

1 October 2024

Richard Leonard MSP
Convener
Public Audit Committee
The Scottish Parliament
Edinburgh
EH99 1SP

Dear Convener

The 2023/24 audit of NHS Forth Valley

The 2023/24 audit of NHS Forth Valley has concluded and the auditor's opinions on the annual report and accounts are unmodified.

I am writing to advise the Public Audit Committee that, after careful consideration, I have decided not to produce a Section 22 report on NHS Forth Valley this year. The Assurance Board, who have had formal oversight, have [reported](#) that the Board is now evidencing tangible improvements across the three areas against which they were escalated by the Scottish Government: leadership, culture, and governance. Following the annual audit, the appointed auditor has commended the significant progress made by NHS Forth Valley against its Escalation Improvement Plan.

Background

In December 2023 I published a [section 22 report](#) on the 2022/23 audit of NHS Forth Valley, due to concerns raised by a range of review bodies in 2022/23, about the Board's governance, leadership and culture. NHS Forth Valley remains at level 4 on the NHS Scotland support and intervention framework.

We gave evidence on this report to the Committee on 25 January 2024. This was followed, on 29 February 2024, by an evidence session with representatives from NHS Forth Valley. The Public Audit Committee received and considered further information from NHS Forth Valley in March 2024 about the progress being made. The Committee wrote to the Assurance Board (9 May) asking for their view on the progress that NHS Forth Valley is making in response to the concerns raised by a range of review bodies.

The Assurance Board [replied](#) (6 June) to the Committee and concluded that NHS Forth Valley is making considerable progress in delivering their Assurance and Improvement Plan. The Assurance Board is satisfied that appropriate governance is in place within the organisation to provide appropriate monitoring of ongoing work which becomes business as usual, and they will continue to triangulate quantitative information with qualitative information from meaningful discussions with a variety of stakeholders. The Assurance Board is meeting regularly to ensure that NHS Forth Valley continues to make progress and can demonstrate sustainable improvements in performance.

2023/24 Annual Audit Report

The 2023/24 annual audit also took the opportunity to follow up progress being made by the Board. As a result of the escalated governance arrangements, the Chair of NHS Greater Glasgow and Clyde, undertook a review of the Board's governance arrangements. The review was intended to assist the Board in identifying any improvements to their approach to corporate governance that would be required to address the range of performance-related issues included in the Improvement Plan.

The final report of the Corporate Governance review was presented to the Board in November 2023, containing 51 recommendations. These recommendations have been mapped to the Board's Assurance and Improvement Plan. There are some recommendations where the specific details have not been translated into the plan in full but form part of a wider action theme. This affects 9 of the 51 recommendations. In addition, 5 actions were already complete when the report was released. This means that 37 of the actions have been directly mapped into the Assurance and Improvement plan.

During 2023-24 the board continued to make progress against the Escalation improvement plan. This included agreeing version 3 of the plan titled the Assurance and Improvement Plan in October 2023. This plan aimed to consolidate the remaining version 2 actions, self-assessment findings and the governance review recommendations. As we have noted above not all of the specific actions from the governance review were directly translated into the Assurance and Improvement plan.

In total, version 3 of the plan, comprises 102 actions and sub actions. While this is a large volume of actions for the Board to progress. it has made significant progress in the period October 2023 – March 2024. The majority of actions relate to leadership, culture and governance. The appointed auditor's assessment of the completion of the actions and sub actions within the plan is as follows:

- Number of Actions in Progress: 33 (32%)
- Number of Actions Complete: 69 (68%)

The auditor's definition for this categorisation is:

- In progress – actions underway, a plan designed but not yet implemented or actions taken but no available evidence to ensure embedded within the organisation.
- Complete – actions taken and demonstrable evidence that these have led to the intended improvement.

These definitions differ to those used by the health board and therefore the board have reported higher completion rates against actions compared with the above. This mainly stems from the assessment that, once a plan is in place it should translate into business as usual activity which has been assessed as complete.

The appointed auditor reported that they commend the level of progress made by Forth Valley to date. But that the board needs to work with internal audit on the categorisation presented and the consistency and description of evidence available. This work is already underway. The appointed auditor also recommended that the board should work with the Assurance board on the determination of what key strategic items remain escalated and to prioritise those going forward. This will assist the Board in transitioning lower priority areas to business as usual.

Leadership changes

There have been a number of changes in Non-Executive and Executive management teams within NHS Forth Valley during 2023-24. This has included the appointment of a new Chief Executive and Interim Chair. Several appointments have been made either on a permanent or interim basis, such as the permanent appointment of the Director of Acute Services post in February 2024. This post is particularly important given the performance challenges the Board has been experiencing in its acute services division. It will take time for the non-executive and executive teams to embed within their roles and as cohesive leadership team.

The appointed auditor notes that through discussions with senior staff in the organisation and work to assess progress against the improvement plan, members feel that the culture among the senior leadership team and at Board level has improved. The auditor notes the positive impact the compassionate leadership programme is having on both leadership and culture and would like to see this continue to be embedded in the organisation

Next steps

The external auditor will continue to monitor the board's progress across the three areas against which they were escalated: leadership, culture, and governance and operational performance, under the new leadership, and will report progress in the 2024/25 annual audit report to be published next year. I will consider this and my options for further reporting to the Committee, at this point.

Yours sincerely

Stephen Boyle
Auditor General for Scotland



NHS Forth Valley

Final report to the Audit & Risk Committee, the Board and the Auditor General for Scotland on the 2023/24 External Audit

Issued on the 18th June 2024

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1.1 Partner introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit & Risk Committee (“the Committee”) of NHS Forth Valley (“the Board”) for the 2023/24 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in March 2024.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed, we have issued an unmodified audit report.

The Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the Annual Report and Accounts and our knowledge of the Board. We provided management with comments and suggested changes based on review of the first draft and have received an updated final version confirming compliance.

The auditable parts of the Remuneration and Staff report have been prepared in accordance with the relevant regulation subject to final review. A summary of our work on the significant risks is provided in the dashboard on [page 9](#). The Board met its financial targets for 2023/24, achieving a small surplus of £234,000.

No material errors have been identified and there are no misstatements in the current year. There is one immaterial uncorrected adjustment in relation to PPE valuations in the prior year (see [page 13](#) for further details).

1.2 Partner introduction (continued)

The key messages in this report (continued)

Status of the Annual Report and Accounts audit

We have completed all of our audit procedures and have no outstanding points to address.

Conclusions from wider scope audit work

- **Financial management** – NHS Forth Valley continues to have effective budget setting and monitoring arrangements in place.
- **Financial sustainability** – NHS Forth Valley has achieved financial balance in 2023/24 however there remains a significant funding gap in 2024/25 where savings plans have not been fully identified. There is therefore a significant risk that the Board is not financially sustainable in the short or medium to long term.
- **Vision, leadership and governance** – Overall, the board continues to be engaged in making improvements in its vision, leadership and governance. NHS Forth Valley has made significant progress in 2023/24 however this improvement needs to be sustained.

The board should work with the assurance board to determine key strategic areas of focus going forward.

Areas in relation to vision, leadership and governance we would like to see further development in are:

- Healthcare Strategy
- Leadership stabilisation
- Continuing and embedding improved culture activities

1.3 Partner introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work (Continued)

- **Use of resources to improve outcomes** – NHS Forth Valley have appropriate performance management procedures in place. Services reviews should continue in areas that would benefit most particularly those which remain underperforming. Due diligence around the use of escalated rates for supplementary medical staffing should be reviewed to ensure decisions made represent best value.
- **Best value** - NHS Forth Valley has sufficient arrangements in place to secure best value except for the due diligence issue highlighted and has responded positively to the escalation to Stage 4 of the NHS Scotland Performance Escalation Framework. The Board has a clear understanding of areas which require further development. Financial sustainability remains a key risk.

Next steps

An agreed Action Plan is included on [pages 44 to 47](#) of this report, including a follow up of progress against prior year actions.

Added value

Our aim is to add value to the Board by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Board promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

We have also included our “sector developments” on [page 41](#) where we have shared our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to the NHS.

Pat Kenny
Lead audit partner

Annual Report and Accounts Audit










2. Quality indicators

Impact on the execution of our audit

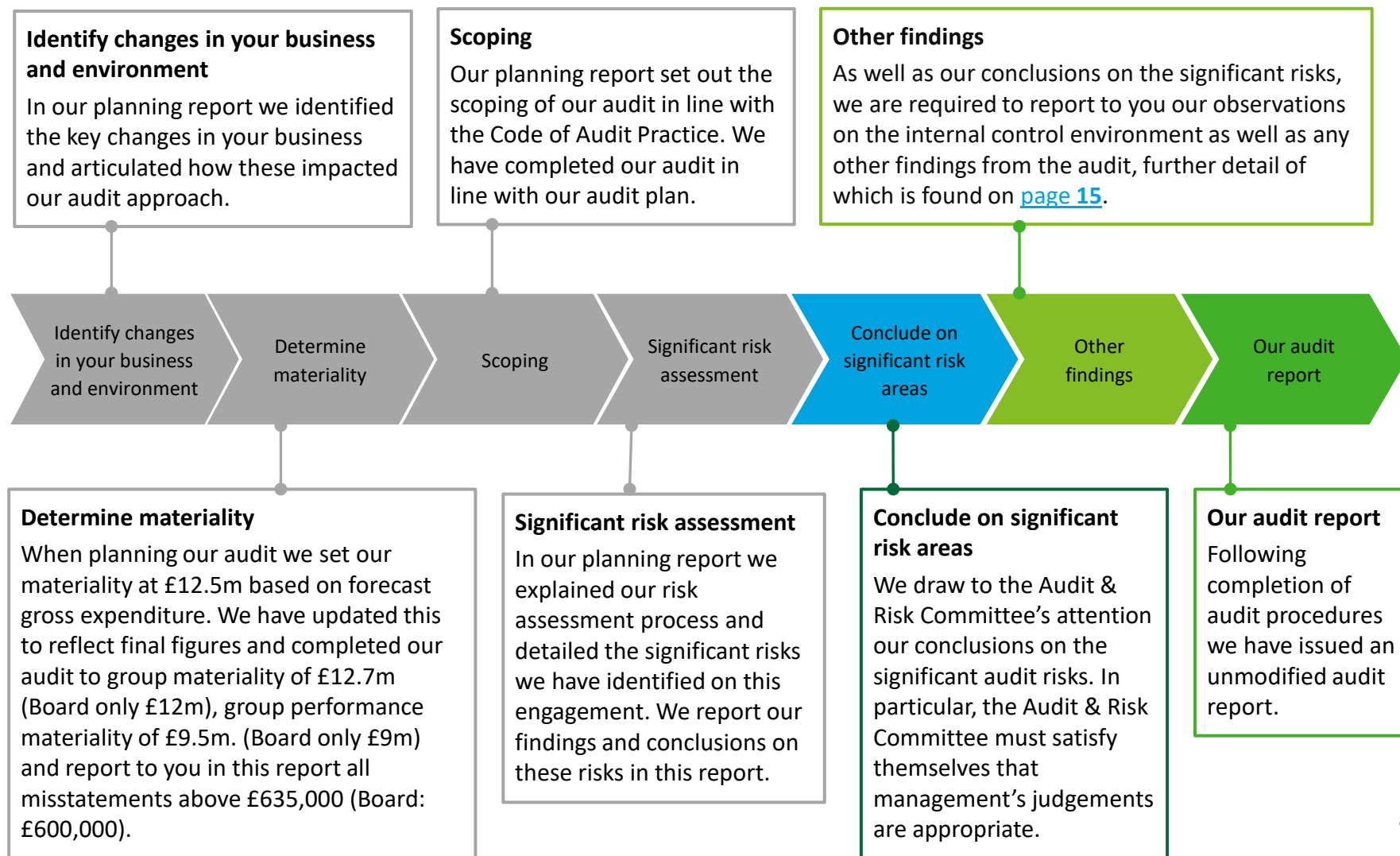
 Lagging
  Developing
  Mature

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements		Deliverables and responses to follow ups provided promptly.	N/A
Adherence to deliverables timetable		59% of deliverables were provided on time with the average overdue days for items which were delayed being 8 days. The items which were delayed were significant however generally outside NHS FV control such as the allocation letter, Clackmannanshire & Stirling IJB financial information and SPPA Pension Information. Resubmission rate was 10% which is largely due to non-disaggregated listings and non-third party evidence provided initially in some cases.	N/A
Access to finance team and other key personnel		Finance team have been accessible throughout, with the audit team informed of holidays in advance of audit fieldwork.	N/A
Quality and accuracy of management accounting papers		Accounting papers were provided in relation to IFRS 16. These were provided promptly and were of good quality. Our testing did not identify any significant issues.	N/A
Quality of draft Annual Report and Accounts		Quality of the first draft was generally of a high standard. Review comments were addressed promptly and change logs provided.	N/A
Response to control deficiencies identified		No control deficiencies have been noted.	N/A
Volume and magnitude of identified errors		One prior year misstatement above our reporting threshold was identified relating to property valuations. This is not material and has no impact on NHS FV's financial results.	Page 13










3. Our audit explained

We tailor our audit to your business and your strategy



4.1 Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls			Satisfactory	
Property valuations			Satisfactory	
Operating within the expenditure resource limit			Satisfactory	

Controls approach adopted



Assess design & implementation

4.2 Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

- We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:
- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements.

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and.
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any instances of management override of controls from our testing.

4.3 Significant risks (continued)

Management override of controls (continued)

Key estimates and judgements The key estimates and judgments in the Annual Report and Accounts includes those which we have selected to be significant audit risks around expenditure recognition ([see page 14](#)). This is inherently the area in which management has the potential to use their judgement to influence the Annual Report and Accounts. As part of our work on this risk, we reviewed and challenge management’s key estimates and judgements including:

Estimate / judgement	Details of management’s position	Deloitte Challenge and conclusions
Private Finance initiatives ('PFI')/ HUB/ Design, Build, Finance, Maintain ('DBFM') contracts	<p>The Board currently has two PFI projects: Clackmannanshire Community Health Centre and Forth Valley Royal Hospital.</p> <p>The board also has a HUB DBFM project: Stirling Community Care Village.</p> <p>Each liability is valued based on the value of the remaining lease payments under IAS 17 and IFRS 16 and accounted for in accordance with IFRC 12, Service Concessions. The minimum lease rental is split between interest and principal using the actuarial method.</p>	<p>We assessed the initial PFI/HUB agreements in place which were obtained in the prior year and reconciled to the payment schedules for each model (updated for the first year of IFRS 16 adoption for PFI contracts). We have performed a reconciliation to the annual accounts to confirm the models are correct. We have conducted a retrospective review of the prior year liability to assess accuracy and have challenged any changes made to the model in the current year. We have assessed the value of the underlying buildings through our Valuations work.</p> <p>We are satisfied that the PFI liability recognised in the accounts is in line with the models and there is no indication of management bias.</p>

4.4 Significant risks (continued)

Management override of controls (continued)

Estimate judgement	/ Details of management's position	Deloitte Challenge and conclusions
Clinical Negligence and Other Risks Indemnity Scheme ('CNORIS') provision	<p>NHS bodies in Scotland are responsible for meeting negligence costs up to a threshold of £25,000 per claim. Costs above this threshold are reimbursed from the CNORIS scheme by the Scottish Government.</p> <p>The provision is based on information provided to the Board by the Central Legal Office (CLO) based on the information on claims and historical experience. The Board provide 100% for Category three claims and 50% for all Category two claims. As at 31 March 2024, there were 82 current claims specific to NHS Forth Valley included in the provision.</p> <p>The Board also provides for its liability from participating in the scheme. This provision recognises NHS Forth Valley's respective share of the total liability of NHS Scotland as advised by the Scottish Government, based on information from NHS Boards and the CLO.</p>	<p>We have obtained independent confirmation directly from the CLO of all outstanding claims for NHS Forth Valley at 31 March 2024, reconciled this to the amount recognised, and challenged managements provision policy and concluded that it is reasonable. We have conducted a subsequent events review of the provision to ensure that it is complete as at 31 March 2024, with no issues arising.</p> <p>The provision for NHS Forth Valley's share of the national liability is calculated by the Scottish Government based on information from the CLO in relation to all Boards. We have obtained assurance from Audit Scotland on the methodology used in the preparation of these figures and the relevance and reliability of the information provided by the CLO.</p>

4.5 Significant risks (continued)

Property valuations



Risk identified and key judgements

The Board held £546.297m of property assets (land, dwellings & buildings) at 31 March 2023 which increased to £558.671m as at 31 March 2024, due to upwards revaluations and reversals of impairments as a result of the Board undertaking a full independent valuation exercise during 2023/24.

In 2023/24 the Board has performed a full independent valuation of its estate as at 31 March 2024. This has resulted in a net increase in the valuation of the Boards property assets of £21.509m, with a closing net book value of £558.671m.

The Board is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the asset, a depreciated replacement cost approach may be needed which provides the current cost of replacing an asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.



Deloitte response and challenge

We have tested the design and implementation of key controls in place around the property valuation.

We tested the inputs to the valuation and the key asset information provided by the Board to the valuer back to supporting documentation.

We used our valuation specialists, Deloitte Real Asset Advisory, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the Board's Land and Buildings.

Deloitte view

There was one prior year misstatement within property valuations above our reporting threshold which was identified by our internal real estate asset valuation specialist team where inaccurate external hectarage had been used as the basis for valuing the Forth Valley Royal Hospital and Royal Scottish National Hospital sites by the District Valuer. This impacted historic valuations to a total sum of £1.39m due to incorrect hectarage that was input to the valuation of the land. As this balance was immaterial, management chose not to adjust for this misstatement. Overall, we have concluded that the property valuations of NHS Forth Valley are appropriate given that the revaluations for the year 2023/24 were based on the updated areas.

4.6 Significant risks (continued)

Operating within the expenditure resource limits



Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with previous years, we do not consider this to be a significant risk for NHS Forth Valley as there is little incentive to manipulate revenue recognition with the majority of revenue being from the Scottish Government which can be agreed to confirmations supplied.

We therefore considered the fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government. There is a risk is that the Board could materially misstate expenditure in relation to year-end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year-end and invoices processed around the year-end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year-end.



Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Government. Our work in this area included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals and prepayments made at the year-end;
- Obtaining independent confirmation of the resource limits allocated to the Board by the Scottish Government;
- Perform focused testing of a sample of accruals and prepayments made at the year-end; and
- Performing focused cut-off testing of a sample of invoices received and paid around the year-end.

Deloitte view

We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

Based on our testing to date, we confirm that the Board has performed within the limits set by Scottish Government achieving a small surplus of £234,000 and therefore is in compliance with the financial targets in the year.

5. Your control environment and findings

Control deficiencies and areas for management focus

Deloitte Comment on any control deficiencies and areas for management focus:

We can confirm that no control deficiencies have been identified following the completion of our audit procedures.

6. Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

NHS Forth Valley's Annual Report and Accounts have been prepared in accordance with the Government Financial Reporting Manual (the "FRoM"). Following our audit work, we are satisfied that the accounting policies are appropriate.

Significant matters discussed with management:

Significant matters discussed with management include the valuation of properties, as discussed on [page 13](#).

Deloitte also note that a service audit report relating to IT had a qualified opinion for 2023/24. Following discussions with management and review of procedures performed there is no impact on our overall conclusions.

Regulatory change

IFRS 16, Leases, came into effect on 1 April 2022, with 2022/23 being the first year of implementation and we did not identify any significant issues. In 2023/24, there is additional IFRS 16 guidance in relation to PFI accounting which we have reviewed as part of our work in this area. We have not identified any significant issues.

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant audit risks identified (as discussed further on [pages 9 to 14](#)), no reliance was placed on the work of internal audit and we performed all work ourselves.

Further consideration of internal audit is discussed under our wider scope conclusions on page 23.

We have obtained written representations from the Board on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. The representation letter was signed on the same date as the audit report.

7. Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the Annual Report and Accounts

Our opinion on the financial statements is unmodified.



Going concern

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment than the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

In our opinion in all material respects the expenditure and income in the Annual Report and Accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on [page 18](#).

8. Your Annual Report and Accounts

We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines the Board's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the Board.	<p>We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>We provided management with comments and suggested changes which management have updated in the final version. This included additional disclosure regarding sustainability reporting to devolved administrations and climate change adaption and the impact operations have on the environment. There were also additional disclosures included on the purpose of the performance analysis section and the Chief Executive's statement.</p>
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	<p>We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the accounts direction. No exceptions were noted. We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with disclosure comments and suggested changes which management have updated in the revised drafts.</p> <p>We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that based on our audit work performed it has been prepared in accordance with the accounts direction.</p>

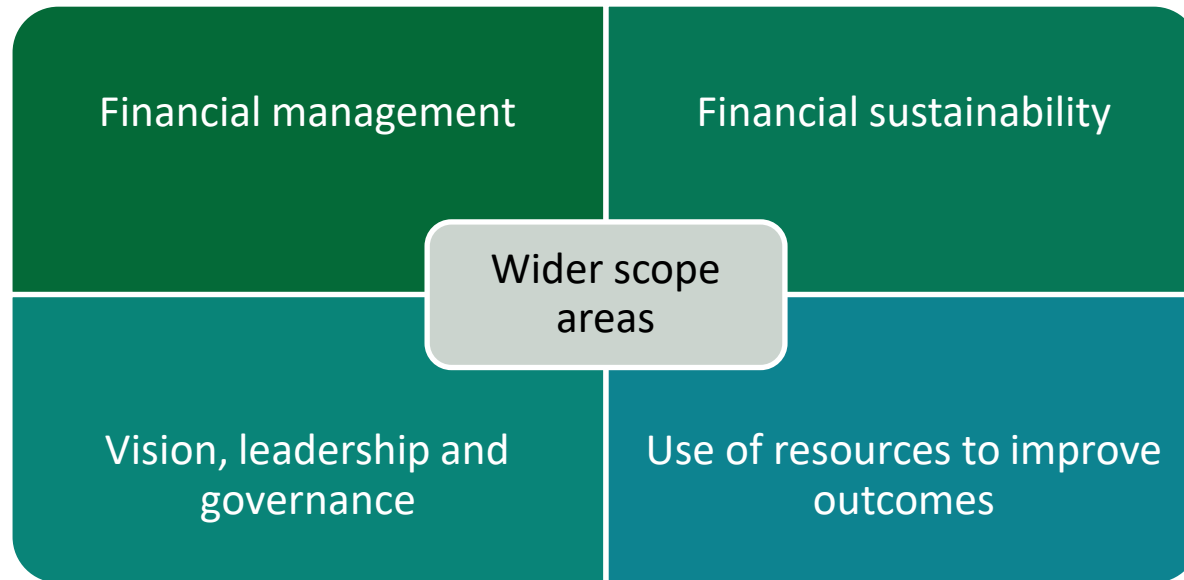
Wider scope audit



9.1 Wider scope requirements

Overview

As set out in our audit plan, reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



Our audit work has considered how the Board is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value (“BV”) have all been incorporated into this audit work.

9.2.1 Wider scope requirements (continued)

Financial management

Is there sufficient financial capacity?



Is there sound budgetary processes in place?



Is the control environment and internal controls operating effectively?



Financial Management

Significant risks identified in Audit Plan

We did not identify any significant risks in relation to financial management during our planning work. We have therefore restricted our audit work to monitoring the impact that the changes in key staffing roles within the financial team had (if any) on financial management activities.

Current year financial performance

The 2023/24 budget was approved by the Board on 28 March 2023. This was updated throughout the year to include in-year movements such as additional income received. The net expenditure budgeted at the end of the year was £793.429m. The projected outturn reported is £793.258m, representing an underspend of £0.234m.

The outturn position was achieved due to additional notional funding announced by SG in February 2024 and lower CNORIS costs than expected.

A capital plan of £9.375m was also agreed at the time of setting the budget in March 2023. The final outturn position at 31 March 2024 was a breakeven position against a revised allocation of £9.476m. Expenditure in the year included the Modular build element of the National Treatment Centre project, desktop and laptop refresh programme, various pieces of medical equipment including hoists, endoscopes and ultrasound scanners, and solar panels and LED lighting at Forth Valley Royal Hospital.

9.2.2 Wider scope requirements (continued)

Financial management (continued)

Financial Reporting

As reported on the previous page, the Board approved the 2023/24 budget in March 2023. The budget was set with a focus on priorities and outcomes. The Executive Leadership Team (ELT) and Board members regularly review progress against budget throughout the year. The finance report is a standing agenda item at every Board and Performance & Risk Committee meetings, which occur every month on an alternative basis. From review of the reporting throughout the year, variances are clearly reported and explained. There is also a clear link between the financial information reported in the year and the Annual Accounts through a clear reconciliation within the Performance Report.

Savings Plans

The approved budget for 2023/24 included a need to make savings of £25.000m (to leave a residual deficit of £15.591m). This compares to the savings achieved in 2022/23 of £29.311m. Progress against this target was closely monitored and reported to the Board during the year, applying a Red, Amber, Green (RAG) rating. As at M11, £24.612m of savings had been made.

The final outturn reported that £25m (100%) of the targeted savings were achieved. However, this comprised only £2.7m (10%) recurring savings with the remainder being non-recurring.

The savings targets set by the Board has increased in comparison with previous years, however the overall budget shortfall of £40.6m for 2023/24 exceeds the identified and unidentified savings in the prior year. This is reflective of the financial challenges faced by the Board and the need to continually deliver recurring reductions in costs. It is positive to note that whilst the targets are increasing, these have largely been achieved. Although we would emphasise that the level of savings from non-recurring elements are unsustainable and is leading to increasing deficits in future years as further discussed on [page 25](#).

	2022/23 savings achieved (£m)	2023/34 Budgeted savings (£m)	2023/24 Actual savings (£m)
Recurring	9.006	10.000	2.7000
Non-recurring	20.305	15.000	22.300
Total	29.311	25.000	25.000

9.2.3 Wider scope requirements (continued)

Financial management (continued)

Finance capacity

A key member of finance staff retired during the year and the board have successfully appointed a replacement. The retired individual also joined the staff bank to assist on a temporary basis until the new appointment joins the organisation.

The Board continues to have a sufficiently qualified and experienced finance team to support the financial management of the Board.

Internal controls and audit

The Board has comprehensive financial regulations in place which are available to all staff and regularly reviewed. The last update was performed in March 2024.

We have assessed the internal audit function, including its nature, organisational status and activities.

We have analysed the work performed by internal audit, including the number of recommendations made in the year compared to previous years and how promptly recommendations have been addressed.

The 2023/24 Internal Audit Plan was approved by the Audit Committee on 20 June 2023. This comprised 439 audit days for the year.

Regular progress reports have been reported to the Audit Committee throughout the year.

The Board has comprehensive financial regulations in place to support its internal control arrangements.

The Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have completed an assessment of the independence and competence of the internal audit team and reviewed their work and findings. The conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

The latest report to the Audit Committee in March 2024 highlighted out of 70 “live” recommendations, 44 actions have been completed and 26 have action dates that are not yet due. These continue to be monitored by internal audit. It is important that actions are addressed on a timely basis to ensure that the risks identified from the audit work are appropriately mitigated.

9.2.4 Wider scope requirements (continued)

Financial management (continued)

Standards of conduct for prevention and detection of fraud and error

We have assessed the Board's arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to the Audit Scotland's publication "Fraud and irregularity 2022/23" – sharing risks and case studies to support the Scottish public sector in the prevention of fraud". Overall, we found the Board's arrangements to be designed and implemented appropriately.

National Fraud Initiative (NFI)

All NHS Boards are participating in the most recent NFI exercise We have monitored NHS Forth Valley's participation and progress in the NFI exercise. A report was considered by the Audit and Risk Committee in March 2023 which confirmed that 1,423 creditor matches and 93 payroll records have been identified for local investigation and a further update is due to be brought back to the Committee once completed. We have therefore concluded that NHS Forth Valley had progressed with its review and was therefore fully engaged in the exercise.

Deloitte view – financial management

The Board has effective financial planning and management arrangements in place, with the projected reserves position expected to be largely in line with the original budget, with variances clearly reported throughout the year, along with regular progress updates on the capital programme.

Whilst financial targets have been achieved in 2023/24, this was on a non-recurring basis. We would emphasise that the level of savings from non-recurring elements are unsustainable and is leading to increasing deficits in future years as further discussed on [page 25](#).

The Board continues to have a sufficiently qualified and experienced finance team to support the financial management of the Board.

A robust independent internal audit function is in place and there are appropriate arrangements for the prevention and detection of fraud and error.

9.3.1 Wider scope requirements (continued)

Financial sustainability

Can short-term (current and next year) financial balance be achieved?



Is there a medium and longer-term plan in place?



Is the body planning effectively to continue to deliver its services or the way in which they should be delivered?



Financial Sustainability

Significant risks identified in Audit Plan

In our audit plan we highlighted that there is a significant risk that robust medium to long term planning arrangements are not in place to ensure that the Board can manage its finances sustainably and deliver services effectively. This was based on the fact that when we conducted our planning in month 10 (January 2024), NHS Forth Valley were expecting to end the year with a deficit (overspend) for the year. They are also expecting similar financial challenges in 2024/25 and the Financial Plan has identified a residual £14.5m funding gap after savings targets.

2024/25 budget setting

The Board has achieved short-term balance in 2023/24. Financial performance of the Board is closely monitored through monthly management information alternating between Board reporting and reporting to the Performance & Resources Committee, which shows spend against budget and forecast positions.

The Board identified savings targets as part of the budget setting process which was finalised for 2023/24 in March 2023. Progress against efficiency targets is monitored as part of the management accounts, with green, amber and red indicators to highlight progress.

In 2023/24, savings of £40.591m were required to balance the budget. As discussed on page 22 this savings target was achieved, however, a significant balance (£22.3m) was on a non-recurring basis.

The 2024/25 budget was approved by the Board on 26 March 2024, projecting an initial budget gap of £58.357m (8.7% of baseline RRL). Savings targets of £43.841m were agreed leaving a residual budget deficit of £14.516m. Of the £43.841m planned savings, £21.664m (49%) are expected to be recurring with the balance of £22.177m relating to various non-recurring measures and one-off funding sources. This is a worsening position to that estimated when setting the 2023/24 budget in March 2023, where the financial gap before savings for 2024/25 was estimated to be £43.055m (with a residual deficit of £13.055m after savings plan).

9.3.2 Wider scope requirements (continued)

Financial sustainability (continued)

2024/25 budget setting (continued)

The Scottish Government has set a 3% recurring savings target on baseline budgets. To meet this target, savings from the Board and the IJB of £18.932m were required in 2023/24, with the Board themselves setting planned savings to contribute to this figure of £14.714m. The latest monitoring report shows that of the £14.714m planned savings in 2023/24 to date, only £3.642m had been achieved. The 3% SG savings target has been incorporated into the Financial Sustainability Action Plan for 2024/25 which outlines a programme of work and supporting actions to meet the budgeted shortfall for the year of £58.4m.

In setting the budget for 2024/25, the Board has recognised that a number of financial risks exist, including:

- The Board's ability to fully identify the level of recurring savings plans required in 2024/25 and beyond to address the underlying deficit and reduce the reliance on non-recurring measures to achieve breakeven.
- Potential delays in delivering efficiency savings due to the lead in time necessary to develop and implement the associated project plans, coupled with the limited availability of key staff to drive progress as they continue to be required to focus on immediate front-line service and capacity pressures.
- Recruitment and retention challenges impacting on ability to successfully implement the workforce plan and service delivery plan, resulting in continued use of bank and agency solutions.

- Ongoing delays in implementing Covid-19 exit strategies resulting in further unfunded legacy costs.

- Whole-system capacity and workforce pressures across the health and social care sector may continue to require additional temporary supplementary beds and staff beyond budgeted levels.

- Ongoing uncertainty regarding price inflation which will have a direct impact on the cost of goods and services and a significant impact on PFI/PPP expenditure commitments.

- Affordability challenges regarding the introduction of new drugs and therapies leading to increased treatment costs and demand over and above initial planning assumptions.

- Financial pressures associated with the disproportionately high prison population in Forth Valley.

- Cost pressures associated with IJBs, particularly relating to requests for additional payments beyond funded baselines as part of risk share arrangements.

- Lack of funding to progress major capital investment priorities including the redevelopment and modernisation of FV's Primary Care estate and Falkirk Community Hospital.

Board members were engaged in the development of the Budget through scrutiny at the Performance & Resources Committee before approval at the Board on the 26 March 2024.

9.3.3 Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning

NHS Forth Valley's five-year financial plan, covering 2024/25 to 2028/29, was approved by the Board on 26 March 2024. In the latest five-year financial plan, which identifies a cumulative budget deficit of £71.079m after savings plans/targets of £183.841m, the net savings requirement peaks at £58.357m in 2024/25.

There is recognition that financial sustainability will be a key theme embedded within the refresh of the NHS FV Healthcare Strategy and will also underpin future workforce and digital health strategies. The Financial Sustainability Action plan and the Healthcare Strategy intend to use a population health approach including focusing on key areas such as:

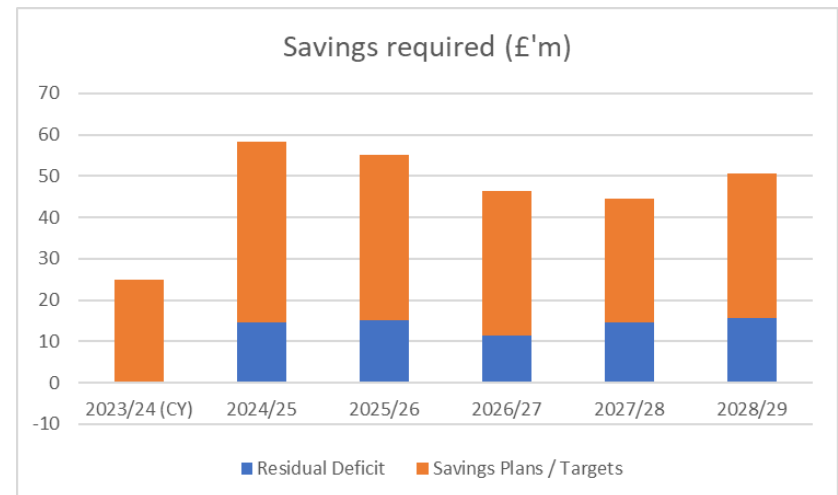
- Contingency bed arrangements
- Use of temporary and agency staffing
- Community based healthcare

Whilst the medium-term financial plan shows that the savings requirement will decrease annually from 2024/25 to 2027/28 and increase again to £50.549m in 2028/29, the net gap is expected to fluctuate over this period ranging from £11.489m in 2026/27 to £15.549m in 2028/29.

Deloitte have noted that improvements have been made in medium-term financial planning over 2023/24. This includes a move to 5-year planning which is in line with best practice and the recommendation raised in our 2022/23 annual audit report.

We note that since the refresh of the Healthcare strategy has been delayed until later in the 2024 calendar year, the MTFP should be updated accordingly to reflect any implications on medium-term finances.

The medium-term financial forecasts over the next 5 years highlight that the financial challenges faced by NHS Forth Valley are significant, with large forecast deficits beyond anticipated savings plans. The Board is therefore currently not financially sustainable in the medium to longer term.



9.3.4 Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning (continued)

The MTFP recognises that the capital budget position is equally challenged over the five-year term, with SG announcing that no additional capital funding will be provided over and above the core formula allocation of £6.400m per year. The capital position is further challenged by the fact that SG will not support new construction projects over the next two years and therefore Boards have been asked to stop any project development spend.

In light of the above, the medium-term capital plan has been reprioritised to ensure the following key projects can be funded:

- **Information Management & Technology:** to support the priorities in the Digital Health and Care Strategy including software replacement and upgrades, new national and local systems and digital developments.
- **Medical Equipment:** as advised by the Medical Devices Group in relation to new and replacement medical equipment prioritised in line with the agreed rolling replacement programme.
- **Facilities and Infrastructure:** a range of projects aimed at statutory compliance, backlog maintenance and a limited range of premises improvements.

The MTFP also acknowledges that the unavailability of central government capital funding has meant that the redevelopment of the Primary Care estate and reprovisioning of Falkirk Community Hospital have been postponed.

The impact of contracting, especially PPP/PFI contracts, is explicitly listed as a risk in the MTFP. For example, the increase in unitary charges alone linked to RPI is equivalent to £2.6m in 2024/25. The MTFP does not set out any plans for further contracting during the period covered, all funding being from either core capital allocations or from other Scottish Government Grants, for example, Improving Access to Elective Care.

The board should review the impact lower capital investment will have on its medium to long term strategy including the impact on key performance measures.

9.3.5 Wider scope requirements (continued)

Financial sustainability (continued)

Deloitte view – financial Sustainability

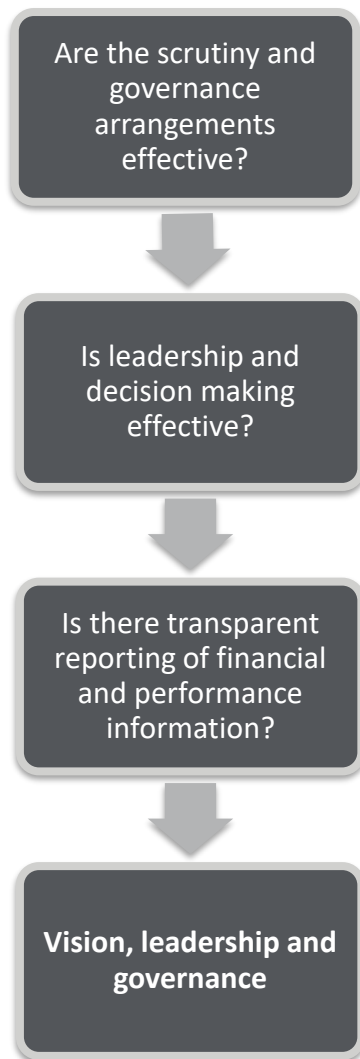
NHS Forth Valley has achieved financial balance in 2023/24 however there remains a significant funding gap in 2024/25 where savings plans have not been fully identified. There is therefore a significant risk that the Board is not financially sustainable in the short or medium to long term.

There continues to be an unsustainable reliance on non-recurring savings, which is also reflected in the increasing savings required reflected in NHS Forth Valley's 5-year plan. The financial plan could be further improved (in line with comments in our 2022/23 annual audit report) with clear linkage to the new healthcare strategy. This should demonstrate how NHS Forth Valley's financial plan will allow the organisation to achieve its objectives. This would move to a more outcome-based budgeting framework.

The capital funding position is equally as challenging as the revenue position. The board should review the impact lower capital investment will have on its medium to long term strategy including the impact on key performance measures.

9.4.1 Wider scope requirements (continued)

Vision, leadership and governance



Significant risks identified in Audit Plan

In our audit plan, we highlighted that there is a significant risk in relation to inadequate leadership, governance and culture in place within NHS Forth Valley. This is based on the escalation of NHS Forth Valley to Stage 4 of the NHS Scotland Performance Escalation Framework from November 2022 and the Governance Review completed in October 2023. This was subsequently followed up with a Section 22 report in December 2023.

Vision and strategy

NHS Forth Valley's latest strategic plan – the Healthcare Strategy – covered the period between 2016 and 2021. Work to revise the strategy was delayed over the last few years due to Covid-19 and service pressures. A plan is now in place for the development of the new Population Health and Care Strategy which is expected to be published by the end of the 2024 calendar year.

Although there is no up to date Strategic Plan in place, a Corporate Plan and associated Corporate Objectives were approved by the Board in March 2023. Objectives included:

- Protect and improve health and wellbeing of the people of Forth Valley whilst reducing health inequalities.
- Support broader social and economic development.
- Improve our focus on safety, quality, and sustainability.
- Promote and develop better integrated services locally and regionally.
- Demonstrate best value using our resources.
- Value and develop our people.
- Build systems and processes to direct, control and improve our authorising and operating environments.

9.4.2 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Vision and strategy (continued)

The 2023/24 Annual Delivery Plan details the work which be done in respect of the 10 recovery drivers:

- Primary and Community Care
- Urgent and Unscheduled Care
- Mental Health
- Planned Care
- Cancer Care
- Health Inequalities
- Innovation Adoption
- Workforce
- Digital
- Climate

The plan also noted a focus on Finance and Sustainability, and Value Based Health Care.

Inequalities is a key theme that is threaded through the 2016-2021 Healthcare Plan, the 2023/24 corporate objectives & 2023/24 Annual Delivery Plan. Inequalities are dealt with through the recovery drivers above within Primary Care and Communities, Urgent and Unscheduled Care, Health Inequalities, Innovation Adoption, and Digital.

In addition, sustainability is a theme throughout the Annual Delivery Plan. Reference is made to environmental sustainability targets and progress being made towards these, as well as the NHS FV Climate Emergency and Sustainability Board. Financial sustainability is also considered, with the key messages from the medium-term financial plan highlighted alongside financial planning assumptions, the financial gap before savings, and sustainability and value.

Community Engagement

NHS Boards in Scotland have a duty to involve people when new services are being planned, or when changes to existing services are being considered, as set out in the Planning with People Scottish Government Guidance.

The Board is consulting with staff, patients and wider community on the upcoming refreshed Healthcare Strategy.

NHS Forth Valley is a statutory partner in the three local Community Planning Partnerships. As a community planning partner, NHS Forth Valley works with community bodies and local public sector and Third sector organisations to set priorities and plan to get the best outcomes for communities, especially communities of greatest need.

Information about the Board, including direction, priorities, plans and reports, are accessible via the Board's website. All public Board papers are also published on the website.

9.4.3 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Leadership

There have been a number of changes in Non-executive and Executive management teams within NHS Forth Valley during 2023-24. This has included the appointment of an Interim Chief Executive and Interim Chair. Several appointments have been made either on a permanent or interim basis, such as the permanent appointment of the Director of Acute Services post in February 2024. This post is particularly important given the performance challenges the Board has been experiencing in its acute services division.

It will take time for the non-executive and executive teams to embed within their roles and as cohesive leadership team.

As discussed in more detail on [page 30](#), concerns were raised in the previous year in relation Leadership, Governance and Culture, resulting in NHS Forth Valley being escalated to Stage 4 of the NHS Scotland Performance Escalation Framework in November 2022 and remained at this level throughout 2023-24.

Through discussion with senior staff in the organisation and work to assess progress against the improvement plan, we have noted that members feel that the culture among the senior leadership team and at Board level has improved.

NHS FV should look to continue its progress in stabilising the leadership team through the permanent recruitment to the remaining interim posts.

We have noted the positive impact the compassionate leadership programme is having on both leadership and culture and would like to see this continue to be embedded in the organisation.

We note the significant progress the board has made to date and would welcome this progress being sustained.

9.4.4 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Governance and scrutiny arrangements

The Code of Corporate Governance was reviewed in March 2024, with updates made to bring the Code in line with current policy.

As a result of the escalated governance arrangements, discussed further below, Professor John Brown, Chair of NHS Greater Glasgow and Clyde, undertook an independent review of the Board's governance arrangements. The review was intended to assist the Board in identifying any improvements to their approach to corporate governance that would be required to address the range of performance-related issues included in the Improvement Plan.

The final report of the Corporate Governance review was presented to the Board in November 2023, containing 51 recommendations across the themes of: Diversity, Skills and Experience; Roles, Responsibilities and Accountabilities; Values, Relationships and Behaviours; Assurance Framework; Integrated Governance System; Operating guidance; Active Governance; Collaborative Governance; Further Evaluation; and Continuous Improvement. These recommendations have been mapped to the Board's Assurance and Improvement Plan.

There are some recommendations where the specific details have not been translated into the plan in full but form part of a wider action theme. This affects 9 of the 51 recommendations. In addition, 5 actions were already complete when the report was released. This means that 37 of the actions have been directly mapped into the Assurance and Improvement plan.

Internal Audit carried out its annual Internal Control Evaluation (ICE) review, which was reported to the Audit and Risk Committee in January 2024. This review aimed to provide assurance on the system of internal control, follow-up on previous recommendations, and highlighted key developments over the past year. The following key points were included within the report:

- Longer term risks can only be mitigated through strategic change.
- Key director level appointments have strengthened the senior team and major reviews of service structures were underway.
- The Board must ensure it has sufficient capacity to drive strategy and transformation, effective delivery of services, and achievement of recurring savings.
- There remains a significant challenge around maintaining operational performance against targets.

9.4.5 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Governance and scrutiny arrangements (continued)

- Financial risk continues to increase and the need for strategic solutions for long-term financial sustainability remains relevant.
- Risk scores must fully reflect the external environment and the extent to which controls and actions will be able to mitigate risks must be understood.
- Workforce risks remain high due to continuing staff shortages and increased demand.
- There has been notable improvement in Staff Governance Committee assurances and administration to address the concerns raised over governance arrangements.
- There is a requirement for all clinical and care governance risks and issues to be reported to the Clinical Governance Committee

The review specifically focused on whether governance arrangements are sufficient (in design or execution) to control and direct the organisation to ensure delivery of sound strategic objectives.

Of 24 actions raised in response to recommendations made in previous ICE and Annual Reports, 12 were completed and the remaining 12 on track for completion.

In line with the Scottish Government Handbook, the Audit and Risk Committee carries out a review of its own effectiveness, with the latest self-assessment checklist considered by the Committee in March 2024. This concluded that the majority of areas of best practice, in line with the handbook, were in place. The draft Terms of Reference was updated to reflect improvements and consistency with other Committees.

The Board has a Whistleblowing Policy in place in line with the national whistleblowing standards that came into effect from 1 April 2021; and from our review of supporting documents, we are content that appropriate whistleblowing arrangements are in place. We note that arrangements have strengthened in the year in response to actions within the Assurance and Improvement Plan. Quarterly reports are provided to the Board on whistleblowing activity.

The Audit and Risk Committee also provide oversight and scrutiny of the risk management activity. A quarterly Strategic Risk Register Update is considered by the Committee which sets out any amendments made to the register.

We have reviewed meetings attendance from the past year and confirm that there has been adequate attendance. In addition, from attendance at meetings we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.

9.4.6 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Escalation

During 2023-24 the board continued to make progress against the Escalation improvement plan. This included agreeing version 3 of the plan titled the Assurance and Improvement Plan in October 2023.

This plan aimed to consolidate the remaining version 2 actions, self assessment findings and the governance review recommendations. As we have noted above not all of the specific actions from the governance review were directly translated into the Assurance and Improvement plan.

In total version 3 of the plan comprises 102 actions and sub actions. This is a significant volume of actions for the Board to progress. Despite this, the Board has made significant progress in the period October 2023 – March 2024. The majority of actions relate to leadership, culture and governance.

Our assessment of the completion of the actions and sub actions within the plan is as follows:

	Number of Actions	%
In Progress	33	32%
Complete	69	68%
Total	102	

Our definition for this categorisation is:

In progress – actions underway, a plan designed but not yet implemented or actions taken but no available evidence to ensure embedded within the organisation

Complete – actions taken and demonstrable evidence that these have led to the intended improvement.

These definitions differ to those used by the health board and therefore they have reported significantly higher completion against actions compared with the table above. This mainly stems from the assessment that once a plan is in place it should translate into business as usual activity which has been assessed as complete subject to the plan being implemented and the outcome assessed.

This is linked to the difficulty of the individual low level actions having enough progress and classed as no longer being in an escalated state but not yet being fully complete.

We commend the level of progress made by Forth Valley to date. The board needs to work with internal audit on the categorisation presented and the consistency and description of evidence available. We understand this work is already underway.

The board should also work with the Assurance board on what key strategic items remain escalated and prioritise those going forward. This will assist in transitioning lower priority areas to business as usual.

9.4.7 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Decision Making

From our observations at Committees and a review of minutes, we believe that decisions are clearly made, and that who made the decisions (e.g., which committee) and rationale for the decisions is clearly understood by the Committee and recorded in minutes. Action logs are in place to monitor progress against actions and assign action owners, which are considered at each Committee meeting.

Performance Scorecards are provided for each Board meeting and contain clear indications for performance against Scottish Government targets and a comparison against corresponding whole of Scotland figures where possible. The scorecards show current position, previous position and direction of travel along with explanatory notes.

Deloitte view – Vision, Leadership and Governance

Overall, the board continues to be engaged in making improvements in its vision, leadership and governance. NHS Forth Valley has made significant progress in 2023/24 however this improvement needs to be sustained.

The board should work with the assurance board to determine key strategic areas of focus going forward.

Areas in relation to vision, leadership and governance we would like to see further development in are:

- Healthcare Strategy
- Leadership stabilisation
- Continuing and embedding improved culture activities

9.5.1 Wider scope requirements (continued)

Use of resources to improve outcomes



Significant risks identified in Audit Plan

In our audit plan we highlighted that given the Board is on the Stage 4 NHS Scotland Performance Escalation Framework, coupled with the significant system wide pressure and the changes in key leadership positions within the organisation during 2023/24, there is a risk that the performance management arrangements and follow up activity is inadequate and thus, not effective.

Areas of lower quartile performance on key areas identified within the 2022/23 Section 22 report were as follows:

- Unscheduled Care
- Out-Of-Hours Services
- CAMHS and Psychological Therapies

Performance management framework

A new performance management framework was approved in August 2023. Regular performance reporting is provided to the Board and its assurance committees as necessary.

NHS Forth Valley has shown a clear focus on improvement as evidenced by the Assurance and Improvement plan progress during 2023-24.

There are clear areas where the Board is investing to improve performance and there are mixed results. The board should analyse where its investment is not improving performance in the way expected and consider altering the route of investment.

It is important given the challenging financial environment that investment choices are prioritised to obtain best value including the best outcomes for people in the Forth Valley area.

9.5.2 Wider scope requirements (continued)

Use of resources to improve outcomes

Service Reviews

A key theme of the 2023/24 corporate objectives is a focus on improvement. As part of the future development of the new healthcare strategy, there is a recognition that a new approach is needed and the focus is intended to be population health.

There was continued focus in 2023-24 on the re-design of the out of hours services (OOH). This has led to significant performance improvements. We would recommend that a service redesign approach is rolled out strategically across services that would see the most benefit.

Performance data

Recent performance data shows improvement across OOH and CAMHS with NHS Forth Valley sustaining performance levels outwith the lower quartile in the latter half of 2023/24.

There remains challenges in relation to the performance of the 4 hour emergency access standard target and psychological therapies despite the Board's actions designed to make improvements.

Now that key leadership appointments have been made with remit for both of these areas it is important to review what fundamental reform is needed. This will be bolstered by the improvements being made across leadership, culture and governance.

Allocation of resources

We have identified an instance where an individual medical locum was able to earn c£350k during 2023-24 which is significantly more than the highest paid director. While the rate and contractual terms received the appropriate service manager and director approval we have concerns over the value for money obtained in this case.

There was significant clinical risk in this speciality that required an escalated rate however there seems to have been a lack of consideration of the significant financial impact this could have on the board. There was no consideration of a trial period, the inconsistency of the contract with normal terms and conditions, the frequency of use and no differential in place between normal working and on call working rates.

We recommend that the board reviews the due diligence completed for those on escalated rates so that the decisions made achieve best value.

Deloitte view – Use of resources to improve outcomes

NHS Forth Valley have appropriate performance management procedures in place. Services reviews should continue in areas that would benefit most particularly those which remain underperforming. Due diligence around the use of escalated rates for supplementary medical staff should be reviewed to ensure decisions made represent best value.

9.6 Wider scope requirements (continued)

Best value

Requirements

The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value (BV).

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. As part of our wider scope audit work, we have considered whether there are organisational arrangements in place in this regard.

Conclusions from Audit Work

Under the new Code of Audit Practice, the audit of Best Value is fully integrated within the annual audit work. We have evaluated and reported on the performance of the NHS Forth Valley Board in meeting its Best Value duties as follows:

1. **Follow-up and risk based work.**
2. **Service Improvement and reporting.**

Deloitte view – Best Value

NHS Forth Valley has sufficient arrangements in place to secure best value and has responded positively to the escalation to Stage 4 of the NHS Scotland Performance Escalation Framework. However, as highlighted on [page 38](#) there is concern that appropriate due diligence was not carried out in the use of medical locum resulting in a lack of best value in that decision.

The Board has a clear understanding of areas which require further development. Financial sustainability remains a key risk.

9.7 Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit & Risk Committee and the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.


What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

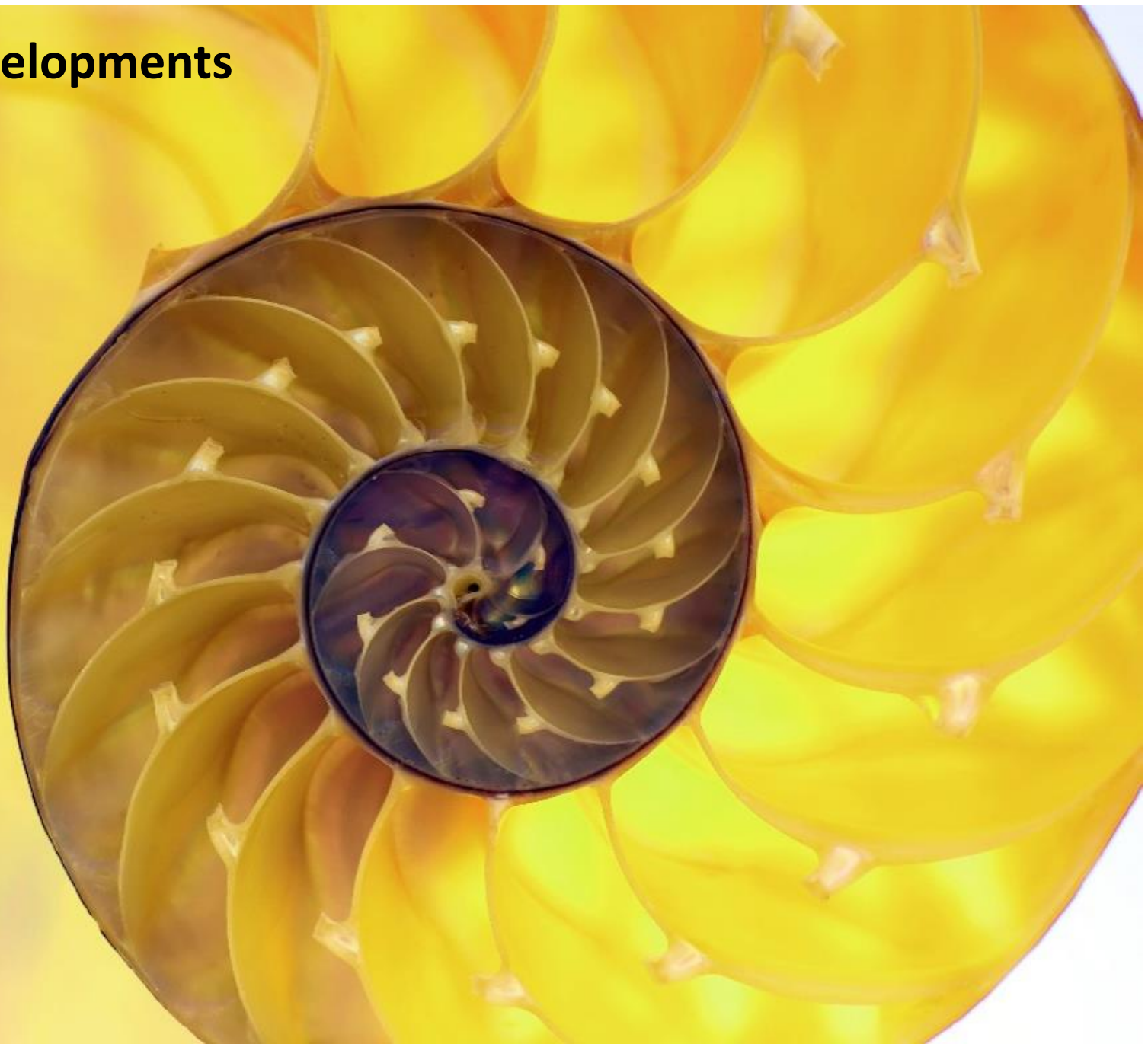
Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP
Glasgow | 18 June 2024

Sector developments



10. Sector developments

The future unmasked – Predicting the future of healthcare and life sciences in 2025

Background and overview

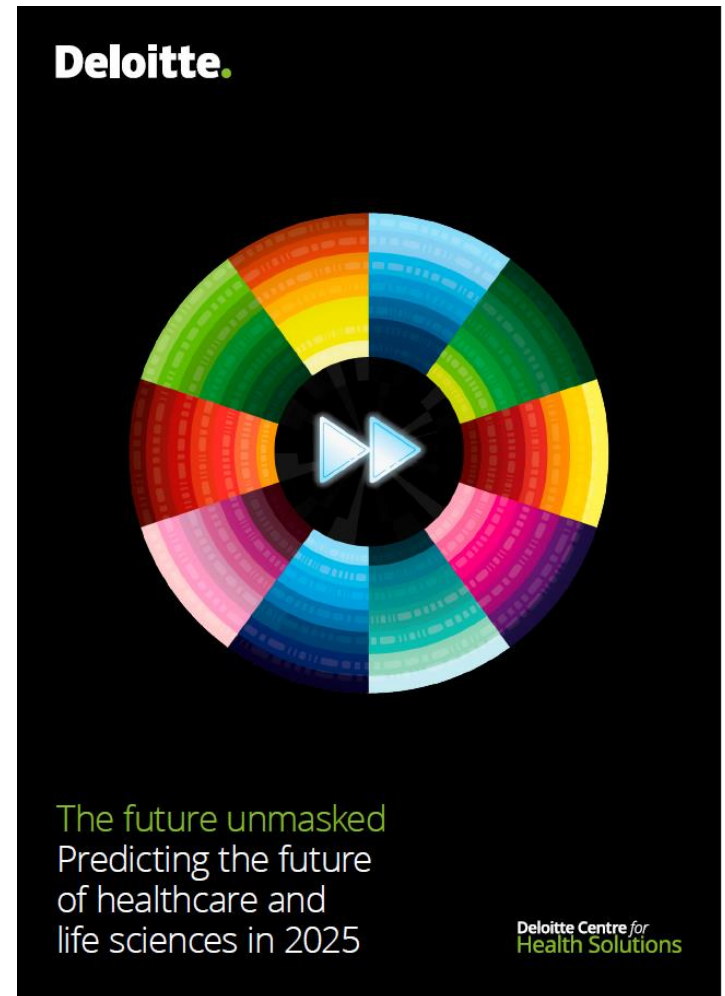
What does the future hold for the life sciences and healthcare industry? Our latest predictions report looks ahead to the year 2025 to help you see what's coming and to keep your organisation moving forward.

Each prediction is brought to life through snapshots of how patients, healthcare and life science companies and their staff might behave and operate in this new world. We explore the major trends and the key constraints to be overcome; and identify the evidence today to predict how near that future might be.

This year, inevitably, our predictions have been informed by the unparalleled impact of the COVID-19 pandemic on society in general and more specifically on how people perceive health risks. We have seen a new public appreciation of the contribution that healthcare and life sciences companies are making to each country's response and how these companies are paving the way for a new era of collaboration to identify and implement solutions. A key stand out has been the huge acceleration in the pace and scale of technology-enabled transformation across the whole health ecosystem.

Next steps

The full report is available at [The future unmasked](#).



The future unmasked
Predicting the future
of healthcare and
life sciences in 2025

Deloitte Centre for
Health Solutions

Appendices



11.1 Action Plan

The following recommendations have arisen from our 2023/24 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>1. The board should review the impact lower capital investment will have on its medium to long term strategy including the impact on key performance measures.</p>	<p>This will be considered as part of the development of the new population health and care strategy and submission of the Business Continuity Plan and Whole System Infrastructure Plan under the new capital planning approach by the Scottish Government.</p>		Director of Facilities	Jan 2025
<p>2. The board should work with the assurance board to determine key strategic areas of focus going forward.</p> <p>Areas in relation to vision, leadership and governance we would like to see further development in are:</p> <ul style="list-style-type: none"> • Healthcare Strategy • Leadership stabilisation • Continuing and embedding improved culture activities 	<p>We continue to work closely with the Assurance Board towards a path to de-escalation. Key priorities alongside the ongoing improvement work in Culture, Leadership & Governance include the development of the new population health and care strategy, appointment to key leadership posts and embedding culture activities.</p>		Chief Executive	Dec 2024
<p>3. Due diligence around the use of escalated rates for supplementary medical staff should be reviewed to ensure decisions made represent best value.</p>	<p>Review of due diligence & associated processes for escalation of supplementary medical locum rates will be taken forward by a new oversight group chaired by the medical director with senior clinical, finance and HR representatives.</p>		Medical Director	Sept 2024

11.2 Action Plan (continued)

We have followed up the recommendations made in 2022/23. We are pleased to note that the 3 recommendations have been fully implemented as documented below.

Recommendation	Management Response	Priority	Management update 2023/24
1. Listing of balances in Annual Accounts Management should perform a review of the system functionality to assess if disaggregated listings can be provided for Additions, post year-end invoices and payment, accruals, expenditure and prepayments. If they cannot be provided, assess if improvements can be made to the systems to allow this functionality.	A review of system functionality will be undertaken by the Deputy DoF and Accounting Services Manager to assess the feasibility of this recommendation. However, as this is a national finance system, there may be limitations in what improvements/system developments we can implement locally (noting that this issue has never been raised by previous auditors in prior years).	Low	The review of system functionality confirmed that there is no way to provide disaggregated listings in the format requested. To provide disaggregated listings in the format requested would require a change in how journals are prepared – this would effectively double the size of our journals which would cause additional workload and additional system processing times (which may in turn affect system performance). As the external auditors are provided with a full download of the entire ledger a workaround would be to use filters on journal and/or transaction ID which would provide the data at the level required.

11.3 Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2023/24
<p>2. Medium to long term financial planning Management should consider enhancing its financial planning to incorporate the following:</p> <ul style="list-style-type: none"> • Medium to long term financial planning to cover a period of between 5-10 years. • Scenario planning to include a “worst”, “best” and “likely” scenario to allow the Board to manage its risks. • An assessment of service demand and what impact this is expected to have on future expenditure should be considered. • Clearly link to the corporate strategy, demonstrating how it will allow NHS Forth Valley to achieve its wider objectives. 	<p>Our current medium term revenue financial plan currently covers a 3-year timeframe in line with Scottish Government financial planning arrangements. It is recognised that the plan is a live document which is regularly revised and updated in response to changing circumstances and the latest financial planning assumptions.</p> <p>As such we will consider the following enhancements:</p> <ul style="list-style-type: none"> • Extending the plan to 5 - 10 years and including an element of scenario planning (recognising the need balance the level of detail provided in publicly available reports compared to internal management information and analysis). • Inclusion of future service demand and the financial implications of the Board’s new Healthcare Strategy. 	Medium	<p>The medium term financial plan was extended from 3 years to 5 years with scenario planning and one-way sensitivity analysis performed in relation to the range of potential funding uplifts and inflationary assumptions. The medium term financial plan is a live document which will continue to be reviewed and updated as clarity on financial planning assumptions emerge and the impact of the new Healthcare strategy is known. The new Healthcare Strategy is currently under development and is expected to be published in December 2024.</p>

11.4 Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2023/24
<p>3. Climate change NHS Forth Valley needs to develop more granular interim targets to allow it to measure progress towards its overall emissions reduction target. Consideration should also be given to any financial statement impact of climate change.</p>	<p>This is an evolving area for all NHS Boards as we work to implement the national NHS Scotland Climate Emergency and Sustainable Development Policy DL(2021)38. We have developed a local Climate Emergency and Sustainability Strategy which will be presented to the NHS Board for approval in July and this incorporates a number of interim targets and an action plan to help guide and support our journey to net zero by 2040.</p>	Low	<p>The Climate Emergency and Sustainability Strategy and the Action Plan were approved by the Board on 25 July 2023.</p>

12.1 Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified from our audit procedures, which have been identified as immaterial and not adjusted for.

		Debit/(credit) SOCNE £m	Debit/(credit) in net assets £m	Debit/(credit) prior year reserves £m	Debit/(credit) Equity £m
Misstatements identified					
PPE	[1]	(1.39)			
Revaluation Reserve			1.39		
Total		(1.39)	1.39		

[1] There was one prior year misstatement within property valuations above our reporting threshold which was identified by our internal real estate asset valuation specialist team where inaccurate external hectareage had been used as the basis for valuing the Forth Valley Royal Hospital and Royal Scottish National Hospital sites by the District Valuer. This impacted historic valuations to a total sum of £1.39m due to incorrect external hectareage that was input to the valuation of the land. As this balance was immaterial, management chose not to adjust for this misstatement. Overall, we have concluded that the property valuations of NHS Forth Valley are appropriate given that the revaluations for the year 2023/24 were based on the updated areas.

12.2 Audit adjustments

Corrected misstatements

No misstatements have been identified following our audit procedures which have been corrected by management.

13. Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked NHS Forth Valley to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked NHS Forth Valley to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.



Audit work performed:

In our planning we identified the risk of fraud in operating within expenditure resource limits and management override of controls as a key audit risk.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Audit & Risk Committee on the process for identifying, evaluating and managing the system of internal financial control. We will explain in our audit report (for all entities subject to audit) how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Concerns:

No issues or concerns have been identified in relation to fraud.

14. Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Board and our objectivity is not compromised.

Fees The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:

	£
Auditor remuneration	174,920
Audit Scotland fixed charges:	
• Pooled costs	21,140
• Sectoral cap adjustment	2,270
Total expected fee	198,330

We are discussing with management an additional fee in relation to increased work within wider scope.

Non-audit services In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Board's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships We have no other relationships with the Board, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.



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