



NHS Forth Valley

Final report to the Audit & Risk Committee, the Board and the Auditor General for Scotland on the on the 2022/23 audit
Issued on 13 June for the meeting on the 20 June 2023

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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 2022/23 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 2023.

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

Conclusions from our testing

Based on our audit work completed to date, we expect to issue 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 an update has been received confirming compliance.

The auditable parts of the Remuneration and Staff report have been prepared in accordance with the relevant regulation (subject to receipt of outstanding signed remuneration letters).

A summary of our work on the significant risks is provided in the dashboard on page [8](#). The Board met its financial targets for 2022/23, achieving a small surplus of £229,000.

No material errors have been identified to date and there are no uncorrected misstatements. One corrected misstatement in excess of our reporting threshold of £250,000 has been identified up to the date of this report which is included within the Appendix to this report. This has no impact on the final results of the Board.

Partner introduction (continued)

The key messages in this report (continued)

Status of the Annual Report and Accounts audit

Outstanding matters to conclude the audit include:

- Receipt of signed remuneration letters for two directors;
- Finalisation of testing of IJB income and expenditure and associated consolidation;
- Finalisation of internal quality control procedures;
- Receipt of final Annual Report and Accounts;
- Final confirmation of any legal matters since 31 March 2023
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2023.

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 2022/23 however, there remains a significant funding gap in 2023/24 therefore there is a significant risk that the Board is not financially sustainable in the short term.

There continued to be an unsustainable reliance on non-recurring savings, impacted by an increasing level of savings required.

NHS Forth Valley's Financial Plan could be further enhanced, with reference to best practice by expanding to a longer timescale of between 5-10 years, incorporating scenario planning currently carried out by management, impact on service demand and linking to its corporate strategy and wider risks.

- **Vision, leadership and governance** – The Board is in the process of updating its vision and strategy, following delays due to the pressures and uncertainties arising from the COVID-19 pandemic. While leadership has remained relatively consistent during 2022/23, concerns have been raised in relation to the governance, leadership and culture of the organisation, resulting in NHS Forth Valley being escalated to Stage 4 of the NHS Scotland Performance Escalation Framework.

The Board has responded positively to the escalation framework, has put appropriate governance arrangements in place and has made progress in the first few months since agreeing the Escalation Improvement Plan. It is critical that the pace is maintained, with sufficient resources in place to drive forward the change needed.

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 has a clear and robust performance management framework in place which analyses data and tracks progress against targets. There is a clear focus on continuous improvement, as evidenced within its Escalation Improvement Plan. Implementation of the measurement framework is a key element for the Board to be able to demonstrate that the actions being taken are improving outcomes.

Performance continues to be impacted by the pandemic and period of remobilisation. The Board is taking action in areas where performance has continued to be below targets, for example in unscheduled care. It is important these realistic targets are considered and taken into account in future resource planning, both from a funding perspective and workforce.

- **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. The Board has a clear understanding of areas which require further development. Financial sustainability remains a key risk.
- **Climate change** – It is positive to see the development of the Climate Emergency and Sustainability Strategy and associated Action Plan. NHS Forth Valley needs to develop more granular interim targets to allow it to measure progress towards its overall emissions reduction target.

- **Cyber risk** - We have obtained an understanding of NHS Forth Valley's cyber risk management programme and internal controls in relating to cyber risk. No issues have been noted.

Next steps

An agreed Action Plan is included on pages [47 to 50](#) 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 [45](#) 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










Quality indicators

Impact on the execution of our audit

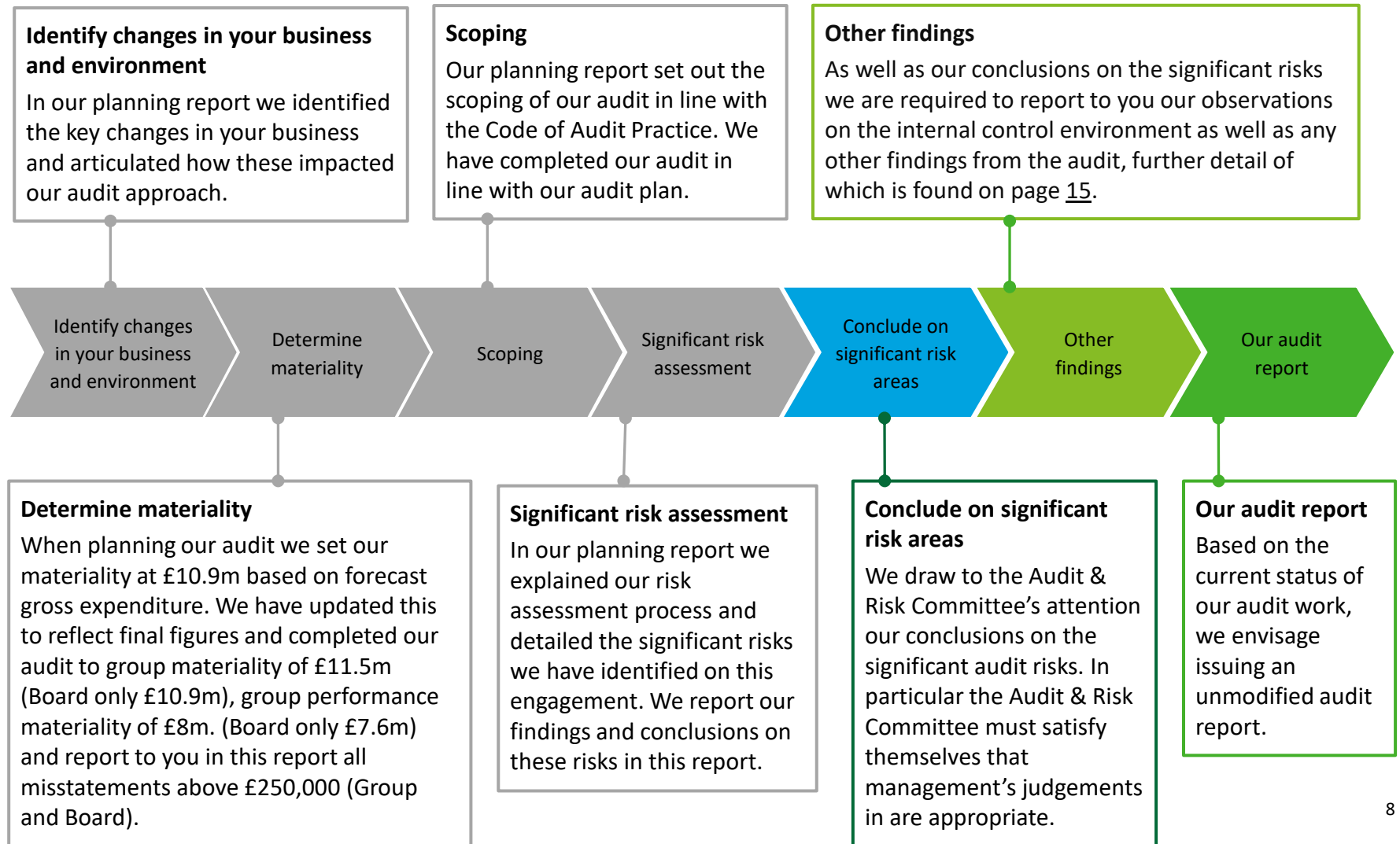
 Lagging
  Developing
  Mature

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		There has been instances across our testing where the listing to support a balance was not fully disaggregated, e.g. by invoice, which resulted in additional listings being requested and additional testing being required.	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 PFI and the adoption of 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 misstatement above our reporting threshold was identified, being an adjustment to the property valuation of the Stenhousemuir Health Centre. The misstatement is not material and has no impact on NHS Forth Valley's financial results. This has been corrected by management.	Page 53










Our audit explained

We tailor our audit to your business and your strategy



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

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 to date.

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 16 and IAS 17 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 obtained and assessed the initial PFI/ HUB agreements in place and reconciled to the payment schedules for each model. We have checked the integrity of the models and have performed a reconciliation to the annual accounts to confirm they 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. 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> <p>We have challenged management’s accounting treatment and concluded that the net book value has been appropriately disclosed.</p>

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 2023, there were 70 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 2023, 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 2023, 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>

Significant risks (continued)

Property valuations



Risk identified and key judgements

The Board held £529.125m of property assets (land, dwellings & buildings) at 31 March 2022 which increased to £546.297m as at 31 March 2023, due to upwards revaluations and reversals of impairments as a result of the Board undertaking a full independent valuation exercise during 2022/23.

In 2022/23 the Board has performed a full independent valuation of its estate as at 31 March 2023. This has resulted in a net increase in the valuation of the Boards property assets of £28.092m, with a closing net book value of £546.297m.

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 misstatement within property valuation above our reporting threshold where the value of Stenhousemuir Health Centre was valued on the basis NHS Forth Valley owned the asset outright on the basis that they could extend the lease after the 25 year term. The quantum of the misstatement was a £2.86m downwards valuation of the asset which management have agreed to correct. As such we have concluded that the property valuations of NHS Forth Valley are appropriate.

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;
- Obtaining independent confirmation of the resource limits allocated to NHS Forth Valley by the Scottish Government;
- Performing focused testing of accruals and prepayments made at the year-end; and
- Performing focused cut-off testing 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 £229,000 and therefore is in compliance with the financial targets in the year.

Your control environment and findings

Control deficiencies and areas for management focus

-  Low priority
-  Medium Priority
-  High Priority

Observation	Deloitte recommendation	Management response and remediation plan
<p>Listings for testing procedures were not disaggregated and require multi step sampling resulting in additional audit work being performed.</p>	<p>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.</p>	<p>Please see Action Plan at page 47 for management response.</p>

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 "FReM"). 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 property valuations, as discussed on [page 13](#).

Regulatory change

IFRS 16, Leases, came into effect on 1 April 2022, therefore 2022/23 is the first year of implementation. This required adjustments to recognise on balance sheet arrangements previously treated as operating leases.

We tested the completeness of leases identified on transition. NHS Forth Valley has 113 leases, therefore we tested a sample to assess accuracy of the Right of Use Assets and lease liabilities.

We noted no issues in our testing of IFRS 16 Leases.

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 [12 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 [pages 23 and 24](#).

We will obtain 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. A copy of the draft representations letter has been circulated separately.

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 expected to be 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](#).

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 revised draft. This included additional disclosure regarding the declaration of intent for improving outcome Key Performance Indicators.</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 noted.</p> <p>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 comments and suggested changes which management have updated in the revised draft.</p> <p>We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that it has been prepared in accordance with the accounts direction. (subject to receipt of outstanding signed remuneration letters).</p>

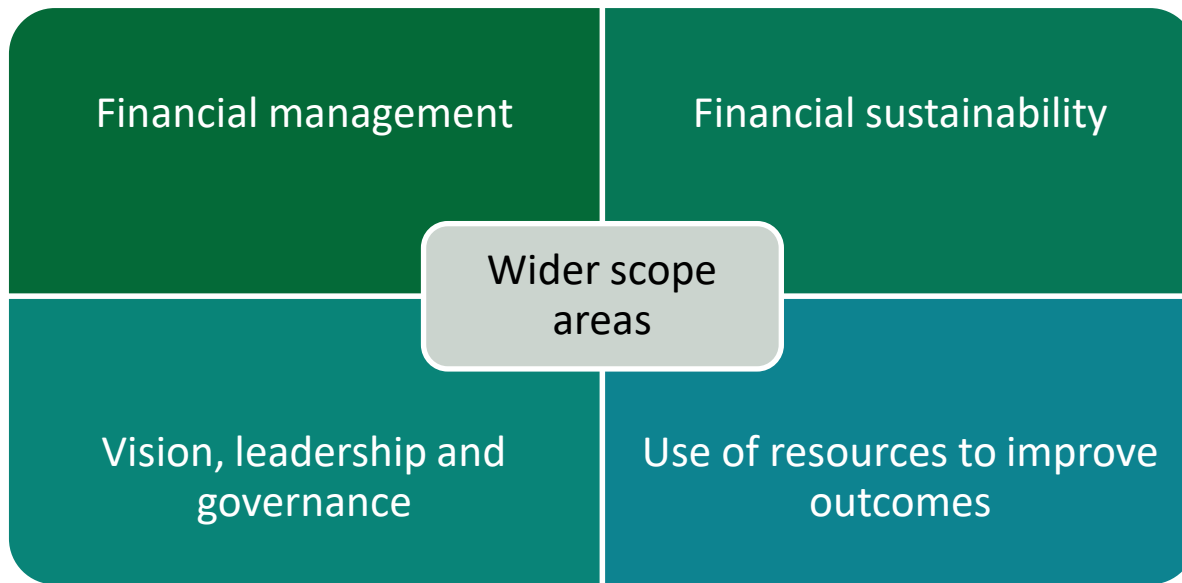
Wider scope audit



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.



In its planning guidance, Audit Scotland has also highlighted the following national or sectoral risks that the Auditor General and Accounts Commission wish auditors to consider at all bodies during the 2022/23 audits:

- Climate change.
- Cyber security.

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.

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

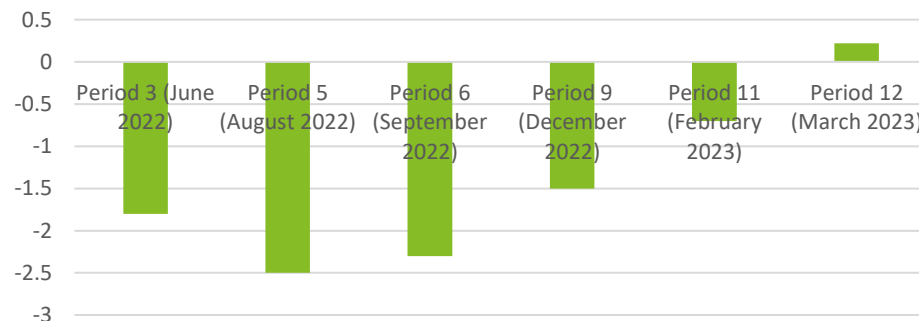
Significant risks identified in Audit Plan

We did not identify any significant risks in relation to financial management during our planning work. We therefore restricted our audit work to reviewing the budget monitoring to the Board during the year to assess whether financial management and budget setting has continued to be effective.

Current year financial performance

The 2022/23 budget was approved by the Board on 29 March 2022. This was monitored and updated throughout the year reflecting changes in both expenditure and income. The Board budgeted net expenditure of £761 million. Following revisions during the year this was increased to £778.6 million, with the final outturn expenditure reported of £778.6 million, i.e. an underspend of £0.229 million (0.03% of total budget). While overspends were reported during the year (as illustrated below), an improved position was achieved primarily due to confirmation of the new medicines fund allocation which was significantly higher than the original planning assumptions and slippage on projects and service developments.

Financial monitoring: Actual YTD Outturn
2022/23



Wider scope requirements (continued)

Financial management (continued)

Current year financial performance (continued)

While an overall surplus was achieved, this was a combination of both over and underspends in key areas, including:

- An overspend of £3.228 million in Acute Services;
- An underspend of £1.345 million in Corporate Functions;
- An underspend of £2.245 million in ringfenced and contingent budgets; and
- Within delegated functions, operational services reported an underspend of £5.336million, which was largely offset by overspends of £5.558 million in universal services.

Significant financial challenges were experienced during the course of the year due to ongoing capacity and staffing pressures (including temporary workforce costs to cover sickness absence and contingency areas on the Acute side) increases in medicine costs across both hospital and community settings, ongoing COVID-19 legacy expenditure, delays in delivering recurring saving plans and inflationary pressures affecting energy costs and a range of contracts which are link to RPI.

A capital plan of £10.357m was also agreed at the time of setting the budget in March 2022. The final outturn position at 31 March 2023 was a breakeven position against a revised allocation of £14.5m.

Expenditure in the year included ongoing building works to complete the National Treatment Centre and adjoining car park, key information management and technology priorities, purchase of new medical equipment and various facilities and infrastructure projects

Regularly reporting has been provided to the Executive Leadership Team (ELT) and Board providing details on the variances and projected position. There is also a clear link between the financial information presented during the year and the final position as reported in the Annual Report and Accounts.

The approved budget included a need to make savings of £29.3 million (4.9% of baseline funding), as summarised below. This was largely in line with the savings targets set in previous years. Progress against these savings is reported as part of the regular monitoring to ELT and the Board. As summarised below, while overall savings have been achieved, a significant proportion are on a non-recurring basis so not sustainable.

	2021/22 savings achieved (£m)	2022/23 Budgeted savings (£m)	2022/23 Actual savings (£m)
Recurring	15.474	27.200	9.006
Non-recurring	16.924	2.111	20.305
Total	32.398	29.311	29.311

Wider scope requirements (continued)

Financial management (continued)

Finance capacity

The finance team has remained consistent throughout the year, being led by the Director of Finance and Deputy Director of Finance. We have not identified any risks with the teams capacity during 2022/23 that would impact on the financial management of the Board.

Internal controls and internal audit

The Board has comprehensive financial regulations in place, which were last reviewed and updated in December 2022.

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2022/23. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work. The internal audit function continues to be provided by Fife, Tayside, Forth Valley (FTF) shared services, hosted by NHS Fife.

The 2022/23 Internal Audit Plan was approved by the Audit and Risk Committee in June 2022 and includes 439 audit days assigned across a number of projects. Detailed reports are provided to the Committee for each project.

Regular reports are also provided to the Audit and Risk Committee to report on follow-up of agreed actions identified with internal audit reports. The latest report to the Committee in March 2023 highlighted out of 88 “live” recommendations, 47 have been completed or superseded and 41 have action dates that are not yet due. This was noted as an improved position to that reported in January following the intervention of the Chief Executive, with 21 actions having agreed extended dates, primarily due to conflicting priorities. While we recognise the continued pressure on NHS staff, it is important that this is continually monitored to ensure that actions are addressed on a timely basis.

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 irregularities 2021/22 – 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 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 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.

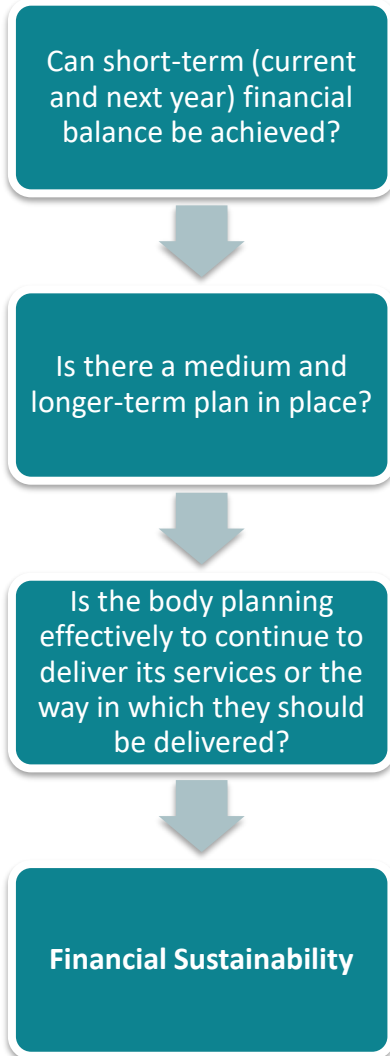
Deloitte view – financial management

NHS Forth Valley continues to have effective budget setting and monitoring arrangements in place. This is supported by an experienced finance team and a robust independent internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error. Improvements have been noted in the rate of implementation of internal audit recommendations. It is important that this is closely monitored to ensure that this continues.

The Board does, however, continue to be reliant on non-recurring savings to achieve a balanced position. This has been considered further under financial sustainability on page 26.

Wider scope requirements (continued)

Financial sustainability



Significant risks identified in Audit Plan

In our audit plan we highlighted that the Board's 2022/23 to 2024/25 financial plan estimated a cumulative savings requirement of £71 million to balance the budget. As with all public sector bodies, it is becoming increasingly challenging to balance the income expected with the increasing expenditure, while continuing to provide effective services to the public. We therefore identified that there was a significant risk that robust medium-to-long term planning arrangements were not in place to ensure that the Board can manage its finances sustainably and deliver services effectively, identify issues and challenges early and act on them promptly.

2023/24 budget setting

The Board approved its financial plan for 2023/24 in March 2023. The budget was prepared in consultation with relevant groups including ELT and, the Performance and Resources Committee (P&RC). The following key highlights are noted:

- After considering cost inflationary projections and uplifts in funding, an initial financial gap of £40.591 million, before savings, was identified, representing 5.4% of the Board's core Revenue Resource Level (RRL).
- Total planned savings identified are £25 million, £10 million (40%) of which are expected to be recurring, with the balance relating to various non-recurring measures and one-off funding sources.
- A residual deficit of £15.6 million remains. The Scottish Government have asked Boards to further develop plans to deliver 3% recurring savings in 2023/24 and develop options to meet any unidentified or high risk savings balances. Work is in progress to identify further savings proposals and an update is expected to be provided to the P&RC before submitting to the Scottish Government.

Wider scope requirements (continued)

Financial sustainability

2023/24 budget setting (continued)

In setting its 2023/24 budget, the Board has recognised a number of risks, which is in line with best practice, including:

- Its ability to fully identify the level of recurring savings plans required and reduce the reliance on non-recurring measures;
- Potential delays in delivering efficiency savings due to lead in time needed, coupled with limited staff capacity to drive progress;
- Recruitment and retention challenges, impacting on continued use of bank and agency staff;
- Failure to implement COVID-19 exit strategies to ensure costs cease at 31 March 2023;
- Whole system capacity and workforce pressures across the health and social care sector;
- Significant inflationary pressures;
- Affordability challenges regarding the introduction of new drugs and therapies.
- Financial pressures associated with the disproportionately high prison population in Forth Valley; and
- The recurring funding gap associated with the full implementation of the Primary Care Improvement Plan is not addressed by Scottish Government (further considered on [page 31](#)).

In addition to the revenue budget, the Board approved its Capital Plan for 2023/24 in March 2023. The total capital expenditure planned for 2023/24 is £9.375m, and in line with previous years relates to:

- Information Management and Technology
- Medical Equipment
- Facilities and Infrastructure

The Board's Property Asset Management Strategy is currently on hold pending further information from the Scottish Government regarding the new whole system planning approach to capital investment. Similarly, the planned redevelopment and modernisation of the Primary Care estate and reprovisioning of Falkirk Community Hospital are both currently being rephased to latter years in light of national capital funding constraint.

This lack of funding to progress major capital investment priorities has been raised as a key risk by the Board.

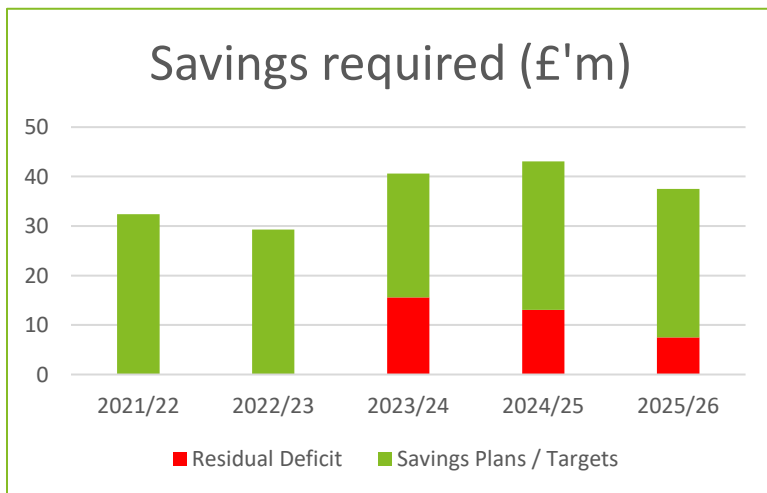
Wider scope requirements (continued)

Financial sustainability

Medium-to-long term financial planning

At the same time as approving the 2023/24 budget, the Board also approved the 3 year plan covering the period 2023/24 to 2025/26. This is in line with the requirements from Scottish Government for all Health Boards to provide a 3 year financial plan.

The expected savings required over the 3 year period are illustrated below. This demonstrates that not only does NHS Forth Valley have significant residual deficits where savings plans need to be developed, the overall savings required are significantly higher than previous years to achieve financial balance.



Also noted on [page 22](#), in 2022/23, NHS Forth Valley has continued to be reliant on non-recurring savings, with similar levels incorporated into the 2023/24 budget. This is not sustainable.

We have reviewed and assessed NHS Forth Valley's Financial Plan against the best practice set out in Audit Scotland's publication "Scotland's public finances (June 2014)", and have highlighted the following areas where the plan could be enhanced:

- The plan only covers a 3 year period. While this is in line with the Scottish Government request to all Health Boards, best practice is for a financial strategy to cover a period of between 5-10 years.
- While savings options for recurrent savings are detailed in the plan, non-recurrent savings are not detailed and therefore not evidence based.
- While management has confirmed that sensitivity analysis is performed to assess and articulate the risks and value of potential movements, there is no scenario analysis detailed in the report considered by the Board. Given the uncertainty with the funding levels and inflationary pressures, we would expect scenario planning to include a "worst", "best" and "likely" scenario to allow the Board to manage its risks.

Wider scope requirements (continued)

Financial sustainability

Medium-to-long term financial planning (continued)

- There is no specific assessment of service demand and what impact this is expected to have on future expenditure, however, there is a recognition within the risks of increased demand, e.g. new drugs and therapies and pressure from Prison Service..
- There are no clear links to the corporate strategy, however, there is recognition that financial sustainability will be a key theme embedded within the refresh of the Board's Healthcare Strategy and also underpin future workforce and digital health strategies. Best practice would suggest demonstrating how the financial plan will allow NHS Forth Valley to achieve its wider objectives, e.g. linking to outcomes.

Deloitte view – Financial sustainability

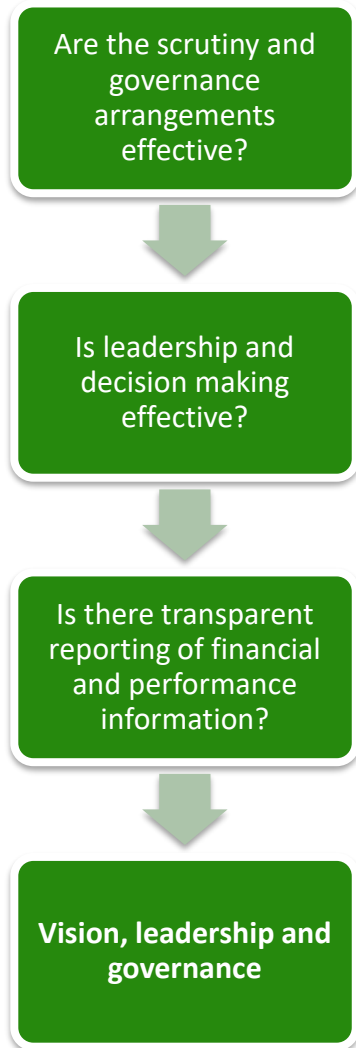
NHS Forth Valley has achieved financial balance in 2022/23 however, there remains a significant funding gap in 2023/24 where savings plans have not yet been identified. There is therefore a significant risk that the Board is not financially sustainable in the short term.

There continued to be an unsustainable reliance on non-recurring savings, which are also reflected in its 3 year plan which identifies an increasing level of savings required.

NHS Forth Valley's Financial Plan could be further enhanced, with reference to best practice by expanding to a longer timescale of between 5-10 years, incorporating scenario planning currently carried out by management, impact on service demand and linking to its corporate strategy and wider risks.

Wider scope requirements (continued)

Vision, leadership and governance



Significant risks identified in Audit Plan

In our audit plan, we identified a significant risk in relation to the leadership, governance and culture in place within NHS Forth Valley. This was in response to the Scottish Government's decision to escalate NHS Forth Valle to Stage 4 of the NHS Scotland Performance Escalation Framework and the associated revised governance structure put in place. We have reviewed the work of the Board and its Committees to assess whether the arrangements are operating effectively, including assessing whether there is effective scrutiny, challenge and informed decision making. We have also assessed the Board's response to the external reports issued by Healthcare Improvement Scotland and NHS Education Scotland, and actions taken against the Scottish Government's escalation framework and associated reporting.

Vision and strategy

NHS Forth Valley's last formal Strategic Plan, the Healthcare Strategy, covered the period 2016-2021. Due to the pressures and uncertainties arising from the Covid-19 pandemic, the work to update the strategy has been delayed. The Board had initially agreed a timetable for this to be completed by October 2022 but has agreed a revised timeline and approach to development at its meeting in May 2023, with a final strategy expected to be approved in November 2023. This incorporates a period of public consultation. The Board recognise that workforce is critical to its long term objectives and is working to ensure that the workforce, finance and strategic plans are aligned.

In the absence of the updated strategy, the Board approved a set of corporate objectives for 2022/23, with the Annual Delivery Plan focussing on the following:

- Reducing inequalities whilst improving population health, especially for those people with long term conditions including those suffering from Long Covid and chronic pain;
- Access performance trajectories and options to illustrate the commitment to deliver improvement in elective care waiting times across a range of standards/ targets including cancer and mental health;

Wider scope requirements (continued)

Vision, leadership and governance (continued)

Vision and strategy (continued)

- Planning ahead, and in partnership with the Integration Authorities, set out how they intend to improve its 4-hour access performance, implement 'same day emergency care' and reduce transfer and discharge delays, especially on the Forth Valley Royal Hospital; and
- Building stronger and more resilient primary care, community care including social care and mental health services with its Integration Authorities and Local Authorities to support people live at home.

The Delivery Plan also recognises that healthcare needs to be financially and environmentally sustainable.

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.

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.

During 2022/23, NHS Forth Valley has progressed with the development of an Anchor institution alongside local partners, with the first meeting of the Anchor Board in December 2022.

As noted on page [29](#), following approval of the draft updated strategy, the Board plan to consult for a period of 4 months before final approval in November 2023.

Leadership

NHS Forth Valley Board members and the Executive Management Team have remained largely consistent during 2022/23, with the only changes in non-executive members following local government elections.

As discussed in more detail on the following pages, concerns have been raised during the year in relation Leadership and Culture, resulting in NHS Forth Valley being escalated to Stage 4 of the NHS Scotland Performance Escalation Framework.

Wider scope requirements (continued)

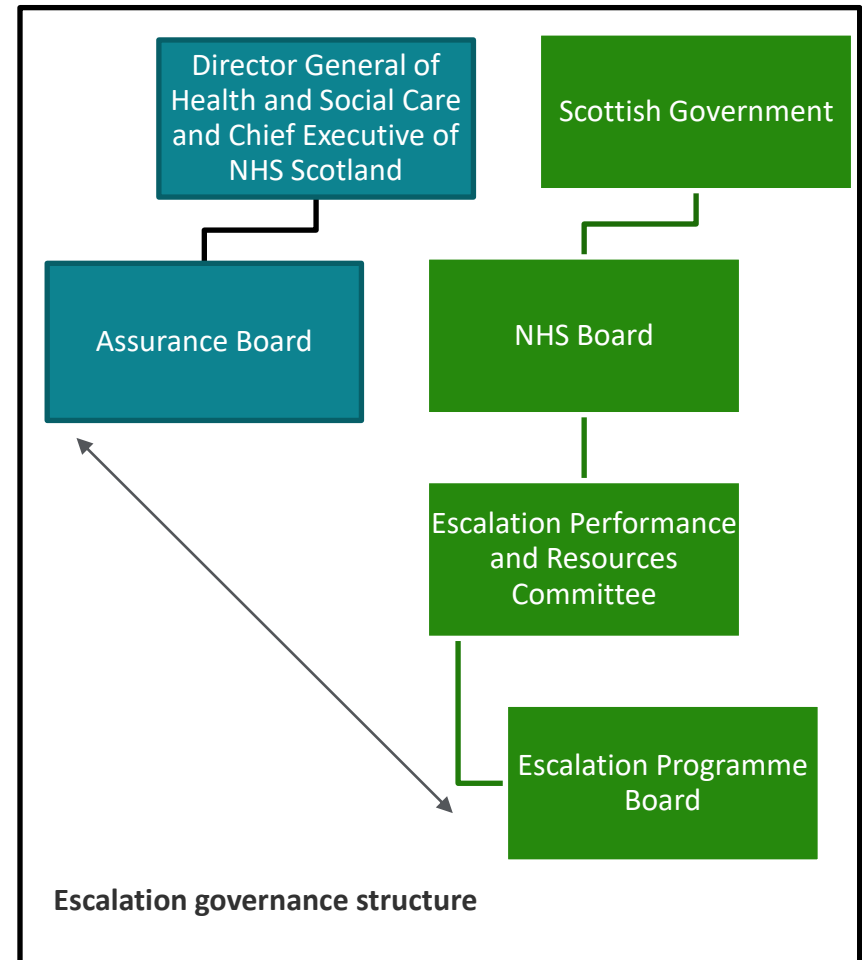
Vision, leadership and governance (continued)

Escalation Framework

On 23 November 2022, NHS Forth Valley was escalated to Stage 4 of the NHS Scotland Performance Escalation Framework for concerns relating to Governance, Leadership and Culture. Concerns have also been raised through Healthcare Improvement Scotland (HIS) and the National Planning and Performance Oversight Group (NPPOG) in relation to a range of performance-related issues, notably GP and Primary Care Out of Hours services, unscheduled care, mental health and integration. In January 2023, NHS Education for Scotland also reported concerns as a result of observing departments within Forth Valley Royal Hospital experiencing significant challenges giving rise to serious concerns in terms of clinical supervision.

Stage 4 escalation brings direct formal oversight and coordinated engagement from Scottish Government in the form of an Assurance Board. This Board is chaired by Christine McLaughlin, Director of Population Health, with the Assurance Board reporting to the Director General and CEO of NHS Scotland. The governance and reporting arrangements at both Scottish Government and NHS Forth Valley Board level are summarised in the figure opposite.

A Programme Board, led by the Chief Executive, will provide the direction and oversight to ensure delivery of the agreed actions within the Escalation Improvement Plan. The Board membership includes the ELT (including the Employee Director) and Chair of the Area Clinical Forum. The Programme Board is held to account by the Escalation Performance and Resources Committee and is also responsible for developing and agreeing formal progress reports to the Assurance Board on a monthly basis.



Wider scope requirements (continued)

Vision, leadership and governance (continued)

Escalation Framework (continued)

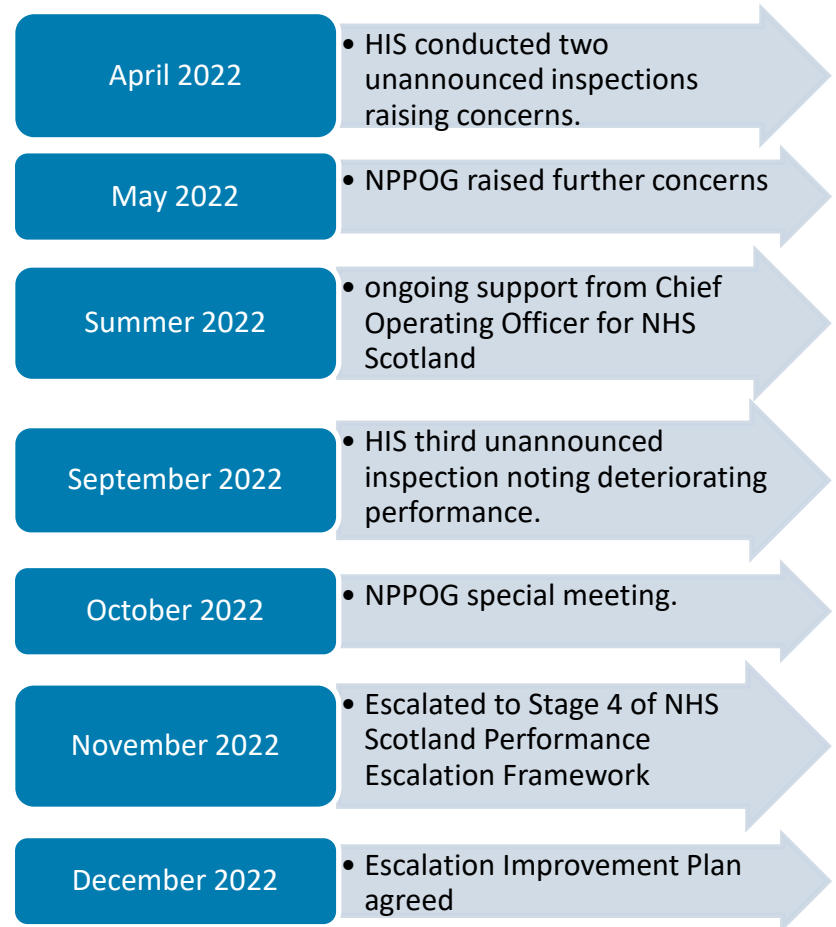
The timeline leading up to escalation and agreement of Escalation Improvement Plan is illustrated on the right. Regular monitoring and updates have been provided on both the Escalation Improvement Plan and HIS Action Plan, with the most recent considered by the Board in March 2023.

The Plan, which aims to strengthen leadership, supported by effective governance and improved culture, focuses on three key priorities:

- Putting patients first;
- Supporting staff; and
- Working in partnership.

The update to the Board in March 2023 noted that all immediate and short term actions have been progressed with Board members sought assurance on implementation of these and the steps being taken to continue to update the Plan to ensure the delivery of sustainable improvement. Version 2 of the plan, agreed in March, sets out the Board's actions to respond to the medium to longer term actions. An 18 week progress update in relation to the HIS Action Plan was also agreed.

A measurement framework was also agreed in March 2023 to enable the Board and its Assurance Committees to monitor and measure progress against key actions, timescales and outcomes as set out in the approved Escalation Plan.



Wider scope requirements (continued)

Vision, leadership and governance (continued)

Escalation Framework (continued)

The Board has reported actions being taken to improve service performance, in particular in the areas of concern raised by the NPPOG including unscheduled care, out of hours services, mental health and integration. We have considered this further on page [37](#).

In response to the concerns raised around culture, leadership and governance, the following actions have been taken:

- NHS Forth Valley is about to embark on a Culture Change and Compassionate Leadership programme, based on a programme that has been successfully introduced within a number of NHS organisations across the UK.
- As discussed opposite, a review of governance arrangements, led by Professor John Brown is underway.
- New performance management meetings have been put in place for Board Directorates and Health and Social Care Partnerships to manage and monitor performance.

The mid-year review from Scottish Government, reported to the Board in May 2023, confirmed they had received assurance that the Board's leadership remained committed to delivering the required change. It highlighted the importance of achieving the changes within the timeframe set out and keeping staff, local people and their representatives informed. It also highlighted that the Board's focus should be on demonstrating sustained progress.

Governance and scrutiny arrangements

The last comprehensive review of the Code of Corporate Governance was undertaken in March 2022, with a subsequent update in September 2022 to take into account the new Model Code of Conduct and updated Risk Management Strategy.

As a result of the escalated governance arrangements, Professor John Brown, Chair of NHS Greater Glasgow and Clyde, has begun an independent review of the Board and Assurance Committee governance arrangements. The terms of reference for this review were agreed by the Board in January 2023. The review is intended to assist the Board in identifying any improvements to their approach to corporate governance that will be required to address the range of performance-related issues included in the Improvement Plan.

The review findings are expected by the end of June 2023 and will inform the update to the Code of Corporate Governance along with the Blueprint for Good Governance, which is anticipated in July 2023.

Internal Audit has also carried out its annual Internal Control Evaluation (ICE) review, which was reported to the Audit and Risk Committee in January 2023. This review aimed to provide early warning on any significant issues that may affect the Governance Statement and included 11 recommendations.

Wider scope requirements (continued)

Vision, leadership and governance

Governance and scrutiny arrangements (continued)

In particular, the following areas were highlighted as **requiring improvement**:

- Financial sustainability should be given appropriate priority in all decisions and realistic targets should be set within the available resources;
- The staff governance committee should have clear oversight of workforce planning;
- There is room for improvement in the escalation of risks and issues in papers presented to Assurance Committees;
- Improvements recommended in the minutes of the Audit and Risk Committee to evidence the scrutiny and discussion, with clear “Action Point update”;
- Improvements recommended in the Annual Reporting and Alignment of Assurances and Committee Assurances.

The internal audit report did highlight a number of **key developments in the year** including:

- An introduction of a cover paper for Assurance Committees featuring levels of assurance, albeit requiring further refinement;
- Reinstatement of the programme of Performance Reviews to support departmental devolved accountability and to ensure that assurance is provided at governance level, and to provide early warning of risks and issues; and
- Numerous enhancements to Risk Management arrangements.

The Audit and Risk Committee continues to be a key element of the governance arrangements in place. In line with the Scottish Government Handbook, the Committee carries out an annual self assessment of its effectiveness, with the latest self assessment checklist considered by the Committee in March 2023. This concluded that the majority of areas of best practice, in line with the handbook, were in place. The Terms of Reference were updated to reflect improvements and consistency with other Committee.

The Audit and Risk Committee also provide oversight and scrutiny of the risk management activity. An updated Strategic Risk Register was reviewed by the Committee in March 2023, with updates provided on the work being done to manage the strategic risks.

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 and as recommended by internal audit, an Action Log has been recently introduced to evidence that scrutiny and challenge.

Wider scope requirements (continued)

Vision, leadership and governance

Transparency of reporting

All Board agendas and minutes are publicly available through its website, along with minutes of all governance committee. Members of the public are able to observe Board meetings live via Microsoft Teams, thereby demonstrating openness and transparency of decision making and performance information. Internal Audit has reported that while assurance reporting has been enhanced, there is still room for improvement in the escalation of risks and issues in papers presented to Assurance Committees.

Deloitte view – Vision, leadership and governance

The Board is in the process of updating its vision and strategy, following delays due to the pressures and uncertainties arising from the COVID-19 pandemic. Plans are in place to take a draft out to consultation, with final Board approval in November 2023. We welcome the drive to ensure the clear link between the new strategy, workforce planning and financial planning. This is critical to the achievement of long term objectives. The one year Annual Delivery Plan includes specific focus on reducing inequalities, improving performance in achieving access targets and working in partnership with the Integration Authorities.

While leadership has remained relatively consistent during 2022/23, concerns have been raised in relation to the governance, leadership and culture of the organisation, resulting in NHS Forth Valley being escalated to Stage 4 of the NHS Scotland Performance Escalation Framework.

The Board has responded positively to the escalation framework, has put appropriate governance arrangements in place and has made progress in the first few months since agreeing the Escalation Improvement Plan. It is critical that the pace is maintained, with sufficient resources in place to drive forward the change needed. Implementation of the measurement framework is also a key element for the Board to be able to demonstrate that the actions being taken are improving outcomes.

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 has been placed on an Escalation Framework by the Scottish Government and the significant system wider pressures there is a risk that performance management systems are not effective. The Board continues to be faced with challenges in meeting key targets as it continues to be impacted by the impact of the COVID-19 pandemic. There is a risk that performance reporting has not been timely, reliable, balanced and transparent.

Performance management framework

NHS Forth Valley is currently updating its performance management framework to give the Board the infrastructure with which to make systematic, continuous improvements to performance enabling achievement of its corporate objectives. The main strands of performance reporting within NHS Forth Valley are:

- Board and Assurance Committee performance reporting;
- Operational and Directorate and Partnership performance reporting; and
- National and local performance reporting.

Regular detailed performance reporting has been provided to the Board throughout the year providing a summary of performance, supported by a Performance Scorecard.

As discussed on page [31](#) as part of the development of reporting on the escalation framework, a measurement framework has been developed. The Board plan to use existing performance trajectories and key performance indicators, as far as possible, to assess the impact of improvements. However, this measurement framework is not in place of KPIs currently used to monitor organisation performance. The longer term solution is to integrate the measurement framework into the overall assurance approach and align measurements to approved strategies and appropriate governance committees in line with the assurance framework. It is important that the Board has the data systems in place to be able to capture the information to measure outcomes.

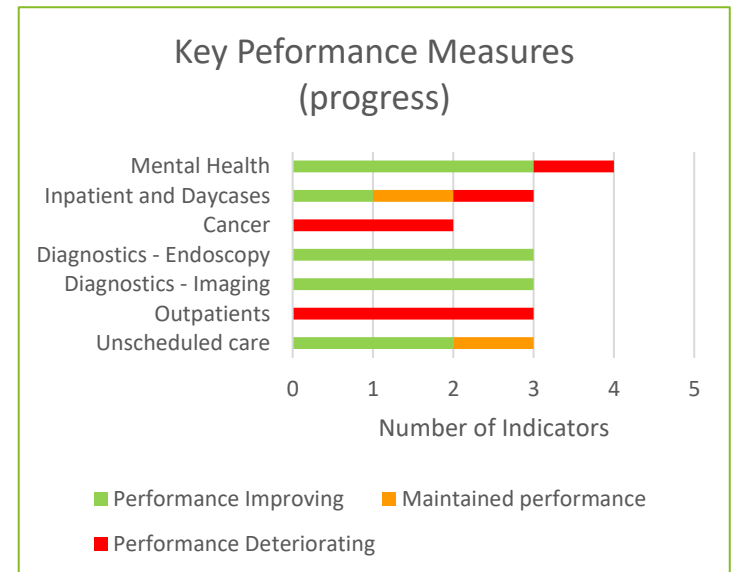
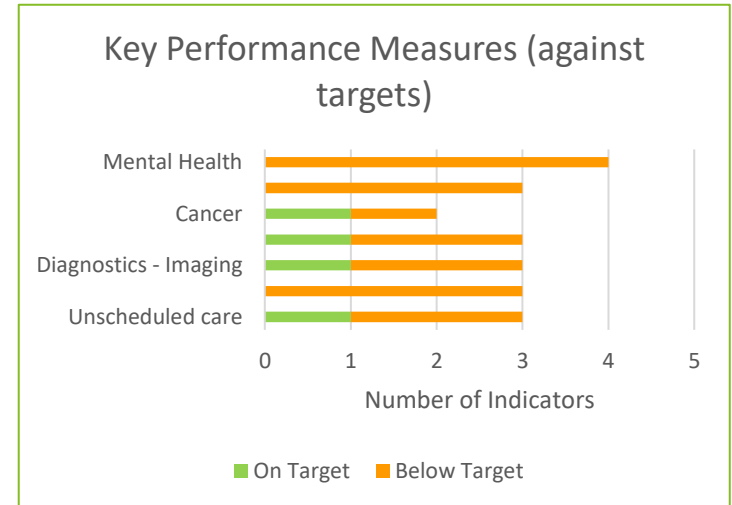
Wider scope requirements (continued)

Use of resources to improve outcomes

Performance data

A summary of the performance reported to the Board during the year is provided in the graphs opposite, based on the key performance measures overview reported in the Annual Report and Accounts. Key highlights are:

- **Unscheduled care** – the 4 hr Emergency Access Standard (EAS) system measure continues to be both challenging and variable with performance consistently in the lower quartile for NHS Scotland. Actions to support sustainable change are being progressed with a focus on supporting decompression of the acute site and sustained recovery. NHS Forth Valley has agreed with Scottish Government a whole system Urgent and Unscheduled Care Collaboration Plan with implementation work commenced.
- **Outpatients** – The total number of patients waiting, and the number waiting beyond 12 weeks for first appointment has increased during 2022/23. While below target, the Board has achieved 87% compliance.
- **Diagnostic** – performance has improved in both imaging and endoscopy.
- **Cancer** – In the quarter to March 2023, 70.9% of patients with a suspicion of cancer were treated within 62 days, compared to 72.8% in the prior year. In the quarter to March, 99% of patients were treated within 31 days of decision to treat, compared to 97.9% in the prior year. This is against targets of 95%. Work is ongoing to redesign cancer pathways and work across the West of Scotland whilst actively focusing on reducing waiting times for endoscopy and urology pathways.



Wider scope requirements (continued)

Use of resources to improve outcomes

Performance data (continued)

- **Inpatients** – the total number of patients waiting, and the number waiting beyond 12 weeks has increased in 2022/23. The investment in recurring workforce in 2021 and the introduction of a “Hospital within a Hospital” system for elective patients has enabled NHS Forth Valley to maintain high level of elective activity.
- **Mental Health** – NHS Forth Valley is performing below targets in both psychological therapies and Child and Adolescent Mental Health Services (CAMHS) . NHS Forth Valley is one of the NHS Boards receiving a programme of enhanced support and has submitted a comprehensive Psychological Therapies Improvement Plan to the Scottish Government. Achievement of the standard remains challenging due to national workforce availability.

The reporting to the Board provides comprehensive analysis of the performance throughout the year. One of the key messages is that following a period of remobilisation following the pandemic, the focus remains on recovery as the Board works to stabilise and improve. The Performance Scorecards considered by the Board include key monthly metrics in relation to system-wide performance as it works to stabilise services.

Continuous improvement

A key theme of the 2022/23 corporate objectives is a focus on innovation and improvement and as part of the development of the new Healthcare Strategy, there is a clear recognition that services need to be delivered differently and focus on continuous improvement. This is also reflected in the Escalation Improvement Plan discussed on page [31](#).

Deloitte view –Use of resources to improve outcomes

NHS Forth Valley has a clear and robust performance management framework in place which analyses data and tracks progress against targets. Regular reporting on performance is provided to the Board.

NHS Forth Valley has a clear focus on continuous improvement, as evidenced within its Escalation Improvement Plan. As discussed on page [31](#), implementation of the measurement framework is a key element for the Board to be able to demonstrate that the actions being taken are improving outcomes.

Performance continues to be impacted by the pandemic and period of remobilisation. The Board is taking action in areas where performance has continued to be below targets, for example in unscheduled care. It is important these realistic targets are considered and taken into account in future resource planning, both from a funding perspective and workforce.

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.

The duty of BV in Public Services is as follows:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance;
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.
- BV characteristics have been recently regrouped to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve best value:
 - Vision and Leadership
 - Governance and Accountability
 - Use of resources
 - Partnership and collaborative working
 - Working with Communities
 - Sustainability
 - Fairness and equality

Conclusions

NHS Forth Valley has a number of arrangements in place to secure best value. As noted elsewhere within this report, plans are in place to update its Healthcare Strategy to provide a clear vision for the future. The escalation to Stage 4 of the NHS Scotland Performance Escalation Framework for concerns relating to Governance, Leadership and Culture has had a significant impact during 2022/23. The Board has, however, responded positively, with appropriate governance arrangements in place.

Financial sustainability remains a key risk, as is the case across the public sector. Significant funding gaps remain in both the short and medium term.

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

Wider scope requirements (continued)

Climate change

Risks identified in Audit Plan

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work. For the 2022/23 audit, we have provided responses to a series of questions supplied by Audit Scotland to gather basic information on the arrangements for responding to climate change in each body. These are summarised below.

Question	NHS Forth Valley position
1. What targets has the body set for reducing emission in its own organisation or in Its local area?	NHS Forth Valley has an overall target to become a net zero organisation by 2040. In line with NHS Scotland, it has a number of key emissions to report against and has some general targets relating to reducing greenhouse gas emissions by at least 75% by 2030 and 90% by 2040; and introducing renewable heating systems by 2038 for all NHS-owned buildings.
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?	NHS Forth Valley is currently developing its Climate Emergency and Sustainability Strategy and associated outcomes within an Action Plan. This is being informed by the Climate Emergency Response and Sustainability Team.
3. How does the body monitor and report progress towards meeting its emissions targets internally and publicly?	NHS Scotland has developed a National Sustainability Assessment Tool (NSAT) which all health boards use on an annual basis to measure their progress across 16 different areas of sustainability. In 2021/22, NHS Forth Valley's draft score was 56%, an increase from the previous years score of 48% but recognising that there is further work to be done. Opportunities identified as part of the NSAT assessment will be included in the Action Plan that is being developed.

Wider scope requirements (continued)

Climate change (continued)

Question	NHS Forth Valley position
3. How does the body monitor and report progress towards meeting its emissions targets internally and publicly? (continued)	<p>NHS Forth Valley published its first annual Climate Emergency and Sustainability Report for 2021/22 in January 2023 which is available on the NHS Forth Valley website. Clear governance arrangements are in place including:</p> <ul style="list-style-type: none"> • A Climate Emergency and Sustainability Board (governance and strategic role) • An Executive Lead and a Board-level Champion for sustainability has been nominated • A Climate Emergency Response and Sustainability Team (strategic and operational) • Strategic Working Groups reporting to Response Team.
4. Has the body considered the impact of climate change on its financial statements?	<p>Given the early stages of developing the Climate Emergency and Sustainability Strategy and associated Action Plan, no specific consideration has been given to the impact of climate change on the financial statements.</p>
5. What are the areas of the financial statements where climate change has, or is expected to have, a material impact?	<p>Potential impact could be around Property, Plant and Equipment balances, provisions and contingencies and the budgetary implications of the Action Plan.</p>
6. Does the body include climate change in its narrative reporting which accompanies the financial statements and is consistent with those financial statements?	<p>NHS Forth Valle has included reference to climate change within its Annual Report and Accounts for 2022/23, with particular focus on what is being done at Scottish Government and NHS Scotland level and what Board’s should be doing, with a hyperlink to the NHS Scotland Climate Emergency and Sustainability Strategy. This could be enhanced by incorporating more information on what NHS Forth Valley is doing locally.</p>

Deloitte view – Climate change

NHS Forth Valley is monitoring and reporting its progress through the National Sustainability Assessment Tool and its Climate Emergency and Sustainability Report. Clear governance are also in place both operationally and at a strategic level. While high level targets have been set, NHS Forth Valley needs to develop more granular interim targets to allow it to measure progress towards its overall emissions reduction target. It is positive to see the development of the Strategy and associated Action Plan. It is important that NHS Forth Valley assess whether there is sufficient staff capacity to drive forward the Strategy. Once developed, NHS Forth Valley should consider any potential impact on its financial statements.

Wider scope requirements (continued)

Cyber risk

Area	Management actions	Impact on NHS Forth Valley's Annual Report and Accounts	Impact on our audit
Cyber risk	<p>NHS Forth Valley recognise cyber risk as part of its strategic risk register which is monitored by both the Policy and Resources Committee and the Audit and Risk Committee.</p> <p>As part of the Internal Audit ICE Report, issued to the Audit and Risk Committee in February 2023, it was highlighted that the P&RC considered a deep dive review of the Cyber security risk, completed in conjunction with risk management, ICT and Information Governance colleagues, at its meeting in December 2022.</p> <p>In 2022/23, the Executive Leadership Team cemented its commitment to effective management of cyber security risk by approving the permanent retention of the Cyber Security Team.</p> <p>NHS Forth Valley's information governance arrangements were externally reviewed during the year by NIS Compliance audit, with favourable outcomes giving confidence that its approach to cyber security risk is appropriate.</p>	<p>Reference to the work done by the Information Governance team and the external review is included within the Annual Governance Statement, as was the deep dive considered by the P&RC.</p>	<p>We have obtained an understanding of the business and its internal controls in relation to cyber including assessing the maturity and coverage of the entity's cyber risk management programme. Internal Audit's report to the February 2023 Audit Committee has informed this work.</p> <p>We obtained an understanding of the relevant laws and regulations in relation to the entity.</p>

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.

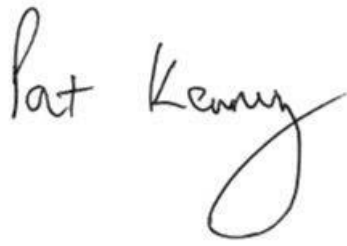
What we don't report

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.

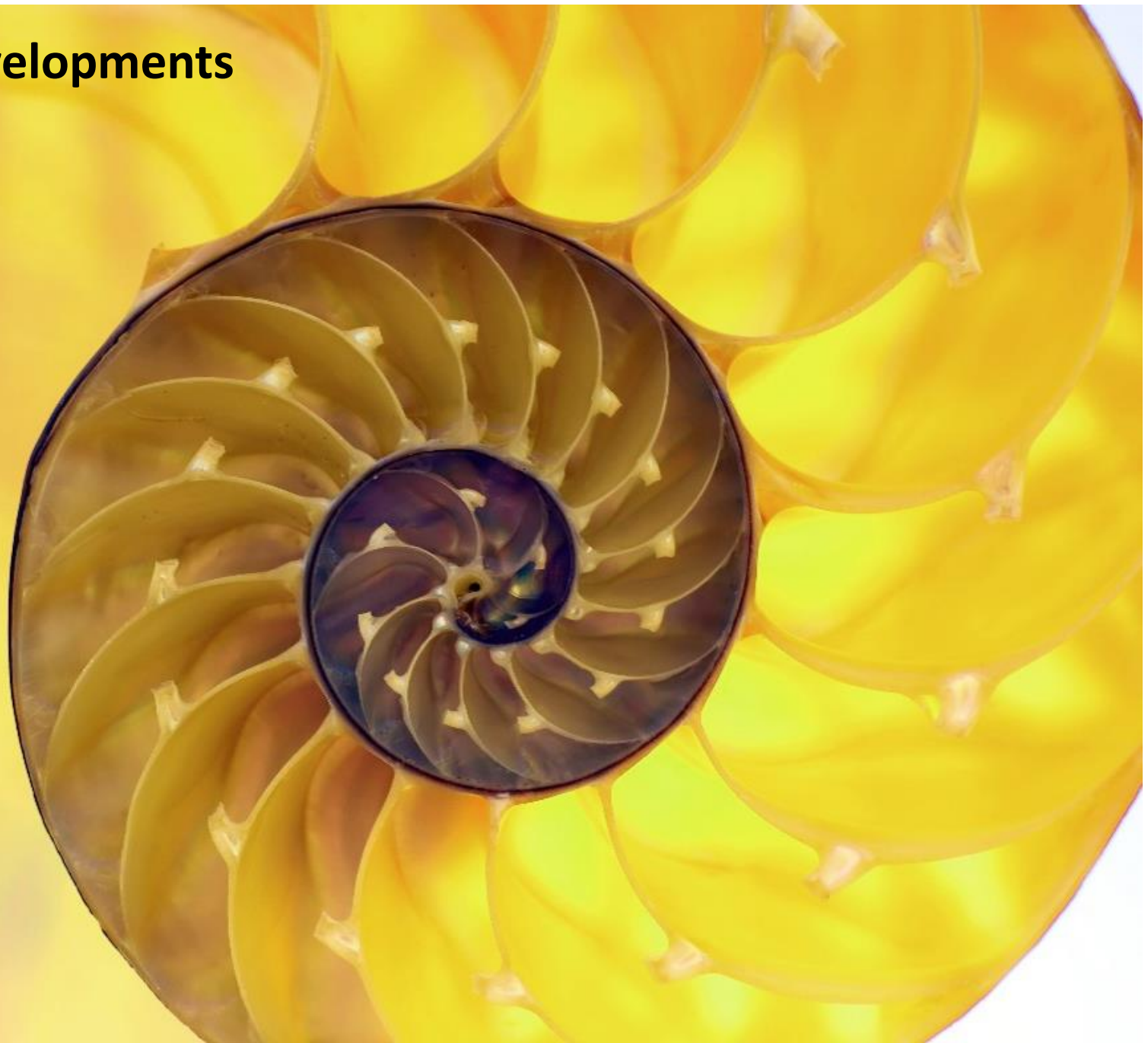
Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our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

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



Deloitte LLP
Glasgow | 13 June 2023

Sector developments



The future of public health report series

Building a fairer and sustainable system for the UK

Background and overview

Deloitte Centre for Health Solutions has produced a series of reports examining the current challenges and future requirements for a resilient public health system in the UK.

The research was carried out between March and July 2021, against the backdrop of the third wave of COVID-19. The pandemic has exposed the impact of long-standing health inequalities and lack of progress in addressing the social determinants of health. It has also highlighted shortcomings in public health funding and in the roles, responsibilities and accountabilities of a beleaguered public health workforce. At the same time, it has emphasised the crucial role of public health and led to the rapid adoption of innovative ways of working.

Key Findings:

1. The challenges and opportunities facing public health:
 - An unparalleled opportunity to tackle health inequalities.
 - An undisputed need to increase public health funding.
2. Preventing ill health and promoting healthy behaviours:
 - An urgent need to tackle mental health problems.
3. A community level, asset-based approach to public health;
 - Improving the capacity and capability of the public health workforce.
 - Rapid improvement in science and technology are driving innovation.
 - Climate change is a significant threat to public health.
4. Employers have a responsibility for improving employee health.
5. Meaningful change will take time but will realise multiple benefits.
6. Priority actions for a fairer and sustainable future for public health:
 - Actions for national and local governments and the new public health agencies
 - Actions for public health directors and their teams



Further reading

The future of public health report series features six reports on the crucial role of public health and the actions needed to optimise the link between health and productivity to drive economic recovery and positive societal impact. They can be accessed through the following link:
[The future of public health | Deloitte UK](#)

Appendices



Action Plan

The following recommendations have arisen from our 2022/23 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>1. Listing of balances in Annual Accounts</p> <p>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.</p>	<p>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).</p>	Low	Deputy Director of Finance/Accounting Services Manager.	30 September 2023

Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<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	Director of Finance	31 March 2024

Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<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.</p> <p>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	Director of Facilities & Infrastructure	30 July 2023

Action Plan (continued)

We have followed up the recommendations made in by the previous auditors. We are pleased to note that the 3 recommendations have been fully implemented as documented below.

Recommendation	Management Response	Priority	Management update 2022/23
1. Remuneration and Staff Report Management should revise the process for drafting the Remuneration and Staff Report.	It is recognised that a number of new/enhanced disclosures for 2021/22, coupled with changes in key personnel at year end has impacted on the process. The arrangements for drafting future remuneration reports will be considered as part of the 2021/22 annual accounts post production debrief. Responsible officer Deputy Director of Finance. Agreed date 30 Sept 2022.	Low	Complete. No. of late changes to the manual & retirement of former DDOF at year end were factors. New DDOF is a member of the national Technical Accounting Group so can ensure changes to the Annual Accounts Manual are known & understood at an earlier stage. Local planning meetings have been established with key staff involved in the annual accounts production process to ensure leads are clear on actions and timescales etc.

Action Plan (continued)

We have followed up the recommendations made in by the previous auditors. We are pleased to note that the 3 recommendations have been fully implemented as documented below.

Recommendation	Management Response	Priority	Management update 2022/23
2. Presentation of IJB Transactions NHS Forth Valley should work with partners to agree a consistent presentation of IJB transactions and improve the transparency of reporting in the financial statements.	A review will be undertaken during 2022/23, in conjunction with IJB Chief Finance Officers, to improve consistency and enhance transparency of reporting. Responsible officer Deputy Director of Finance Agreed date 31 Dec 2022	Low	Complete. This is a presentational issue. Revised local position agreed with IJB CFOs and this will be reflected in the 2022/23 annual accounts.
3. Reporting of remobilisation targets Reporting against the remobilisation plan could be further improved to show more clearly performance against the planned recovery trajectory	Performance reporting against remobilisation plan actions will be revised as part of our 2022/23 Annual Delivery Plan due to be submitted to Scottish Government on 29 July 2022. The 2022/23 annual delivery plan will focus on a restricted set of priorities and trajectories as we continue to stabilise and improve services as we recover from the COVID-19 pandemic. Responsible officer Head of Policy & Performance Agreed date 30 Sept 2022	Low	Complete. Remobilisation plan was up to March 2022 and has now been superseded.

Audit adjustments

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

	Debit/(credit) SOCNE £m	Debit/(credit) in net assets £m	Debit/(credit) prior year reserves £m	Debit/(credit) Equity £m	If applicable, control deficiency identified
Revaluation of Stenhousemuir Health Centre	[1]				
Revaluation of Property, Plant and Equipment	2.860				
Buildings Revaluation Cost		(0.757)			
Buildings Impairment Cost		(2.103)			
Total		-			

[1] There was one misstatement identified within property valuation above our reporting threshold where the value of Stenhousemuir Health Centre was valued on the basis NHS Forth Valley could extend the lease after the 25 year term was up as if the asset was owned. This assumption was taken by the District Valuer. The quantum of the misstatement was a £2.86m downwards valuation of the asset which management have agreed to correct. As such we have concluded that the property valuations of NHS Forth Valley are appropriate.

Unadjusted misstatements

There have been no unadjusted misstatements noted, subject to the completion of audit procedures.

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.

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 2022/23, as communicated by Audit Scotland in December 2022 is analysed below:

	£
Auditor remuneration	165,020
Audit Scotland fixed charges:	
• Pooled costs	14,930
• Audit support costs	6,450
• Sectoral cap adjustment	630
Total expected fee	187,030

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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