was on track to have been more marked but for the impact of Covid-19, which saw a direction from the Scottish Government to postpone elective treatment across all of Scotland's NHS.

In our opinion there is insufficient evidence presented to the board on the arrangements put in place by the accountable officer to secure best value.

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

The board's arrangements for providing assurance on Best Value should be reviewed

183. _Ministerial guidance to Accountable Officers_ for public bodies and the _Scottish Public Finance Manual_ (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value (BV). The guidance sets out the themes of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

184. Last year we recommended that a formal review of the BV assurance framework and an assessment of the board's BV arrangements should be completed in 2019/20 in order to provide explicit assurance on the board's BV arrangements. Management agreed to carry out a review by 31 March 2020.

185. In their January 2020 Internal Control Evaluation report, internal audit reported that in their opinion, for 2019/20 the work on the Blueprint for Good Governance provides sufficient evidence of Best Value arrangements. Management has therefore taken the view that this provides sufficient assurance that arrangements are in place to secure BV.

186. In our view there is no evidence to demonstrate how the board's arrangements provide explicit assurance that BV is being achieved e.g. there has been no mapping of the application of the Blueprint arrangements to best value themes, and therefore we do not agree that it has been demonstrated to the board that arrangements are in place to secure best value.

Recommendation 7

A formal review of the BV assurance framework, and an assessment of the board's BV arrangements should be completed in 2020/21. The outcome of the assessment should be reported to the Board.

Performance management is adequate but improvements can be made to reporting

187. The detailed review and scrutiny of the board's performance has been delegated to the Performance and Resources Committee which meets regularly and at each meeting considers a report on the board's performance against its performance indicators.

188. Improvements have been made to the performance report since last year and the report now includes Annual Operational Plan (AOP) trajectories, mapped frequencies of reporting for each measure, the application of a 5% tolerance to the red/amber/green (RAG) rating of performance and target setting for productivity and efficiency indicators.

189. The Board submitted its 2019/20 AOP to the Scottish Government in July 2019. The AOP represents the agreement between the Scottish Government and NHS boards on how boards will deliver expected levels of operational performance and sets out the key actions, targets and milestones for activity during 2019/20. Key elements of the AOPs are:

- waiting times for elective, cancer and unscheduled care (5 key indicators identified in the AOP)

- mental health and wellbeing (including Child and Adolescent Mental Health Services (CAMHS), Psychological Therapies and Drug and Alcohol) (3 key indicators identified in the AOP)

- primary care services

- healthcare associated infections

- integration of health and social care.

190. The board has set out 31 performance measures under the headings of 'Better Care', 'Better Health' (both of which are strategic objectives of the board), 'Quality of Care' and 'Productivity and Efficiency' (new indicators for 2019/20). The 'Better Care' and 'Better Health' indicators are 18 former national operational Local Delivery Plan (LDP) Standards which continue to be key measures against which the Scottish Government assesses boards' performance. The AOP targets are included within the 'Better Care' and 'Better Health' indicators.

191. The board currently uses trajectories and targets to measure and report some performance rather than percentages. At the Performance and Resources Committee in February 2020 officers were requested to consider a change to reporting of all measures as either a percentage or rate. The reporting of a percentage or rate would also facilitate easier comparison with national standards.

192. This was scheduled to be reviewed in April 2020, but the review did not take place due to service pressures associated with Covid-19. This is scheduled to be re-established in July 2020 alongside review of key measures for the Committee.

193. The board has developed a performance tracker to ensure actions are captured and tracked through to completion. The action tracker focuses on the key strategic priorities identified within the AOP. Tracker progress update are submitted to the Extended Leadership Team every two months, with a progress report provided to the Performance and Resources Committee every 6 months.

194. The board includes a public performance reporting page on its website which provides information on elective care waiting times (currently up to January 2020), summary information on NHS patient activity and links to the Board and Performance and Resources Committee website pages.

195. We have concluded that performance management arrangements are adequate but further improvements can be made.

Service Performance against the board's targets has improved since last year

196. Audit Scotland's report, _NHS in Scotland 2019_, highlights national performance declined against the waiting times standards in 2018/19. As can be seen from Exhibit 9, however performance at the board in relation to the AOP waiting time standards has improved in 2019/20 with six standards/trajectories met in 2019/20, compared to one in 2018/19.

Exhibit 9
Performance against AOP key waiting time targets

Standard	Target [1]	2019/20 Performance [2]	Action being taken by Board
Elective, cancer and unscheduled care waiting times			
Cancer 62 Day RTT Proportion of patients starting cancer treatment within 62 days of referral.	90% * (95%)	🟢 91.4% 2018/19 89.3%	Trajectory achieved.
Cancer 31 Days RTT Proportion of patients starting cancer treatment within 31 days from decision to treat.	95%	🟢 97.4% 2018/19 92.8%	National standard achieved.
Patient Treatment Time Guarantee (TTG) Proportion of inpatients or day case that were seen within 12 weeks	2,200 patients outwith 12 weeks * (100% seen)	🔴 2,764 patients outwith 12 weeks 2018/19 3,033	Trajectory not achieved. A reduction in patients waiting was achieved in the latter part of 2019/20 and NHS Tayside was on track to achieve the 2,200 end of March milestone. This was then impacted by Covid-19 and the Scottish Government direction to step down all non-urgent elective activity to ensure adequate capacity for Covid-19 related admissions and treatment. Remobilisation plans are being developed aligned with the Scottish Government publication _'Remobilise, Recover, Re-design: The Framework for NHS Scotland'_ published on 31 May 2020.
Outpatients waiting less than 12 weeks Proportion of new outpatients waiting less than 12 weeks target as at month end.	6,000 patients outwith 12 weeks * (95% seen)	🔴 7,266 patients 2018/19 10,067	Trajectory not achieved. A reduction in patients waiting was achieved in the latter part of 2019/20 and NHS Tayside was on track to achieve the 6,000 end of March milestone. This was then impacted by Covid-19 and the Scottish Government direction to step down all non-urgent elective activity to ensure adequate capacity for Covid-19 related admissions and

Standard	Target [1]	2019/20 Performance [2]		Action being taken by Board
				treatment. Remobilisation plans are being developed aligned with the Scottish Government publication '*Remobilise, Recover, Re-design: The Framework for NHS Scotland*' published on 31 May 2020.
A & E attendees Proportion of A & E patients seen within 4 hours.	95%	● 96.6% 2018/19	94.8%	National standard achieved.

Mental health and wellbeing waiting times

Standard	Target [1]	2019/20 Performance [2]		Action being taken by Board
Drug and Alcohol treated within 21 days Proportion of drug and alcohol clients treated within 21 days from referral to treatment.	90%	● 92.7% 2018/19	96.0%	National standard achieved.
CAMHS Waiting Times Proportion of CAMHS patients treated within 18 weeks from referral to treatment.	46.4 * (90%)	● 69.0% 2018/19	65.3%	Trajectory achieved and moving towards national target. A new service specification has been developed nationally and the challenge for 2020/21 will be on implementing the service model detailed within the service specification whilst maintaining and delivering a further reduction in waiting times. The service has the following actions planned for 2020/21: staged implementation of increasing upper age limit for referrals into service once RTT target is sustained; separate referral pathways for GPs to differentiate CAMHS and Paediatric Neuro developmental pathways; increase available support for out of hours unscheduled care; test of change for GP liaison and early signposting; telephone advice line for GP referrals (to decrease inappropriate referrals); website development for improved signposting to alternative resources.
Psychological Therapy Waiting Times Proportion of psychological therapy patients treated within 18 weeks from referral to treatment.	77% * (90%)	● 66.2% 2018/19	72.3%	Trajectory not achieved. Improvement plans for 2020/21 have been developed, however these rely on recruitment to vacancies and will need to take account of the impact of Covid-19 which has required a change to delivery of services in some areas of Psychological Therapies.
Mental Health patients waiting in A&E	95%	● 95%		AOP target achieved.

Standard	Target [1]	2019/20 Performance [2]	Action being taken by Board
Proportion of mental health presentations seen in A&E within 4 hours			

1: Target marked * is based on agreed AOP trajectory with national target noted in brackets (the 2019/20 trajectory is agreed with the Scottish Government as a move towards the national target).

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

Source: NHS Tayside Performance Report June 2020

197. The 2019/20 annual report and accounts include an up to date position at the end of March 2020 on the board's performance against the 31 operational performance indicators reported to the Performance and Resources Committee in June 2020, including the 18 indicators set under the Better Health and Better Care objectives (the former LDP Standards).

198. This information shows that NHS Tayside's performance against these targets has also improved in 2019/20, as shown in Exhibit 10, with nine of the targets or trajectories met in 2019/20 compared to six in 2018/19. Overall, eleven of the indicators have improved on 2018/19 performance with one remaining the same (at 100% performance).

Exhibit 10
Overall performance against standards/trajectories

Source: Annual Report and Accounts

199. We have concluded that the board has reported improved performance against the AOP targets and former LDP standards this year. This is despite elective treatment being postponed across Scotland due to Covid-19. This improvement is commendable alongside the improvement in the achievement of the board's financial targets. The board is undertaking further improvement work to ensure it moves towards the national standards in line with agreed trajectories, however the impact of Covid-19 will necessitate a review of the board's performance targets as services will need to be delivered differently in response to the Covid-19 pandemic.

The board failed to meet its targets for handling complaints

200. Complaints handling and resolution is an important mechanism which allows organisations to learn and improve service delivery and care to patients. Three of NHS Tayside's 31 performance measures relates to complaints handling and for all three, the board failed to meet its targets and performance deteriorated in 2019/20. Performance against the three targets are set out below:

- Stage 1 complaints responded to within 5 working days (target 74%): March 2020 62.5% (March 2019 79.2%)

- Stage 2 (escalated) complaints responded to within 20 working days (target 56%): March 2020 28.6% (March 2019 58.5%)

- Stage 2 (non-escalated) complaints responded to within 20 working days (target 56%): March 2020 34.6% (March 2019 31.1%).

201. In June 2020, the Board were advised that an improvement project is planned in 2020/21, focused on further education and training to improve many aspects in regard to how complaints are handled.

202. In June 2020, Internal Audit also issued a report to management on complaints handling. The report contained six recommendations, two of which were assessed as 'significant'.

203. The development of the improvement project and the adoption of internal audit's recommendations are important to allow NHS Tayside to move the service forward. This should help ensure that staff in the complaints service are supported to undertake this vital work, enable them to respond to service users as quickly as possible and to ensure lessons are learnt and improvement actions are taken. We will monitor progress in this area in 2020/21.

National performance audit reports have been issued by Audit Scotland, which will be of interest to the board

204. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2019/20 a number of reports were published which are of direct interest to the board and are highlighted in Appendix 3.

Appendix 1
Action plan 2019/20

No.	Issue/risk	Recommendation	Agreed management action/timing
1	**Submission of annual report and accounts for audit** Due to Covid-19, a revised timetable was agreed with management for the submission of the annual report and accounts, which consisted of receipt of the accounts and the narrative 'front end' Performance Report and Governance Statement by different dates. Our prior year recommendation that the accounts preparation process be reviewed to ensure a full version of the annual report and accounts is available earlier in the audit process was unachievable for 2019/20 and we have rolled forward this recommendation to this report. **Risk -** Future annual report and accounts may not be audited by the statutory deadline.	The board should review its process for preparing the draft annual report and accounts in future years to ensure a full version is available at the start of the process for the audit of the accounts. Paragraph 21	A review of the process has been undertaken by the Board's Lead Officer for annual accounts during the 2019/20 accounts process. The findings of this review will inform the submission of a full version of the draft annual report and accounts within the required timescale from 2020/21. Responsible officer: Board's lead officer Action date: 31 March 2021
2	**Large hospital services and set aside budgets** In 2019/20 the board used the same methodology for calculation of the set-aside sum as the previous year, in line with Scottish Government guidance. The Scottish Government's expectation is that NHS Boards and IJBs will move towards a more detailed review of these calculations to provide a more realistic assessment of hospital services provided by the IJB. **Risk –** hospital services set aside amounts do not reflect	Further review of the set-aside budget is required in line with the Scottish Government's expectations for agreement of an appropriate method of calculation, as agreed between the board and the IJBs to reflect the true consumption of resources. Paragraph 25, Exhibit 3	The methodology used is in line with Scottish Government guidelines. The use of occupied bed days as a measure of resource consumption has been agreed with each of the IJBs. The Board used this measure to identify a level of funding to transfer to IJB's through the Board's Strategic Financial Plan 2020/21, which fits with Scottish Government expectations around LHSA and the wider integration agenda.

No.	Issue/risk	Recommendation	Agreed management action/timing
	the actual consumption of resources.		This action reset the baseline for LHSA in Tayside. Future transfers of funding to IJBs will be on the basis of specific actions identified to shift the balance of care, with clear deliverables and measures which evidence change. Responsible officer: Director of Finance Action date: 31 March 2021
3	**Financial planning** NHS Tayside's three-year financial plan was approved by the Board on 30 April 2020. The plan has been developed on the basis that the board reflects a breakeven position over the three-year period to 31 March 2023. The arrangements for the repayment of financial flexibility funding are unclear and the plan excludes any repayment of the £7.0 million flexibility funding received in 2019/20*.* **Risk** – plans for breakeven may be unrealistic.	The board should seek clarification from the Scottish Government on the arrangements for repayment of flexible funding. Any repayment should be built into the financial plans. Paragraph 55	Discussion with Scottish Government has confirmed the priority for the Board as being the delivery of sustainable financial balance. Following this, a formal agreement will be reached with SG on repayment, and this will be included in financial plans. Responsible officer: Director of Finance Action date: Ongoing review 31 March 2021
4	**Financial planning** Although there is some breakdown of the savings targets for the 2020/21 financial plan, there is no further detail of savings initiatives thereafter. Longer term savings will need to be detailed going forward. **Risk** – The board may not be able to deliver targeted savings over the course of the plan.	The board should ensure that savings plans are developed identifying how savings will be achieved over the course of the financial plan. Paragraph 60	The development of more detailed and longer term plans will be informed by the Boards review of the Covid-19 response and remobilisation plans. Responsible officer: Chief Executive/ Director of Finance Action date: Ongoing – Board review date September 2020
5	**Transformation** The board has recognised the requirement to accelerate the transformation process, however the impact of Covid-19 has accelerated the need for transformation. Transformation will need to be	The board should continue to accelerate the transformation process and monitor and develop a revised transformation programme. Alignment of the asset management and eHealth	The Board's response to Covid-19 and plans for remobilisation are reshaping transformation plans, with a clear link to key strategies. Responsible officer: Chief Executive

No.	Issue/risk	Recommendation	Agreed management action/timing
	addressed in a different way going forward as the board looks to find new ways of delivering services in a safe environment. **Risk** – The board may not be able to deliver the financial savings required to achieve financial sustainability and may not be able to amend its processes to deliver services in a safe environment.	strategies should be a key part of transformation. Paragraph 71	Action date: Board review September 2020
6	**Holding to account - committee governance arrangements: Member training** A training needs analysis has yet to be developed on the basis of individual Board Members training needs which are identified through discussions between the Chair and the Non-Executive Members around their objectives and their personal input to the Board's business. **Risk** - Members may not be sufficiently supported to carry out their role of scrutinising and holding to account.	The board should develop Board Member training needs analyses and personal development plans, linked to the Board's corporate objectives, as soon as practicable. Paragraph 81	The Non-Executive Board members training needs analysis will be developed on the basis of individual Non-Executive Members training needs which are identified through discussions between the Chair and the Non-Executive Members around their objectives and their personal input to the Board's business. These discussions are ongoing. Responsible officer: Chair/ Board Secretary Action date: 31 December 2020
7	**Best Value** The board considers that compliance with the governance blueprint arrangements meets the requirements of providing assurance on the delivery of best value and therefore has not carried out the review of its BV arrangements for 2019/20, as agreed in our 2018/19 Annual Audit Report. In our opinion this does not provide explicit and comprehensive assurance that BV is being delivered. **Risk -** The board cannot demonstrate it is delivering on its BV responsibilities.	A formal review of the BV assurance framework and an assessment of the board's BV arrangements should be completed in 2020/21. The outcome of the assessment should be reported to the Board. Paragraph 186	The Board will consider the issue of value for money through Performance & Resources Committee during 2020/21 and will also map the Best Value Framework to the Board's response to the Good Governance Blueprint. Responsible officer: Director of Finance Action date: 31 March 2021

No.	Issue/risk	Recommendation	Agreed management action/timing

Follow up of prior year recommendations

No.	Issue/risk	Recommendation	Agreed management action/timing
B/f 1	**Deferred Income – Research and Development Contracts** Income received from research and development contracts has been incorrectly deferred in the financial statements. This should have been included as operating income. **Risk -** The creditor position and the underspend against RRL provision within the financial statements is misstated.	The board should ensure that research and development contract income is correctly disclosed in the 2019/20 financial statements.	**Complete** NHS Scotland Technical Accounting Group guidance on the accounting treatment of research and development contract income has been issued. The national guidance has been reviewed by the board in preparing the 2019/20 financial statements.
B/f 2	**Financial planning** With the introduction of the Scottish Government's five-year Medium-Term Financial Strategy (MTFS) in May 2018, there is an opportunity to look beyond the three-year cycle to a 5-10 year financial planning cycle, reflecting the corporate priorities and transformation programme within *Transforming Tayside* and incorporating scenario planning and financial modelling. **Risk -** The board may not plan adequately to respond to the significant financial risks over the medium to long term.	The board should develop a more detailed medium to long term financial plan from 2020/21 that reflects the board's clinical strategy and the transformation programme. The plan should incorporate scenario planning and modelling.	**Outstanding** The board should consider longer term financial planning arrangements. This is covered in the action plan response at point 4 in the 2019/20 action plan above.
B/f 3	**Transformation and efficiency savings** The focus of the projected savings shifts over the course of the 2019-22 financial plan, with a move from productivity gains to savings arising from the Transforming Tayside programme. Much work has yet to be done to formalise the Transforming Tayside savings proposals and business cases are to be considered by the Board throughout 2019/20.	The board should ensure that robust, risk-assessed savings plans are developed identifying the recurrent level of savings and how the total 2019/20 savings will be achieved. Review of IJB financial plans to ensure services are sustainable should be considered as part of savings plans.	**Partly completed** The board completed and monitored a risk assessed savings plan for 2019/20 which included identification of recurring savings levels and the impact of IJBs' financial positions. The action remains open to consider and monitor transformation savings going forward. This action is covered at point 4 in the 2019/20 action plan above.

No.	Issue/risk	Recommendation	Agreed management action/timing
	Risk - The board may not be able to deliver the targeted savings.		
B/f 4	**Asset management** NHS Tayside does not yet have a comprehensive or complete understanding of its asset base and consequently, it does not have comprehensive estimates of the costs to maintain or develop its asset base, aligned to its clinical strategy. Officers advised the Performance and Resources Committee in November 2018 that work had commenced to address this. The Property Asset Management System is under review and will see a shift to a Regional Asset Management Plan (RAMP) covering all NHS Boards in the North region. The RAMP will be presented to the NHS Tayside Board on a future date. **Risk -** The board may not have the appropriate infrastructure in place to deliver its clinical objectives.	NHS Tayside should conclude its review of the asset management plan as soon as practicable and report its findings to the Board. The report should include details of how the asset base are aligned to the clinical strategy and the financial plan.	**Partly completed** Although the Regional Asset Management Plan was presented to the Board in 2019, the Plan will need to be aligned with transformation plans, linked to the clinical strategy and financial plan. This action is covered at point 5 in the 2019/20 action plan above.
B/f 5	**EU withdrawal** NHS Tayside has been making plans during 2018/19 to address the risks associated with EU withdrawal. As part of this the board has been updating its Business Continuity Plans and as of May 2019, 91 out of 114 plans had been updated. There has been no reporting to the Board on preparations for EU withdrawal. **Risk -** Board members may not be sufficiently sighted on preparations for EU withdrawal to scrutinise decisions made.	The board should complete its update of Business Continuity Plans in light of EU withdrawal. It should also report on the preparations underway for EU withdrawal to the board.	**Complete** Business Continuity Plans have been updated. Reports have also been presented to the Board on EU withdrawal.
B/f 6	**Holding to account - committee governance arrangements: Member training**	The board should complete its review of Board Member training and development and develop training needs	**Outstanding** Progress with the new leadership programme was

No.	Issue/risk	Recommendation	Agreed management action/timing
	All Board Members have received induction training and we were advised that further training was planned for 2018/19. This training has not yet been delivered. **Risk -** Members may not be sufficiently supported to carry out their role of scrutinising and holding to account.	analyses and personal development plans, linked to the Board's corporate objectives as soon as practicable. Progress with the new leadership programme should also be reported to the Staff Governance Committee as planned.	reported to the Board in October 2019. The review of Board Member training needs analyses and personal development plans, linked to the Board's corporate objectives, has yet to be undertaken. This action is covered at point 6 in the 2019/20 action plan above.
B/f 7	**Remuneration report disclosures** The remuneration report should include senior employees' remuneration (including advisory and non-executive members). Although not board members, we believe that appropriate senior officers e.g. Deputy Chief Executive and IJB Chief Officers who may have the power to influence the decisions of the entity (in an advisory capacity) should be included. **Risk -** NHS Tayside is not making appropriate and transparent disclosures.	The board should review the disclosures in the remuneration report for 2019/20 and consider the status of the senior officers, such as those we have identified.	**Complete** Disclosures in the 2019/20 remuneration report have been reviewed by management prior to preparation of the annual report and accounts.
B/f 8	**Leadership and culture** An implementation plan has been developed for the new Leadership Programme. The Staff Governance Committee was tasked with providing scrutiny and report progress to the Board at regular intervals. We could find no evidence of scrutiny and reporting by the Staff Governance Committee. **Risk -** There may be no effective oversight of the leadership programme and opportunity's for members to influence its direction may be lost.	Progress with the new leadership programme should be reported to the Staff Governance Committee as planned.	**Complete** Progress with the new leadership programme was reported to the Board in October 2019.
B/f 9	**Leadership and culture** Following his appointment in January 2019, the Chief Executive presented a revised leadership/management	Appointments should be made to the revised leadership/management structure as soon as practicable to ensure there is	**Partly completed** A number of key posts have been filled since 2018/19 but some posts have been challenging to fill.

No.	Issue/risk	Recommendation	Agreed management action/timing
	structure for the board. The changes also brought about a revision of the Executive Leadership Team. Appointments to the new leadership structure will be critical going forward. A number of key posts are currently vacant with further vacancies on the horizon as a result of upcoming retirals. In addition, some of the posts are experiencing long term sickness. **Risk -** Without a stable and effective leadership team in place it would be challenging to deliver the board's objectives.	adequate leadership and direction going forward.	Recruitment to the Deputy Chief Executive and Director of Facilities posts continues to be ongoing. **Responsible officer:** Chief Executive **Revised date:** 30 September 2020
B/f 10	**eHealth** An external review of the board's eHealth service found that the service faces significant challenges and recommended an action plan be prepared to address the key findings. Work on an action plan is ongoing. In addition, an eHealth delivery plan update was presented to the Performance and Resources Committee in April 2019 and set out the significant scale of the eHealth programme. The delivery plan has not been aligned to the board's transformation programme. **Risk –** eHealth may not support the achievement of the board's objectives and mitigate its strategic eHealth risks.	The board should complete its action plan on the eHealth service to ensure it has the capacity and capability to support transformation and the delivery of eHealth systems and structures. The action plan should include an assessment of the eHealth delivery plan to ensure that investment is appropriately targeted to ensure that it is well aligned with Transforming Tayside.	**Partly completed** The Director of Digital Technology presented the Digital Annual Operating Plan to the Performance and Resources Committee on 11 June 2020. The director continues to prioritise a comprehensive digital strategy and progress is to be reported to the Digital Transformation Board, which will hold its initial meeting prior to 31 August 2020. **Responsible officer:** Director of Digital Technology **Revised date:** 31 August 2020.
B/f 11	**Best Value (BV)** NHS Tayside did not carry out a review of its BV arrangements for 2018/19. It was considered that the review of governance arrangements covered this. In our opinion this does not provide explicit and comprehensive assurance on the BV arrangements.	A formal review of the BV framework should be carried out in 2019/20.	**Outstanding** In their January 2020 Internal Control Evaluation report, internal audit internal audit noted that for 2019/20, the work on the Blueprint for Good Governance provides sufficient evidence of Best Value. Management has taken the view that this

No.	Issue/risk	Recommendation	Agreed management action/timing
	Risk - The board cannot demonstrate it is delivering on its BV responsibilities.		provides sufficient assurance to the accountable officer that arrangements are in place to secure BV. In our view further work is required in this area and this is covered at point 7 in the 2019/20 action plan above.

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 to our wider responsibility under the *Code of Audit Practice 2016*.

Risks of material misstatement in the financial statements

1	**Risk of material misstatement caused by management override of controls** Auditing standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements and disclosures in the annual report and accounts.	• Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business. • Substantive testing of transactions after the year end to confirm expenditure and income have been accounted for in the correct financial year.	Testing of journal entries, accruals and prepayments was completed. We also reviewed accounting estimates and transactions for appropriateness. We did not identify any incidents of management override of controls.
2	**Risk of material misstatement caused by fraud in income recognition** As set out in ISA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, there is a presumed risk of fraud in the recognition of income. NHS Tayside receives a significant amount of income from several sources other than Scottish Government funding. There is a risk that income may be misstated resulting in a material misstatement in the financial statements.	• Analytical procedures on income streams. • Detailed testing of revenue transactions focusing on the areas of greatest risk.	No frauds were identified in our analytical review or detailed testing of income streams.
3	**Risk of material misstatement caused by fraud in expenditure** As most public-sector bodies are net expenditure bodies,	• Walk-through of controls over family health services expenditure.	No significant issues were identified from our testing of the family health services expenditure disclosed in the financial statements.

therefore the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements. NHS Tayside incurs significant expenditure, including expenditure on family health services, which require audit procedures to be undertaken.	• Detailed testing of transactions focusing on the areas of greatest risk. • Audit work on the National Fraud Initiative matches. • Obtain assurances from the Counter Fraud Service reports. • Review the Counter Fraud Services procurement risk self-assessment.	We concluded that the board is proactive in following up NFI matches. The Fraud Liaison Officer provides an update to each Audit and Risk Committee meeting in relation to the work of the Counter Fraud Services in relation to the board and no significant issues have been highlighted.
4 Estimation and judgements There is a significant degree of subjectivity in the measurement, estimation and valuation of the material account areas including: non-current assets; provisions; trades payables (including family health services); trades receivables; and large hospital services set aside. This subjectivity represents an increased risk of material misstatement in the financial statements.	• Completion of 'review of the work of an expert' for the professional valuer. • Review of information provided by the Office of National Statistics, HM Treasury, the Scottish Public Pension Agency and the Central Legal Office. • Focused substantive testing of non-current assets; provisions; trade payables balances; trade receivables balances; and large hospital services set aside.	We reviewed the professional valuer in accordance with ISA 500 and undertook detailed testing of key valuations within the accounts. Other than the 'material uncertainty' over asset valuations (referred to at paragraph 17), no issues were identified from this review. We reviewed the Central Legal Office information and performed testing of provisions. We identified no significant errors in the calculation of the CNORIS provisions.
5 Deferred income – research and development contracts An error in the accounting treatment of income received from research and development contracts (£1.152 million) was not adjusted for in the 2018/19 financial statements. The income was treated as deferred to future years but should have been included as 2018/19 operating income. Adjustment would have increased the board's underspend against its RRL (Revenue Resource Limit).	• Review of 2019/20 accounting treatment against accounting requirements and updated guidance.	Reviewed accounting treatment of deferred research and development contract income. Misstatement identified and adjusted by management - see paragraph 25 (Exhibit 3).
6 Remuneration report disclosures The remuneration report should include senior employees' remuneration (including advisory and non-executive members). Although not board members, in our opinion senior officers e.g. Director of Workforce, have the power to influence the decisions of the entity (in an advisory capacity) and should be included.	• Review of the 2019/20 remuneration report disclosures against issued Guidance.	We reviewed the 2019/20 remuneration report disclosures against issued Guidance. Disclosures concluded as satisfactory.

7	**Submission of annual report and accounts for audit**	• Meetings with finance officers throughout the year to ensure the timetable for receipt of the unaudited annual report and accounts and working papers is met to allow the audit to be progressed in a timely manner.	Meetings with finance officers held regarding the timetable prior to the audit of the accounts. Covid-19 impacted on timetable and revised dates agreed. See paragraph 21 – recommendation 1 raised**.**
	Although the 2018/19 Annual Report and Accounts were received in stages, by the agreed dates, including the group accounts, initially there were some gaps in the information provided which impacted on the audit process. Further improvements in the reporting and auditing timeline have been agreed with officers for 2019/20.		

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

8	**Transformation - achieving financial sustainability**	• Monitor progress with the development of transformation and savings plans.	We reviewed progress with transformation in NHS Tayside and the achievement of financial sustainability. See paragraph 71 for our conclusion - recommendation 5 raised.
	The amount of recurring savings realised by the board needs to increase if the board is to breakeven by 2021/22. The three year financial plan presented to the Board in April 2019 included target recurring savings of 50% of the total 2019/20 funding gap of £35.7 million.	• Report on the final deficit incurred for 2019/20, compared to the forecast deficit of £11.2 million. • Report on the level of recurring savings achieved in 2019/20 against the board's target.	
	The focus of projected savings shifts over the course of the 2019-22 financial plan, with a move from productivity gains to savings arising from the Transforming Tayside programme. Much work has yet to be done to formalise the Transforming Tayside savings proposals and business cases are to be considered by the Board.		
9	**Financial planning**	• Monitor the board's development of its financial planning arrangements.	We monitored developments in the board's longer term financial planning. See paragraph 60.
	With the introduction of the Scottish Government's five-year Medium-Term Financial Strategy (MTFS), there is an opportunity to look beyond the three-year cycle to a 5-10 year financial planning cycle, reflecting the corporate priorities and transformation programme within Transforming Tayside and incorporating scenario planning and financial modelling.		
10	**Asset management**	• Monitor developments with the Regional Asset Management Plan.	We monitored the developments with the Regional Asset Management Plan. See
	NHS Tayside does not yet have a comprehensive or complete understanding of its		

	asset base and consequently, it does not have comprehensive estimates of the costs to maintain or develop its asset base, aligned to its clinical strategy. Work to address this is ongoing. The Property Asset Management System is under review and will see a shift to a Regional Asset Management Plan (RAMP) covering all NHS Boards in the North region. The RAMP is planned to be presented to the NHS Tayside Board in December 2019.		paragraph 111 for our conclusion.
11	**Impact of EU withdrawal** NHS Tayside made plans during 2018/19 to address the risks associated with EU withdrawal, however progress with preparations for EU withdrawal was not reported to the Board. In 2019/20 EU withdrawal has been highlighted as an overarching corporate risk and the Board approved an EU Exit Readiness Plan at its August 2019 meeting.	• Monitor EU withdrawal readiness reporting to the Board.	We reviewed progress on reporting on preparedness for EU withdrawal during the year. See paragraph 74 for our conclusion.
12	**Board Member training** All Board Members have received induction training, but further training planned for 2018/19 had not yet been delivered at the time of our Annual Audit Report in June 2019. A report to the November 2019 Audit and Risk Committee noted that Non-Executive Members' training and development needs were to be reviewed through one-to-one meetings with the Chair during September /October 2019. In addition, the NHS Scotland Corporate Governance Steering Group is overseeing the development of new Board Development resources, which includes the development of a new Board Development site on Turas Learn. Once available Board members will be signposted to the new Turas Learn site to facilitate their learning and development.	• Review progress with the Board Member training.	We reviewed progress with Board Member training. See paragraph 81 - recommendation 6 raised.

13	**Leadership and culture**	• Review Leadership Programme reporting to the Staff Governance Committee and the Board.	We reviewed progress with reporting on the Leadership Programme to the Board. See paragraph 96 for our conclusion.
	An implementation plan was developed in 2018/19 for the board's Leadership Programme. The Staff Governance Committee was tasked with providing scrutiny and reporting progress to the Board at regular intervals. A mid-year update report was presented to the September 2019 Area Partnership Forum and the October 2019 meetings of the Staff Governance Committee and the Board.	• Consider any assessment by the board of achievements against the Leadership Programme's stated objectives.	
	Significant work remains to implement the Leadership Programme's identified priorities and we would expect regular reporting on progress to include an assessment of the impact of the programme to the date of reporting.		
14	**Leadership and culture**	• Monitor developments with appointments to the leadership and management structure.	We reviewed progress with completion of the leadership and management structure. See paragraph 94 for our conclusion.
	A revised leadership and management structure was introduced in 2019. Appointments to the new structure is critical to ensure there is adequate leadership and direction in delivering the board's clinical objectives and Transforming Tayside. Some key posts are currently vacant.		
15	**eHealth**	• Monitor delivery of the eHealth Delivery Plan including linkages with Transforming Tayside.	We monitored development in eHealth at the board. See paragraph 147 for our conclusion.
	An eHealth delivery plan update was presented to the Performance and Resources Committee in April 2019 and set out the significant scale of the eHealth programme. The delivery plan will need to be aligned to the board's transformation programme. In 2019, the board also identified two new strategic risks for eHealth: eHealth cyber-attack and eHealth technical infrastructure and modernisation programme.	• Monitor reporting of eHealth Risks to the Audit and Risk Committee.	
	Further capacity and capability risks remain within eHealth, including the management of regular day to day activities against the delivery of the eHealth ambitions within Transforming Tayside. The appointment of the new		

Director of Digital Technology, who is set to take up his post in January 2020, is critical to addressing the eHealth risks.

16	**Best Value (BV)**	• Monitor developments in the review of the board's Best Value framework. • Review the Best Value disclosures within the 2019/20 Governance Statement.	Developments with a review of BV arrangements monitored and Governance Statement reviewed. See paragraph 186 for our conclusion **–** recommendation 7 raised.
	NHS Tayside did not carry out a review of its BV arrangements for 2018/19. Management were of the view that the review of governance arrangements covered this. In our opinion this does not provide explicit and comprehensive assurance on the BV arrangements.		
17	**Financial capacity**	• Monitor developments within the finance directorate. • Review the assurance report on the capacity and capability of the finance directorate. • Continue to meet with key finance officers throughout the year to ensure the statutory audit deadline is met.	Monitored developments within the finance directorate. This is ongoing – see paragraphs 50-51.
	There has been significant change in the finance directorate in recent years including the departure of the Director of Finance in July 2019. Pressure on finance officers continues to be high, with the need to provide financial support for the transformation programme alongside delivery of the ongoing finance function duties. The filling of the vacant Director of Finance role and completion of the 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.		
18	**Integrated joint boards**	• Review the board's progress with IJB assurance arrangements. • Monitor MSG action plan reporting to the Board.	• Reviewed the board's progress with IJB assurance arrangements and monitored MSG action plan reporting to the Board. See paragraph 121 for our conclusion.
	We have been reporting for a number of years that the governance assurance arrangements pertaining to the health board and the three IJBs require to be further developed. This includes risk management arrangements and clinical and care governance arrangements. Action in progressing these issues has been slow.		
	In June 2019 the Board considered a report on the outcome of the 'Ministerial Strategic Group (MSG) for Health and Community Care-Self–Evaluation for the Review of Progress with Integration of Health and Social Care'. The self-evaluation concluded that further work and actions are		

required to improve partnership
working across a number of
areas.

Appendix 3
Summary of national performance reports 2019/20

2019/20 Reports

Apr	
Social security: Implementing the devolved powers	**May**
Scotland's colleges 2019	**Jun** — Enabling digital government
	Jul
NHS workforce planning - part 2	**Aug**
Finances of Scottish universities	**Sept**
NHS in Scotland 2019	**Oct**
	Nov
Local government in Scotland: Financial overview 2018/19	**Dec**
Scotland's City Region and Growth Deals	**Jan** — Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
	Feb
	Mar — Early learning and childcare: follow-up

NHS relevant reports

NHS workforce planning – part 2 – August 2019

NHS in Scotland 2019 – October 2019

NHS Tayside
2019/20 Annual Audit Report

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